

# **Consumer Engagement Stocktake**

Summary Report  
January 2020

Report of the Consumer Engagement Stocktake  
Convened by Energy Consumers Australia and  
Energy Networks Australia  
11 September 2019, Melbourne

## Consumer Engagement Stocktake

This report outlines the purpose, structure, content and conclusions of a workshop convened by Energy Consumers Australia and Energy Networks Australia on 11 September 2019 in Melbourne.

The proposed further work included in the concluding remarks will be considered by participants and the convening organisations.

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## Background

Following the 2012 revision of the National Energy Rules (NR)<sup>1</sup> for the economic regulation of networks, Network Service Providers are required to 'indicate in its regulatory proposal the extent to which it has engaged with consumer representatives.' For its part the AER was required 'when determining the capital expenditure and operating expenditure allowances, to take into account the extent to which the NSP has engaged with consumers in preparing its forecasts.'

The full history of the rule change, the role of consumer representation, the AER guideline and ENA Handbook are included in Appendix 1.

The NewReg project established by the AER, ECA and ENA attempts to bring elements of 'negotiated settlement' into the regulatory framework.<sup>2</sup> The project has developed a model of consumer engagement whereby the network service provider attempts to reach agreement with a body representing consumer perspectives (the customer forum). The model is being trialed by Ausnet for its electricity distribution reset.

The detailed monitoring and evaluation process for this trial is comparing the process to the way AusNet would have conducted its engagement. However, while this is an appropriate (and necessary) scope for the evaluation of NewReg it risks not capturing the breadth of experience that has occurred across all networks. Conscious of the significant developments that have occurred in engagement over the last six years the NewReg Project Board asked Energy Consumers Australia and Energy Networks Australia to conduct a stocktake on one particular aspect of consumer engagement, namely 'pre-lodgement consumer engagement.'

To undertake the stocktake a workshop was held on 11 September in Melbourne to which all networks and a breadth of consumer advocates were invited. This report is about the conclusions of that workshop and identifies opportunities for further action.

## Structure of the workshop

### Participants

The date of the workshop was chosen to coincide with the ENA meetings that were held around their annual dinner. Networks asked if they could send two representatives, but in the end most only sent one. Invitations were sent by ENA, and 19 network staff registered to attend.

Networks and ECA staff were asked to identify consumer advocates who had been deeply involved in network engagement. From this, 30 consumer advocates (including the whole CCP) were invited to the workshop, and 11 advocates registered to attend. Unfortunately, a range of conflicts limited some participants. Funding was not a reason for non-attendance.

In addition, five representatives from different parts of the Australian Energy Regulator (AER) attended as did one from the Australian Energy Market Commission (AEMC).

On the day a further two consumer representatives withdrew, and one was a no show. One network registrant was also a no show.

ECA and ENA staff and guests from AusNet and its Customer Forum are not included in these numbers.

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<sup>1</sup> Both the electricity and gas rules were changed. Where the reference is to the Energy Rules collectively we use the abbreviation 'NR' to distinguish from the National Electricity Rules which are usually abbreviated NER.

<sup>2</sup> The 2012 rule change determination notes that the Ethnic Communities Council of NSW, Energy Users Association of Australia and Uniting Care submitted that consumer engagement should enable 'negotiated settlement.'

## Objective

The objective for the workshop as circulated to all participants was:

*To create a common understanding of developments in customer engagement by energy networks, especially in the context of pre-lodgement (i.e. in the development of) revenue determinations and access arrangements, over the last three years.*

*From this discussion, identify any additional work that would assist the further development of engagement approaches.*

*Provide an evidence base to assist the Australian Energy Regulator (AER) in its consideration of any update to its Consumer Engagement Guideline or possible rule changes.*

At the start of the workshop participants were asked to write down one personal objective for the day and place them on a chart. Based only on the primary verbs used in these objectives, they fell into four groups; learn, understanding, insights and assistance (see box below for all the phrases offered).

### **Learn**

(Best practice learnings from sector colleagues, Learning from others' war stories, Learn as much as I can about what others are doing in customer engagement, Learn about what others are doing and hearing better outcomes, Learn something new that I can apply in my various roles in consumer engagement, Shared learnings, learn about consumer engagement on the East coast, Learn how to convert consumer engagement into the proposal, To learn something new. To learn more about customer engagement. Learn about engagement techniques that others have found effective.)

### **Understanding**

(Clear understanding of consumers as partners and fair resourcing, Understand state of consumer engagement and next frontier, Understand there is not one right way to engage, Understand any need for reform and how much of a priority, Understand the issues faced by networks and consumers in getting customers to engage to get a better understanding of stakeholder expectations and how we can meet those expectations, Understand diversity of approaches and results, Understand what's needed from the AER if anything needs to change/Add-in, more understanding of background of draft proposal, process and function it's really meant to serve,

### **Insights**

(Listen, Insights into current engagement trends, Embrace new ideas, Understand there is not one right way to engage, share insights for engagement to date and apply them to those upcoming, Have greater awareness of innovations and developments in the engagement sector, See, hear a different perspective.)

### **Assistance**

(Assistance making network consumer engagement make a positive impact on long-term interests of consumers, Build closer industry relationships, Lay of the land in terms of AER development of guidelines, Less time focused discussions.)

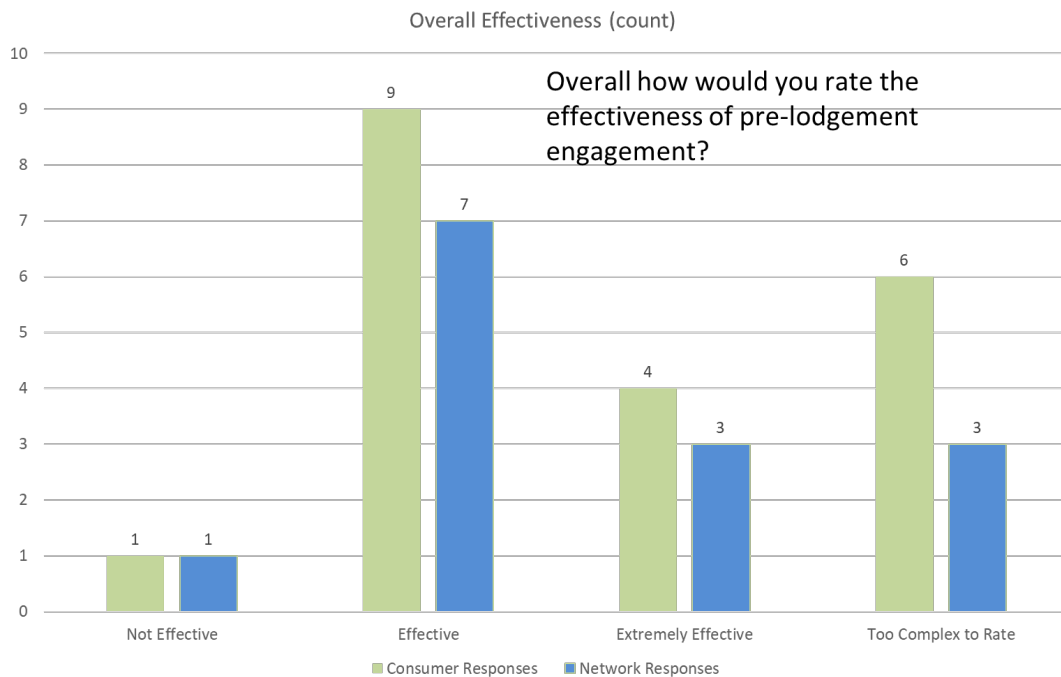
These objectives have in part been framed by the objectives that were published for the workshop. They implied that discovering how to do better engagement would come from observation of good engagement techniques.

As we progressed through the workshop this perception changed. Rather than improvements coming merely from the observation of good engagement techniques and applying them, participants identified improvements that no one is currently doing. There remains a lot of opportunity for those involved in consumer engagement for reflection and improvement based on analysis rather than just copying.

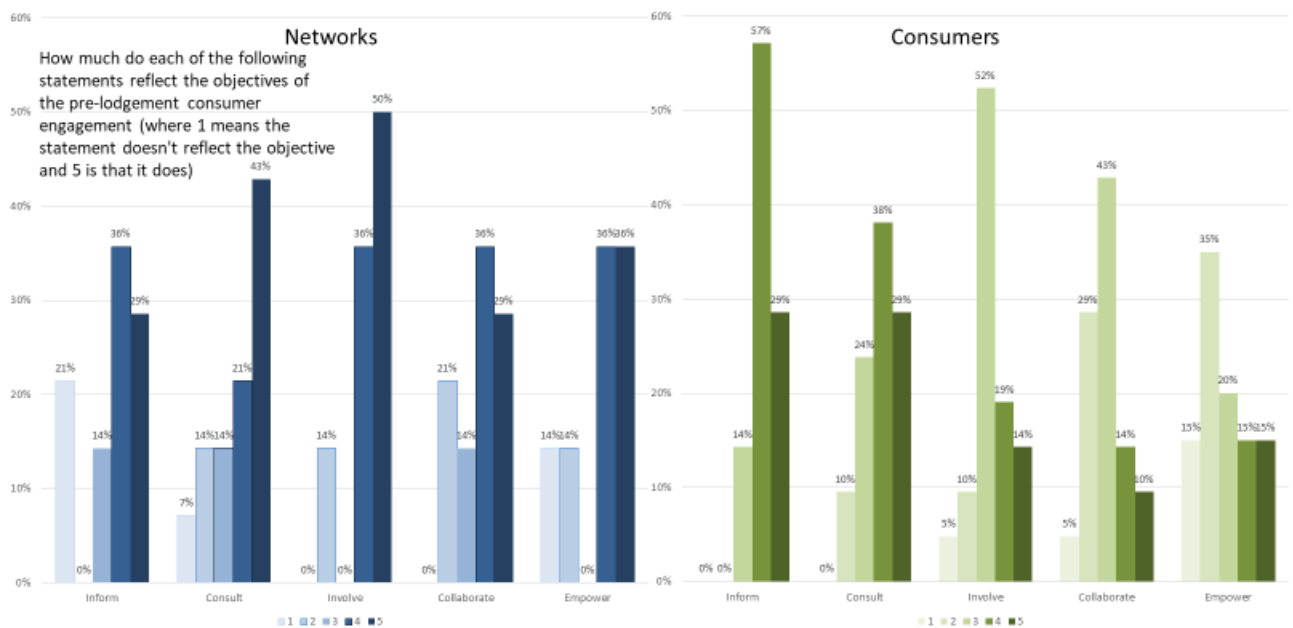
## Preparation

The ENA Consumer Engagement Handbook was used to frame a survey about consumer engagement. The survey was sent to network registrants and all invited consumer advocates. There were 14 responses from networks, and 20 from consumer advocates. The questions are provided in Appendix 2 and covered overall effectiveness, engagement objectives, engagement criteria and effectiveness of individual techniques.

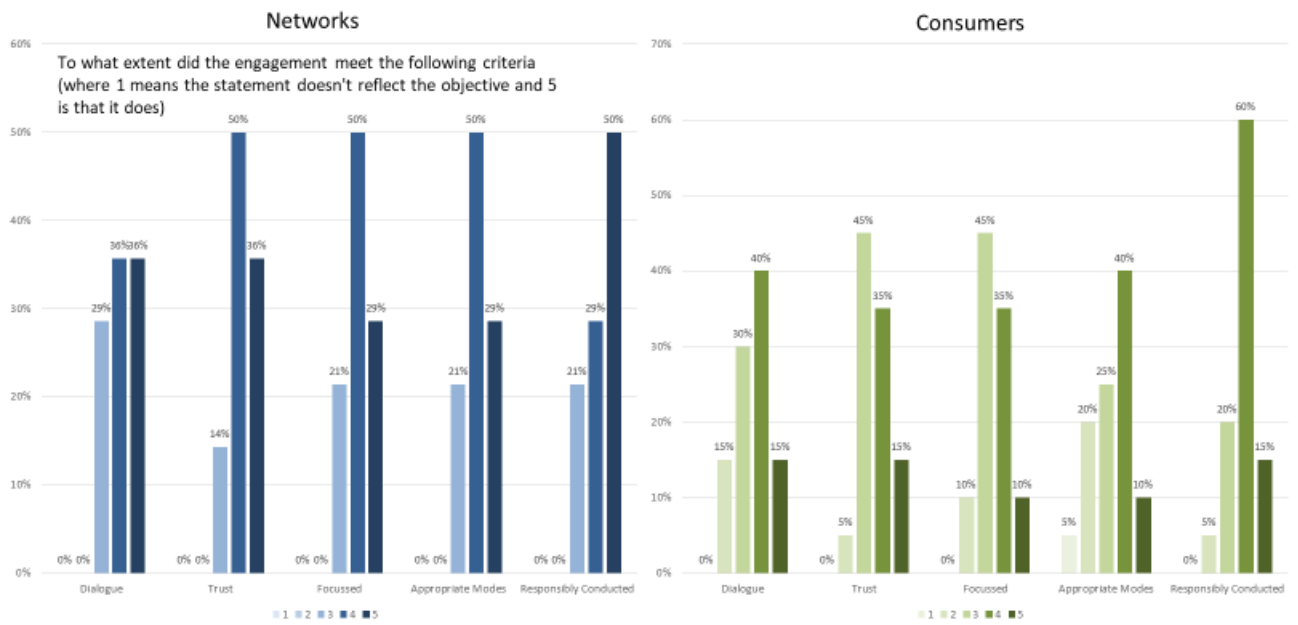
Results from the overall effectiveness question showed a close correspondence between network and advocate assessments.



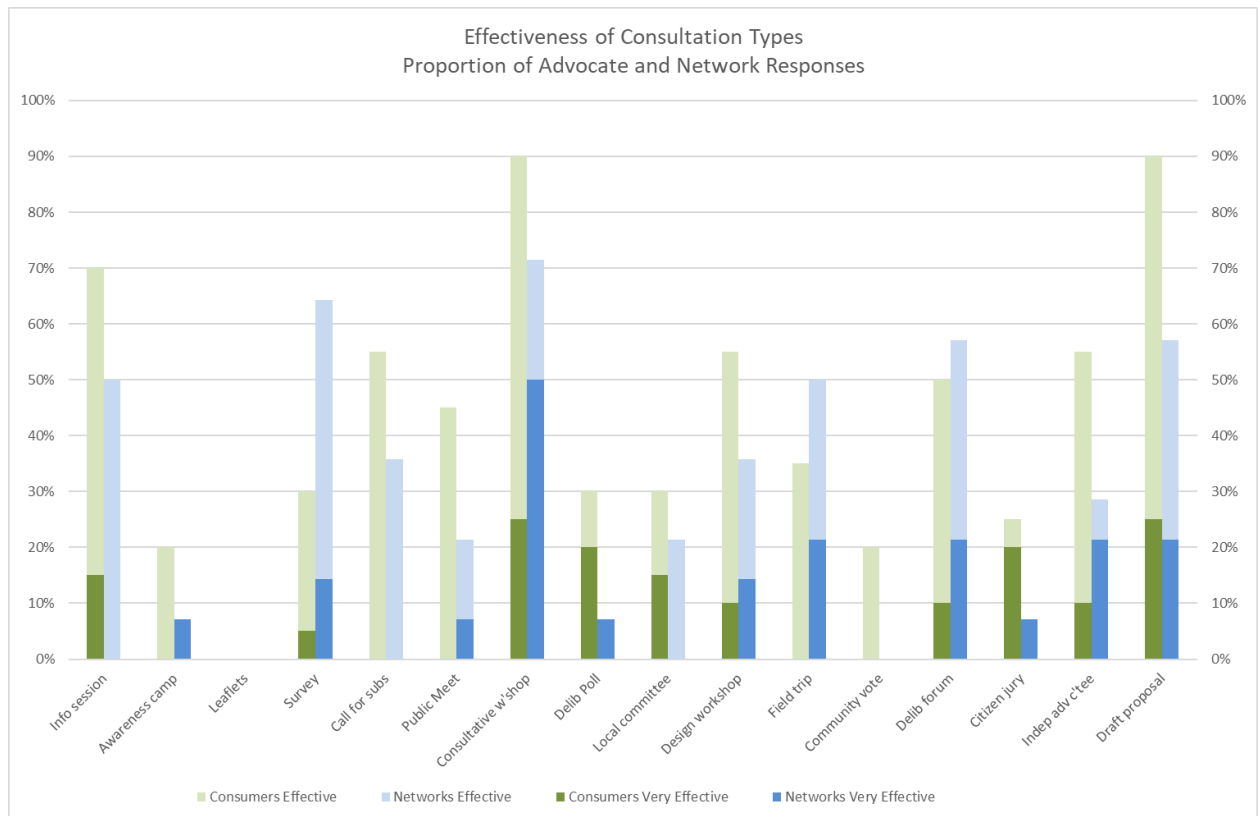
Networks overall thought engagement was far more progressed along the IAP2 spectrum than did consumer advocates.



Similarly, networks thought engagement met the criteria better than consumer advocates.



Consumers and networks had more aligned views on the effectiveness of various engagement types. Caution must be applied to this data since some engagement activities (e.g. citizens juries) have very low utilisation rates and hence the effectiveness score may reflect utilisation more than effectiveness. This in turn possibly reflects the origin of the original list in generic 'stakeholder engagement' and therefore activities not suited to pre-lodgement engagement — leaflets is a notable example.



## Program

The program was developed with a view to having four sessions, each having a discussion starter and focus. These were:

<b>Session Content</b>	<b>Discussion Starter</b>
<b>Session 1</b> <b>Effectiveness of tools used for engagement</b>	<b>Survey responses</b>
<b>Session 2</b> <b>Which customers to engage</b>	<b>Mark Henley (summary of report conclusions)</b>
<b>Session 3</b> <b>Reconciling preferences with plans</b>	<b>Presentation on 'negotiation' from Tony Robinson (Ausnet Customer Forum) and Tom Hallam (AusNet)</b>
<b>Session 4</b> <b>Evaluation of effectiveness of engagement</b>	<b>Gerry Reilly Energy Charter 'Better Together Customer Participation Initiative'</b>

## Process

The workshop was jointly facilitated by David Havyatt and Angela Maguire. The whole meeting was conducted under the Chatham House Rule except for the presentation of invited speakers. The meeting established additional rules.

After session introductions and discussion, a question was posed to the room and each of five tables that contained a mix of networks, consumers and market body staff discussed the question and reported back. At lunchtime table membership was fairly randomly rearranged.

It was intended to obtain an audio recording of the whole day and use transcripts to help develop notes. Operator error resulted in only half the day being captured in that way. For all report backs flipcharts of the responses were recorded and where transcripts of audio aren't available these have been used.

As it transpired the workshop was adaptable and different questions to those originally prepared were proposed.

## Outcomes

### Session 1 – Effectiveness of tools used for engagement

After the presentation of the survey results it was intended that we progress to a review of the different techniques in more detail.

Two things immediately emerged:

1. There was a concern expressed that a new language of engagement techniques has developed without common understanding of the meaning of the terms (an example is ‘deep dive’).
2. There was interest in exploring the OBJECTIVE of pre-lodgement consumer engagement.

The first item was picked up in a later session.

It was noted that the definition of engagement depends on circumstances, not necessarily about techniques. Evaluation is a case by case basis, not necessarily better value for money. Need to be clear ‘What do we want to engage with consumers about?’ Can be hard on ourselves (meaning both networks and consumers).

Tables were asked ‘What are the objectives of pre-lodgement engagement?’ We invented a new term – the CEO – the Consumer Engagement Objective.

Responses as recorded have been listed in Appendix 3 in five groupings. These are trust, clarity, consumer understanding, outcomes and timing.

These five elements of the CEO can be constructed as:

- |                   |  |
|-------------------|--|
| <b>Trust</b>      | consumers need confidence in the approach taken by the Network Service Provider (NSP) in planning and seeking recompense for their services. Trust includes consumers being able to raise issues, consumers assessing that the network is making the effort to make the right decisions, that networks are managing for the future and will manage safety and reliability. |
| <b>Clarity</b>    | the NSP is clear about the concerns of consumers, and what they value and the AER is not surprised by consumer reaction to the revenue proposal submitted.   |
| <b>Understand</b> | build shared understanding of the capability of the NSP to respond to consumer preferences. This includes improving network staff’s ability to speak about network issues in plain language, and upskilling consumer advocates on network issues.  |
| <b>Outcomes</b>   | the NSP finds the experience challenging, it has to work hard to find ways to deliver the benefits consumers seek and to explain how they responded to consumer feedback.  |
| <b>Timing</b>     | engagement is an ongoing part of the daily operation of the NSP, the business finds ways to connect to many end users, reduced resource requirements on advocates post-lodgement because issues are well understood by NSP and this is reflected in the proposal.  |



## Session 2 – Best strategies to deliver the CEO (Consumer Engagement Objective) , and barriers

Five tables were asked to list the strategies they thought were most effective. Their responses are captured in Appendix 4. (Note different labelling is used for the five tables for each session to maintain the focus on what was said rather than who said it).

Themes that emerged through this session were:

- the importance of having good consumer engagement as ‘business as usual’,
- the value of ‘engaging to engage’ that is jointly planning the pre-lodgement phase,
- the importance of getting the ‘representativeness’ right,
- involvement of senior managers,
- the use of common language
  - building knowledge and capacity to ensure meaning,
  - training of network staff on engaging,
- ‘deep dives’, advisory groups and people’s panels were called out as effective tools (of these only ‘advisory groups’ in the form of ‘independent advisory committee’ appear in the existing list of techniques in the ENA Engagement Handbook.)

Tables were then asked to discuss the barriers to effective engagement. An edited version of that follows. The words in bold represent the points that were identified in the course of that discussion and from which five were chosen for further exploration in the next session

### Table 1

I tried to capture as much as I could from our table because this was a hot topic. Some of the barriers to engagement included: **Making sure there was a balance between what we as networks, or the people doing the engagement, think is important** and what actually consumers find important. **People are time-poor**, just in general, and that can be, not only consumers or customers, but also us. So, again that balance. **Engagement with end customers is more difficult than consumer advocates**, and also making sure we engage with the right people. By which we mean the people that are actually interested, that can influence, that have the right knowledge, so building capacity. So all of that stuff is about the right people.

We talked about, **there's a heavy reliance on consumer advocates**, and we want to make sure that we're actually able to help these advocates communicate to their networks. So, focusing it on that and making sure that that chain of communication goes right through to the end customer. We talked about the purpose and **making sure the purpose of engagement is clear**, because this can become a barrier. Also around making sure our conversations have real outcomes. So what's in-scope and what's out-scope, to **make sure that people don't end up being disenfranchised** because there's a lot of conversation and not a lot of outcome.

We talked about making sure that in any engagement the conversations **include a discussion around the limitations that the businesses are facing**, whether framework, government pressures, or any legal requirements might actually become a barrier to getting the right outcomes. **Building knowledge and understanding capacity to ensure that the conversations are actually meaningful**. And that takes a lot of time as well. We talked about framing our feedback to ensure that it has impact. So again, that's around that scope. **Dollars, budget – both networks and consumers. So, there's time pressure but there's also budgetary pressure.**

**Having a common language** for everybody involved in the conversation is actually really important so that we all have a common understanding of what we're there for, but also what we're talking about. And we **don't slip into engineering speak**, for example. **Geographical barriers** to engagement, SA is one. I'd love to go and talk to every consumer, but for me to get to Streaky Bay and actually have a one on one conversation, is pretty difficult. I think I'm going to stop... Oh, small businesses as well, that it's **really hard to engage with small businesses.**

## Table 2

We focused on barriers to effective engagement from the perspective of consumer advocates first, and then a bit at the end on barriers to networks in terms of, for consumers, **the size and diversity of the networks** and the need to get an understanding of how different they are.

It's really around **funding, to support building of capability**.

In Queensland where I come from, EQ is doing this and Powerlink is about to do this, **but they only come around every five years and so there's a lot of downtime** in between the reset processes and then how do you maintain capability in that time. It's a bit different for a national organization, because there are lots going on all around the NEM and I'm not sure how you address that issue. We certainly **support the extension of the PIAC model to other states**, and we hope states take that up so that it does provide a certain level of funding to build capability and be able to make a contribution. PIAC does fantastically, not just to the individual network resets, but for the wider network-wide issues like funding of ISP. It's a very, very, very good model that should be focused on more.

The other issue that is **particularly difficult for gas networks where they only come around once every five years** and much less frequent than electricity. So, it's a barrier to getting engagement in gas because it's such a specialized area compared to electricity. Barriers in terms of the networks, language, older people, small business— people with English as a second language. Older people and small business. They're the ones who really don't have the time because they're trying to run the business.

And then there's the issue of, for TNSPs versus DNSPs. DNSPs can easily identify the customers. It's **a bit harder for TNSPs to identify customers**. And a lot of people, if you ask them who's your TNSP, they wouldn't have the faintest idea, it's a bit harder to get the engagement from an organization you didn't know existed.

## Table 3

One of the barriers, is how do you **bring everybody up to the same point** that has that kind of equal balance and knowledge and understanding. It would be really good to have at least, just a cheat sheet of all the terms. And I think we've had a really practical conversation here, and a really useful conversation around barriers and kind of how to get round them and bring everybody to the same page.

So, one of the things that I think is a bit of a challenge, at least in terms of joined up engagement in **the regulatory cycles**. So for example, in South Australia it would be great to do everything together, like have **joined up engagement around energy** (gas and electricity, distribution and transmission). But it's very hard to do that when everybody's cycle is misaligned.

We're all talking to the same people. We're all having energy conversations. We've tried to do some joined up engagement. We've got together as engagement professionals and go, "Okay, how do we do it?" How do we have the same conversations with all South Australian reference group members? How could we do that?

Now, we could do that in a BAU context. Absolutely. We can do some of that stuff, but those really important decisions, or I guess priorities around investment for energy in South Australia. If we were going to do it in a really joined up way and an effective way, right, for all of our stakeholders. If it was aligned, maybe it would look a little bit differently.

#### Table 4

In South Australia with the interconnector, it became part of election promises. That limits the ability to effectively engage because there's a lack of influence that you can actually make in regards to the solution to this. **There's that political involvement which can impact it.**

The other thing we talked about, and I think it goes back to the resourcing question, was there's a couple of things whether, how you inform them and have competent advocates and how those advocates actually gained, I guess, confidence and give us confidence that they've gone out to their constituency, **that they are representing their constituents views** and not necessarily their own. And that effective ability to influence, is also based somewhat on that. But we do understand that the constituency is being represented.

And the other thing I think we talked about too, was **whether certain consumer advocacy bodies have a greater influence** than others, and whether that is representative of the full consumer base.

#### Comment

It didn't come up in that last discussion on barriers, we were just talking about, a little bit just some of the barriers for advocate groups like are involved in energy but are also involved with a whole lot of other issues. We're working on pay-day loans and gambling, for example. Part of what we experience is competition for our time internally between all these issues, not other external issues. And it's something that affects all of us, or not so much the case. But someone said, "Hey, can we (industry) be a stakeholder for some of the other engagements you are working on?" And I reckon that's a really great question.

## Session 3 – NewReg and further discussion on barriers

This session started with a discussion led by Tom Hallam (AusNet) and Tony Robinson (Customer Forum) that was explicitly targeted at exploring what the difference is when you have an express goal of trying to reach agreement rather than just ‘engaging.’ The full transcript of that session is attached in Appendix 5.

Following that discussion attention turned to overcoming barriers to effective engagement. Five of the barriers to effective engagement identified were picked out and one was given to each table to discuss “What are the strategies to overcome that barrier that are available?”

1. “everyone is time-poor and there is a heavy reliance on advocates”. If that's a barrier, what can you do about solving that barrier?
2. “building knowledge and capacity to ensure meaningful engagement” and the question is, what are the ways you can overcome that barrier? You know, one of the obvious questions is, whose job is it to build the knowledge and capacity in particular we want to talk to.
3. “lack of common language, and not slipping into engineering speak, and the use of acronyms.” Steven Pinker's book 'A Sense of Style', has got a lovely chapter called 'The Curse of Knowledge', and basically it describes the fact that people who are very knowledgeable about a topic, usually they are the last people that you'd ask about it, because they have an inability to come away from their knowledgeable position and talk to you in meaningful terms.
4. “regulatory cycles”, and I've added to that, election promises, politics, anything that might be sort of outside of the control of us. These are some of the exogenous factors, as economists would call them.
5. “ how do we make sure that advocates are representing their constituency, not just personal opinion. In that one you can also ask this question about how does a network can overcome the barrier, which is how to work out the balances between the different consumer perspectives that might be heard?

Below is a slightly edited version of the conclusions reached about each of the barriers.

### **Everyone is time-poor and there is a heavy reliance on advocates**

Our barrier was heavy reliance on advocates, everyone is time poor. We discussed at length, how much coffee should we buy for all the consumer advocates? ... I'm trying to bring humour; trying is the key word.

Collaboration across industry, joint engagement and timing.

Making sure that the businesses actually work together and how they engage with consumer groups. Being mindful of that I think will be helpful, and understanding what their timings are and so on.

Independence through funding process.

It goes to the resources issue and, let's say that we want to give a bunch of money to stake holders and they would love that. Some of them would, but there's an element of how do you do that? How do you provide them with the resources that they need? Maybe some of them might not like the fact that it's not independent. Maybe it could be pooled, how can we provide them with the resources that they need to do their job in a way that's satisfactory for everybody involved? So, that independence is important. Maybe a third party, it was mentioned, maybe through the ECA .

Advocate training and turnover.

We had quite a good discussion around training. How can we upskill in areas that are quite technical that no one really wants to learn? At the same time if you do upskill them, you could potentially lose them to in network businesses or governments and so on.

Agreement on engagement framework and advocacy requirement.

One of the things that I've been pondering a little bit in my new role is you've got different

stakeholders, some of them have different interests. When you go to the 'time pull' part, if they're interested say particularly in the environmental aspects, why get a meeting to talk to them about the WACC (financial parameters)? Why not get into the environment guys in the business, sit him down for half a day and go through those issues that are specific to them. So it's more of a targeted engagement process to sort of save time.

Agreement on what is fair funding.

If you think about the level of resources that network businesses on have, versus the consumer groups. This is something that happened to us recently, is one of the consumer groups just came out and said that they don't have the ability to discuss this topic with us because they don't have the resources. That group rather just challenged it with the AER. What's fair, what's reasonable, how can they compete with us at a certain level, not necessarily competition but more how can that help that positive conversations? Then properly resourced business engagement with advocates on their ongoing issues and interests.

### **Building knowledge and capacity to ensure meaningful engagement**

There's kind of two buckets here. One is if you like a little more strategic and with that long vision in mind, and the other is perhaps a little more operational, in the moment. How are you going to tap in and make sure that you are effective in building that knowledge and capacity as well?

Looking at the strategic, picking just a couple. One of them is just consistent commitment to it. It is committing to our consumer councils and the reference groups and the working groups and making sure that they feel that consistent support that we give, so that we build that over time. A counterpoint to that perhaps, is remain mindful of who else we can include in our circles and making sure that you have a pipeline of advocates and consumers and stake holders who want to engage with you as that you can build that up over time as well.

There are more concrete things like building resources that you can share with stakeholders, whether it be glossaries or just developing stories, and building that storytelling culture. Again, more tangible things like tours, so that people have a real sense of what you're talking about.

We also spoke about educating internal team. We have an internal consumer engagement reference group, but it is also about developing people's ability to speak publicly and step away from using jargon and simplify what they can.

Partner up as well and collaborate with external organizations that they can help you understand what it is that they need, and you can deliver things together, especially when you're resource poor. Even though we are resource poor sometimes the best thing you can do and what people want and can make best use of is, providing resourcing support.

Whether it's funding, I think of some of our experiences with straight up offering cash that people can bring in someone to work on policy and run some workshops directly, that enabled people to feedback on our processes that sort of could happen.

Remaining accessible. That's again more in that strategic thing, who can people actually come to if there is a thirst for knowledge? You know, we created an obstacle by closing doors.

[Comment from the facilitator] A question to frame for you whether your door is open or closed. If some poor wandering consumer actually decided they knew who their distribution network was, and wanted to reach out and say, "I'd like to learn more about your network and engage with you meaningfully?" What would they find?" What would their journey be? What's the given buzz word, the CX of that part on your website?

## **Lack of common language, and not slipping into engineering speak, and the use of acronyms**

The first comment we discussed was whether we were talking about common language between a regulated entity and the consumer advocate. I think that you know we need to define what we're talking about when we're talking about common language.

But just more generally, the obvious one is around avoiding jargon and abbreviations and technical language, providing a glossary of terms when we're doing deep dives or workshops and that sort of thing. We also liked the idea of a Wiki of terms that the ECA could potentially produce that might be quite useful. We also talked about the idea of using visual aids rather than a lot of words on PowerPoint slides and that sort of thing and using diagrams and that type of thing.

We thought it's also important to take the time to explain the background to customers, particularly when its end use customers who may not have had any background in the industry, rather than sort of launching into a topic just to make sure they have the contextual background.

It could be useful to use an independent chair just to perhaps screen whether we are using jargon and abbreviations. I know being in the industry sometimes, we don't even realize we're doing that, so if there's an independent chair that may address that issue.

The other thing that came up in our conversation was around the use of 'winners' and 'losers' in the conversation. Particularly when we're talking about end customers, centring it around what the customer's most interested in, which is often their own bills. So, you know, if we're talking about a particular issue, how is that actually relevant to the end customer? What does that mean for them? What's the winner and loser situation look like in that context?

[Question from the facilitator] . All this lack of common knowledge sometimes described as educating consumers. Why do we never talk about educating the business? Seriously, has anyone ever run a session where you've run a session for training engineers to talk to consumers? You have? Is that part of? What exactly was it?

[Comment 1] Oh we're going through a training on communication now.

[Comment 2] We've had a program where we get graduate engineers or younger engineers to actually provide the engineering one on one, talk to other non engineering parts of the business, and that is a development opportunity. We've also instigated what are called Brown bag sessions where the engineer, it's usually an engineering topic gets to talk on something exciting, but they know that everyone turning up for the session doesn't have an engineering degree and it's just good practice.

[Comment from the facilitator] Definitely practice helps, but also making sure your got a feedback loop that says, "By the way, you didn't mind that, did you?"

[Comment 3] The last graduate that we had come through business actually spent his first three months in consumer engagement, and although I know he was dying to build networks, he really, he did enjoy it. So there is, I agree, there's absolute value in that and the young engineers when they're most impressionable and understand what customers want too.

## **Regulatory cycles and politics as a barrier to engagement.**

We reflected on whether the regulatory cycle is good or not good for the management of the business, and the customers getting the outcomes that they need. But then step back to go from an engagement perspective, how can we overcome some of that? We thought the best way would be to, not so much ignore the cycles, but step out early and actually engage in modules as a united industry. Lead as an industry and not just wait for the cycle and then be at the mercy of the timelines and the potentially political promises at the same time.

Then we had an important discussion about a united industry view on what customers want and that would then potentially feed some of the political decisions and potentially even regulatory decisions.

We also reflected on, the revenue cycle is the five year, but there's a whole lot more going on in the industry reforms that you could be engaging on that doesn't actually lead to that five year cycle, so there's still plenty of opportunity to engage.

Then we thought even with those five years, we could lobby to align the cycles, maybe by state to actually accommodate the conversation about SA and maybe even Queensland. You could do that to achieve some efficiencies at the state level.

Then the last conversation we had was about boosting our business as usual engagement because there are big topics, of them and how the DSO could operate, or those types of things that genuinely could be a fantastic opportunity to engage with consumers.

[Comment 1] One of the challenges of consolidating, say all of the Victorian, we've got five DB, electricity, sorry, three gas businesses, electricity transmission and one gas transmission. If we brought all, consolidate all of those into one regulatory cycle, because they're all on a five year cycle, the advocates in Victoria would be inundated with so much work, that they wouldn't know which way was up. Then for the next four years, they'd sit around wondering what they're going to do for filling their spare time. I think we need to also to balance that.

[Comment from the facilitator] Just an observation that the cycle takes two years to do a regulatory determination and we've already figured out you need to do consumer engagement all the time. I ran an argument to harmonize all the electricity distribution determinations around the country. The reason for that would be, because you can do a lot better with benchmarks when you think everyone's getting their proposals at the same time, because you can benchmark on the forward expectations rather than just the historic. That's what the British do. I got two responses to that. The first one, as that the AER pointed out that would be also hard for them. The second was that the actual rules only specify that it was a minimum period of five years. So you can actually apply for longer periods. If you had a group of not like minded businesses that wanted to align them, they could do so by applying for a longer period. So, they actually ran that alignment. So it's exactly something businesses could do if, by stealth, if they wanted to.

[Comment 2] Our situation was almost like that, in that we had the two DSPs in our management before we merged doing them concurrently, and causing lots of engagement fatigue. This time, when we all leave the room, talking bigger issues, but it can actually, it can achieve a lot of shared knowledge and you can have that overlap, so totally take on what was said.

### **Ensuring advocates are representative of their constituency.**

Important to understand whether we are dealing with perceptions rather than necessarily whether or not they were, and we're thinking about, "Well you know, is there an issue that they're not seen to meet with their constituents because they don't have the funding to go out?"

Someone was talking about wanting to go to the rural customers and not being able to get there, or the advocates even worse off in terms of being able to actually access their consumers, and maybe there's a role there to play, whether it be the network or someone else in helping them to get the funding to travel out there.

We're also thinking about maybe if there seem to be biased towards us, their skill set rather than general representation to constituency. Is there a role there in terms of funding, that capacity building that you were talking about from ECA? [This was a reference to an observation by the facilitator in response to a question at one of the tables on whether ECA funded capacity building. The response

was that ECA funding builds capacity through projects but we don't fund directly under the heading 'capacity building.']

A lot of this was, as I said, was just us thinking about how you change perceptions of what someone is doing, rather than what they're actually doing. We're thinking about maybe that it's not always such a bad thing that someone's using the skills set and experience they have to represent consumers.

It's just important that there's clarity on whether they're saying this is what consumers want because I've surveyed people, or I think this would be in the interest of consumers because I'm drawing on my experience in this field. Part of that would also be to help people understand why they're making the comments they are, to provide more clarification and that around those points, and then what actions or research contributed to those positions?

There was also a point around the diversity of advocates. So whether there's a role for the networks to play, or for everyone to play in terms of thinking about how you reach the broadest subset of people. Do we have a clear range of people that we're engaging with across the industry and small business and household, but then there's also the range of cultural and languages just keeps coming up. So thinking about if they're representing their constituency or they're representing that sort of diversity as well as just communicating people's views.



## Session 4 – Energy Charter Customer Participation Initiative

Gerard Reilly from Powerlink provided a briefing to the workshop on the Energy Charter Better Together program and the Customer Participation Initiative

Better Together--Customer Participation Initiative →				
<b>Principle-in-action-1.4-commits-signatories-to:</b> ..... <i>Robust processes to determine customer and community needs and be accountable on how feedback has been considered and incorporated into decision-making.</i>				
<b>Lead Signatories:</b> Powerlink: Narelle Fortescue & Gerard Reilly; Endeavour Energy: Kate McCue; Jemena: Kate Hawke				
<b>Support Signatories:</b> APA: Yoko Kosugi; Energy Queensland: Angela Day; Transgrid: Rob Ephraums; Essential Energy: Karyn Looby				
<b>Supporting/Interested Organisations:</b> Ethnic Communities: Iain Maitland; Uniting Communities: Mark Henley; COTA: Robyn Robinson; Seed Advisory: Peter Eben; PIAC: Douglas McCloskey; Swinburne Uni: Christopher Pascuzzi; Monash Uni: Larissa Nicolls; AER: Mark McLeish; EUAA: Emily Wood; ENA: Amanda Kennedy				
<b>The Problem:</b> Not all energy businesses have fit-for-purpose processes in place to make customer-led and focused decisions.				
<b>The Vision:</b> Customer voice and actions have shaped the energy industry to meet their needs, expectations and interests.				
<b>The Deliverables:</b>	<b>What:</b>	<b>Why:</b>	<b>How:</b>	<b>Owner:</b>
	1.->A shared commitment to customer engagement shaping business decision-making	To align Energy Charter signatories with commitment 1.4	a)->Review of the 2019 Energy Charter disclosures by the Better Together initiative team b)->Provide feedback to signatories on continuous improvement and opportunities for learning, improving	a)->Better Together team b)->Sabien
	2.->Shared examples of better practice on central repository	We can lift maturity through sharing what works and what doesn't	a)->Links to existing (and new) guidance and good practice on central repository b)->Template for signatories to submit case studies, drawing out key elements of consultation c)->Current contacts for advice on customer participation within signatories	a)->Sabien b)->Narelle c)->?
	3.->Decision makers participate in engagement activities	First-hand experience helps build understanding and support for engagement	a)->Signatories make targeted commitments b)->Ensure decision makers and leaders have the opportunity to participate in consultation with advocates as part of the Energy Charter both in their own businesses and other signatory businesses.	a)->All Signatories b)->Sabien
	4.->An initiative/s to kick-start collaborative consultation	Consulting in partnership will avoid duplication for advocates and customers, and ensure the right organisations take ownership	a)->Look at opportunities for more collaborative consultation in QLD at a jurisdictional level b)->Consider opportunities for collaborative consultation on other Better Together initiatives	a)->Angela / Narelle b)->Sabien / IWG??
<b>Key Milestones &amp; Activities:</b>	<b>Phase 1—Sep 2019</b>		<b>Phase 2—Oct to Mar 2020</b>	<b>Phase 3—Mar to Jun 2020</b>
	<ul style="list-style-type: none"> <li>-&gt; Collate guidance and good practice (2a)</li> <li>-&gt; Develop template for consultation case studies (2b)</li> <li>-&gt; Identify Better Together initiatives that are appropriate for collaborative consultation (4b)</li> <li>-&gt; Identify Energy Charter consultation opportunities (3b)</li> </ul>		<ul style="list-style-type: none"> <li>-&gt; Encourage submission of case studies and contacts (2b and 2c)</li> <li>-&gt; Identify and action collaborative consultation approaches to trial in QLD (4a)</li> <li>-&gt; Action collaborative consultation on Better Together initiatives (4b)</li> <li>-&gt; Review Energy Charter disclosures and provide feedback to signatories (1a and 1b)</li> </ul>	<ul style="list-style-type: none"> <li>-&gt; Share learnings</li> <li>-&gt; Expand collaborative consultation approaches</li> <li>-&gt; Consider capacity building opportunities across Energy Charter signatories</li> </ul>

The edited comments and discussion follows.

I want to raise awareness about one of the Better Together Initiatives as part of the Energy Charter. Everyone's very aware that all the Energy Charter signatories have to make their disclosure statements. What might not be as well known, is that there's also a commitment from the signatories to work together collaboratively on seven different, what we're calling Better Together Initiatives. These aim to produce better outcomes for customers by actually coming together across all different elements of the energy supply chain.

One of the Better Together Initiatives is around customer engagement, and I just really want to, very quickly talk through a high level scoping document. This one is just a very high level scope, and it sort of really touched on a lot of the key elements that we've already talked about today. I'm not going to talk through it in detail, I'll just talk through the problem and the vision though.

We identified the problem as, that not all energy businesses have fit for purpose processes in place to make customer-led and focused decisions. And the vision, which is a pretty lofty vision, is that customer voice and actions have shaped the energy industry to meet their needs, expectations, and interests.

I think to be honest, one of the dangers of this initiative, the scope just becomes bigger than Ben-Hur. We're not trying to solve all of the energy industry's customer engagement woes. We've identified four areas to start our focus on, and one is, again, about that sort of shared commitment to shaping business decision making. Sharing examples of best practice in a central repository, and that's both examples of really good engagement and also areas where we have probably learned some

lessons as well, because, as we all know, sometimes we learn more from our mistakes than from our successes.

Again, we've talked many times today about the importance of getting senior management and decision makers involved. So how can we drive that, across all parts of the energy supply chain. And then, again, we talk a lot about time and resource pressures, particularly on customer advocates.

So there was a deliberate, a need to put into our scope about how can we get some consultation collaboration happening across different elements of the energy supply chain. And you'll see there that ourselves, and probably Energy Queensland, we're going to try and kick start a bit of a pilot program, of how potentially transmission and distribution and potentially generation can get together. It's a bit easier up in Queensland, because we're all energy GOCs, we're all owned by the government. How can we come together and actually develop some more collaborative consultation opportunities where, again, maybe we can make better efforts, or use of the time, so advocates can come to the one aspect and get multiple exposures from the different parts of the energy supply chain.

I'm not after any key action today. If you have any specific burning issues, or you think there's something really missing from the scope, please let us know, please let me know. But it's really just to highlight that there is this initiative going on as part of the Energy Charter, and we're very conscious of, we're not doubling up. So if we're creating a central repository as part of the Energy Charter Initiative, making sure that we're not creating something else over here that's trying to do the same thing. How do we ensure that we do it once?

[Discussion 1]

Q: Is this something I should have seen already, or it is a work in progress for you right now?

A: This scoping document is hot off the presses. So it was only developed on the 13th of August, and we've only had our first teleconference a week ago. So it's very early days.

Q: Against that background, I just think it's excellent. My first sighting of it, I think it's very much in the right direction. There are some genuinely shining examples of customer engagement and how to do it. Let alone there are only 10 of those for all the network companies, so I think there's a real opportunity to take the examples of the shining lights and get them flowed very quickly, so that they become the rule, not the stand out exceptions. So that's just one comment.

Q: And the other comment is, on item three, I have a personal view that there's a difference between decision makers being seen to be involved in things because that's the right thing to do, which I personally think is different to an organization that is actually genuinely customer-centric, and you don't have to ask people to go, "Oh I'll do these things." because that's just the way it's done. It's the organization culture and decision makers participate, but that happens as a matter of course. The overarching objective is that the organization is actually consumer-centric.

A: Completely agree with both those statements.

[Discussion 2]

Q: This looks awesome, I'm just wondering whether some of the things that we've raised today might want to, potentially add into your scope. I don't want to increase your workload, but maybe the terms of reference and some of those acronyms might be some space there where you're sharing best practice. Perhaps a wiki or something like that could be done in conjunction with the ECA?

A: Yeah. I think it's something we could look at, if we are going to set up a central repository. We're not really sure what that looks like, but that might be something that we could set up.

[Discussion 3]

Comment: We mentioned retailers in one of our conversations but it didn't end up on the list from the session. There's no retail in the reference group here, but if this is the charter for the whole industry, that's a challenge that has to come into the conversation.

Comment from facilitator: One of the things that I know from my commercial experience, is there's lots of organizations in competitive markets that will give you a circular answer from economics which is, of course we know what consumers, we're a competitive market, we wouldn't survive if we didn't know. And it's really fascinating to hear sometimes exactly in that kind of description. Whereas there's a really good model from Ericsson, my case study for why regulated networks should be very important for their customers. Ericsson used to sell mobile phones but they got out of that business. Now all they sell is networks, they sell networks to carriers like Telstra. But they run a consumer lab up in Sweden and they deeply try to understand how consumers use cell phones because that's important in what they make to build into the hardware. So, when they go in to sell things to networks, they can say this is what your consumers will be wanting.

## Concluding remarks

The facilitator committed to sharing a report (this document) with participants.

In the wrap-up the following items were proposed.

1. That there is value in a 'good practice repository' but only one – and that we would be happy if the Energy Charter wants to build that. David Havyatt has had initial discussion with the Charter Director and advised them of our position. At that stage the signatory disclosures had just been lodged and they were still bringing together the signatories' comments.
2. There was great interest in the idea of a wiki. The ECA wiki (literally [eca.wiki](http://eca.wiki)) has been recreated. It has no content and no structure. Anyone can become an editor, you just need to create an account to do so. The account requires email verification.
3. There was general discussion that if there were to be an update to the AER Consumer Engagement Guideline or the ENA Handbook that this could be productively done as a collaborative exercise between the AER, ENA and ECA. The AER is apparently open to the idea and ECA will organise a meeting of the three bodies to discuss further.
4. It was noticeable in the conversation how much the focus turned to the need to improve business-as-usual (BAU) engagement as a tool for the businesses that would also improve pre-lodgement engagement. ECA is currently undertaking a study of the ongoing consumer engagement incentive schemes that operate in the UK. It is unclear whether there really needs to be an external stimulus/incentive to make this improvement in BAU.

In writing this report, especially the section on overcoming barriers to engagement, there appeared to be some ideas that come together as a theme. These begin with the observation that within jurisdictions there are a number of businesses seeking to engage with consumers, and that well resourced and informed advocacy bodies can facilitate that. Energy advocates do not need to focus exclusively on energy but it helps if they have continuity. It was also identified that between determination cycles there are important policy issues on which well-connected advocates could contribute.

While the topic of resourcing was mentioned and solutions such as bespoke advocacy organisations in government such as PIAC were mentioned, the ability for businesses to invest in advocacy organisations was also mentioned. The opportunity appears to be for collaboration by regulated businesses within jurisdictions to develop their advocacy communities. We note that some of this already occurs and that more is occurring. This concept will be explored further with the networks and Energy Charter.

## Appendix 1 – Detailed Background on Consumer Engagement

### 2012 Rule Changes

In late 2011 both the AER and the Energy Users Rule Change Committee submitted proposals to amend the National Electricity Rules that related to the revenue determination processes for distribution and transmission businesses.<sup>3</sup> Neither proposal included any change to the processes by which stakeholders should be consulted, which was limited in the rules to the formal processes of submissions to, and public forums convened by, the AER.

In November 2012 the AEMC made the *National Electricity Amendment (Economic Regulation of Network Service Providers) Rule 2012* and the *National Gas Amendment (Price and Revenue Regulation of Gas Services) Rule 2012 Rule Determinations*.<sup>4</sup> The new rules required the Network Service Provider to 'indicate in its regulatory proposal the extent to which it has engaged with consumer representatives' and the AER 'when determining the capital expenditure and operating expenditure allowances, to take into account the extent to which the NSP has engaged with consumers in preparing its forecasts.'

The rule determination notes that some consumer representative groups (the Ethnic Communities Council of NSW, Energy Users Association of Australia and Uniting Care) thought engagement would be 'meaningful' if it were equivalent to the negotiated settlement approach.

*Consumer representative groups consider the changes may address some concerns and better inform consumers. Requiring NSPs to report on customer engagement and having the AER take this into account may be meaningful if it is equivalent to the negotiated settlements approach used in some states and provinces of the United States of America and Canada. (P.163)*

At its November 2012 meeting the Standing Council on Energy and Resources (SCER) (now the COAG Energy Council) agreed an enhanced national energy market reform package, reinforcing the focus of the electricity market on serving the long-term interests of consumers. The package was presented to the Council of Australian Governments (COAG) at its December 2012 meeting. The reforms – under the heading *Electricity Market Reform - Putting Consumers First* included an endorsement of the strengthening of consumer input into network pricing decision making, acknowledging the AER's plan to establish the CCP, and agreement to develop a 'strong national advocate for consumer interests.'<sup>5</sup>

*Enhancing consumer representation – SCER endorsed the strengthening of consumer input into network pricing decisions and noted the Commonwealth's proposal to establish a Consumer Challenge Panel within the AER to ensure that consumers are better represented within regulatory decision and appeal processes. SCER further agreed to develop, in close consultation with consumer bodies, a proposal on the form, scope and funding of an institution that would be a strong national advocate for consumer interests that is well equipped to contribute constructively to energy policy and market development issues.*

### AER Guideline

To support the focus of the AEMC's rule changes and government reforms on improving service providers' engagement with their consumers, the AER developed the *Consumer Engagement Guideline for Network Service Providers* and an accompanying explanatory statement.<sup>6</sup>

<sup>3</sup> <https://www.aemc.gov.au/rule-changes/economic-regulation-of-network-service-providers>

<sup>4</sup> <https://www.aemc.gov.au/sites/default/files/content/396b3f96-d020-47ab-8038-e2f36514fcf2/Final-Rule-Determination.pdf>

<sup>5</sup> The document is available here

[https://www.coag.gov.au/sites/default/files/communique/SCER%20Report%20to%20COAG%20-%20FINAL%20-%2028%20November%202012\\_0.pdf](https://www.coag.gov.au/sites/default/files/communique/SCER%20Report%20to%20COAG%20-%20FINAL%20-%2028%20November%202012_0.pdf). It was accompanied by a detailed implementation plan here

<https://www.coag.gov.au/sites/default/files/communique/COAG%20Energy%20Market%20Reform%20Implementation%20Plan%20-%20FINAL%20-%2028%20November%202012.pdf>

<sup>6</sup> <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/consumer-engagement-guideline-for-network-service-providers>

## CCP 2013 Comments

In November 2013<sup>7</sup> the CCP wrote to the AER with its own high-level views of important features of consumer engagement. In July<sup>8</sup> and October<sup>9</sup> 2014 the CCP again wrote to the AER, this time detailing its concerns about the processes that had been employed by networks to that time.

## ENA Handbook

ENA responded to this criticism by working with the CSIRO (as part of its Network Transformation Roadmap project) to provide practical guidance to energy network businesses in fostering transparent dialogue with their customers. The resultant *Customer Engagement Handbook*<sup>10</sup> published in July 2016 was the outcome of expert advice and consultation through a series of facilitated workshops. After providing guidance to ENA members, the second goal of the Handbook was:

*Provide the opportunity for continuous learning and evolution of engagement activities –The Handbook provides a foundation for ongoing information sharing between customers and network businesses and for continuous improvement in their engagement activities. It is recognised that engagement practice and expertise will evolve over time, and that ongoing work should take place on strengthening engagement practice beyond the publication of this Handbook.*

In conjunction with the Handbook, ENA also published a complementary document — *Sharing Customer Engagement Practice*.<sup>11</sup> This noted ‘Consultation on the Handbook indicated strong support for more collaboration and coordinated engagement feedback and discussion that would involve all participants in the system and could develop skills and capacity for all involved’ and proposed annual or twice yearly national forums that could be used for sharing engagement practice learnings (both successes and opportunities for improvement), and could foster collective learning on best practices.

In the three years since the publication of the Handbook there have been great developments in consumer engagement by networks. As one example, a majority of networks have published drafts of their revenue proposal for consultation prior to lodgement of the proposal. More use has been made of the tools described in the Handbook in Figure 6 as ‘collaborative’. And the AER, ECA and ENA have collaborated on the NewReg project with AusNet trialling the model that seeks to establish a counterparty with whom the network can negotiate.

## AER, ECA and ENA NewReg Project

The NewReg project has established a detailed monitoring and evaluation process for this trial, which is comparing the process to the way AusNet would have conducted its engagement. However, while this is an appropriate (and necessary) scope for the evaluation of NewReg it risks not capturing the breadth of experience that has occurred across all networks.

The NewReg project has as one of its considerations the possibility of rule changes that might allow more flexibility in the process of revenue determinations. One issue that has emerged from NewReg and other processes is the additional time being added at the start of the process and the consequence of the preparation of a draft before lodgement. This comes on top of the four months added as part of the 2012 rule changes. It is a valid question to ask whether there is some general characteristic of enhanced consumer engagement that could enable shorter review periods for the AER.<sup>12</sup>

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<https://www.aer.gov.au/system/files/AER%20letter%20to%20the%20ENA%20regarding%20the%20consumer%20engagement%20advice%20%E2%80%93%205%20December%202013.pdf>

<sup>8</sup> [https://www.aer.gov.au/system/files/Consumer%20engagement%20advice\\_140707.pdf](https://www.aer.gov.au/system/files/Consumer%20engagement%20advice_140707.pdf)

<sup>9</sup> [https://www.aer.gov.au/system/files/Consumer%20engagement%20advice\\_141030.pdf](https://www.aer.gov.au/system/files/Consumer%20engagement%20advice_141030.pdf)

<sup>10</sup> [https://www.energynetworks.com.au/sites/default/files/customer\\_engagement\\_handbook\\_july\\_2016.pdf](https://www.energynetworks.com.au/sites/default/files/customer_engagement_handbook_july_2016.pdf)

<sup>11</sup> [https://www.energynetworks.com.au/sites/default/files/sharing\\_customer\\_engagement\\_practice\\_july\\_2016.pdf](https://www.energynetworks.com.au/sites/default/files/sharing_customer_engagement_practice_july_2016.pdf)

<sup>12</sup> We note that a component of the first RIIO rounds by Ofgem was the ‘fast tracking’ of proposals that met certain criteria, of which quality engagement was one.

## AER Guideline Review

Finally, some networks have identified the need to improve their consumer engagement as a 'business as usual' activity. This is likely to have significant benefits for those businesses in engaging with consumers over their revenue proposals. However, the current objective is to undertake the review and sharing activities that were envisioned by ENA in 2016 and that would aid the AER in its consideration of any review of its Guideline.

Uniting Communities Review on Resourcing July 2019

Uniting Communities received an ECA Grant *Resourcing for optimal consumer engagement with energy network businesses*<sup>13</sup>. The final report can be found [here](#).

## Energy Charter

More recently, the Energy Charter has initiated a work program called *Better Together*.<sup>14</sup> One of those is a customer participation initiative with a vision that 'Customer voice and actions have shaped the energy industry to meet their needs, expectations and interests.' This is a broader scope than just pre-lodgement engagement in the context of regulatory processes, but should fully include it. Additionally many of the tools and objectives will be common.

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<sup>13</sup> <https://energyconsumersaustralia.worldsecuresystems.com/grant-archive/ap-956-the-business-case-and-evaluation-framework-for-consumer-engagement>

<sup>14</sup> <https://www.apa.com.au/globalassets/energy-charter-speech-to-accc-2-august-2019.pdf>

## Appendix 2 – Pre-workshop survey

Prior to the workshop participants were sent a survey (slightly different for networks and consumer advocates) that was based on the content of the ENA Consumer Engagement Handbook. The Handbook set out:

- The range of objectives using the IAP2 spectrum of Inform-Consult-Involve-Collaborate-Empower.
- It suggested five criteria for engagement of Dialogue-Trust-Focussed-Appropriate-Responsible
- It identified 15 engagement techniques that were mapped against the IAP2 spectrum.

The questions were as follows:

1. How much do each of the following statements reflect the objectives of the pre-lodgement consumer engagement {pre-lodgement consumer engagement you have participated in} (where 1 means the statement doesn't reflect the objective and 5 is that it does)
  - a. To keep consumers and advocates informed of our proposal development
  - b. To consult with consumers and advocates on our proposal development
  - c. To involve consumers and advocates to ensure their priorities are reflected in the proposal
  - d. To collaborate with consumers and advocates to formulate a proposal that incorporates their recommendations in the proposal
  - e. To empower consumers and advocates to challenge the business to improve its proposal
2. To what extent did the engagement meet the following criteria (where 1 means the statement doesn't reflect the objective and 5 is that it does)
  - a. It was a dialogue involving a two-way flow of information
  - b. It built trust
  - c. It was clearly focussed on strategic issues and was well planned
  - d. The modes of participation used were appropriate for the issues
  - e. It was conducted responsibly
3. How effective were each of the following engagement methods (the first 15 were the methods identified in the Customer Engagement Handbook - answers should be contextualised to the potential use. For example if you say information sessions are effective we understand that means 'effective in the context of informing consumers')
  - a. Information sessions
  - b. Awareness campaigns
  - c. Leaflet distribution
  - d. Survey
  - e. Call for submissions
  - f. Public Meeting
  - g. Consultative workshop
  - h. Deliberative poll
  - i. Local community committee
  - j. Design workshop
  - k. Field trip
  - l. Community vote
  - m. Deliberative forum
  - n. Citizen jury
  - o. Independent advisory committee
  - p. Publish a draft proposal
  - q. Other (please specify type and effectiveness)
4. Overall how would you rate the effectiveness of your pre-lodgement engagement? (can't rate, not effective, effective, extremely effective)
5. Do you have any other comment you would like to make?



## Appendix 3 – the Consumer Engagement Objective (CEO)

At the Workshop participant tables were asked ‘What are the objectives of pre-lodgement engagement?’ We invented a new term – the CEO – the Consumer Engagement Objective.

These can be constructed as five elements of the CEO. These are:

- trust,
- clarity,
- consumer understanding,
- outcomes and
- timing.

Responses as recorded have been listed below in these five groupings.

### Trust

Trust — consumers need confidence in the approach.

Establish relationships with end-users.

Something that is accepted

Trust,

Building relationships,

Customer impacts,

Building trust with consumers

Trust

- Consumers can raise the next issue.
- Making the effort to make the right decisions.
- Managing for the future.
- Safety and reliability.

Trust Advisory.

Technical business trust and partnership.

### Clarity

What consumers value and want.

Identify real topic against ongoing engagement rate at pre lodgement.

What do we really want to talk about?

Identify topics consumers can influence

Don't assume you know what consumers want to talk about

Clear scope upfront.

How AER can get involved--no surprises.

Listening

Define scope early

What consumers value and want

Relevance to consumers.

### Consumer understanding

Building customer capacity and understanding

Engagement driven by the customer.

Identify topics consumers can influence

Understand customer preferences fit for purpose.

Understanding comparability of data.

Building customer capacity and understanding discuss value of network and delivery capability.

Explain what DNSPs do so conversation is meaningful.

Build shared understanding

We are trying to do the right thing.

### Outcomes

Challenging

Ultimately better services for customers.

Opportunity for decision makers to be in front

Reflecting consumer preferences, which is equal to capable of acceptance.

Handed the keys over to customers.

Networks deliver what consumers want/Need.

Bringing all staff along.

Future benefits for consumers,  
**Timing** five years Cycle emphasis versus BAU.  
BAU not start/stop  
Every day customer engagement BAU.  
Find way to reach end users.  
Greater engagement,  
Shortage of resources for advocates, enormous resources post lodgement improve the  
processes pre lodgement.

## Appendix 4 – Table responses on best strategies/example to deliver the Customer Engagement Objective (CEO).

In Session 2 the five Workshop Participant tables were asked to list the strategies to deliver the CEO that they thought were most effective. Their responses are captured below.

(Note different labelling is used for the five tables for each session to maintain the focus on what was said rather than who said it).

Themes that emerged through this session were:

- the importance of having good consumer engagement as ‘business as usual’,
- the value of ‘engaging to engage’ that is jointly planning the pre-lodgement phase,
- the importance of getting the ‘representativeness’ right,
- involvement of senior managers,
- the use of common language
  - building knowledge and capacity to ensure meaning,
  - training of network staff on engaging,

‘Deep dives’, advisory groups and people’s panels were called out as effective tools (of these only ‘advisory groups’ in the form of ‘independent advisory committee’ appear in the existing list of techniques in the ENA Engagement Handbook.)

Table A

- ‘Deep dives’ - not tick a box.
  - Set up the conversation properly from get-go.
  - Ensure all understand context
  - corrects Subject Matter Experts (SMEs) -> not too technical
  - to look at a specific part of a proposal to change - get their buy in and input
  - use where a matter of significance in proposal - to prevent work post lodgement
- Manage various levels of understanding across segments, gas and electricity,
- Involving senior management,-decision makers.
- Engagement activity about the engagement activity,
- Targeted workshops/deep-dive
  - principles based approach,
  - right people, right level
  - tradeoffs who could make those decisions.
  - Horses for courses,
- Different points in time. Deciding what to engage on & when Info from business as usual,
- All working together including surveys, all elements.
- Advisory groups- building relationships - trust,
  - broad cross section of members,
  - importance of embedding in our BAU.
  - Importance of one on one conversations,
  - independent chairs of panels,
- People's panels - 50 people on Saturdays,
  - online info videos, people feeling they were heard.
  - Cross representative ages. Socio economic ability,
  - MD present with recommendations.
  - Independent facilitator, no jargon.
  - Small distribution area - geography helped.

#### Table B

- Advisory groups  
Broad cross section  
Interactive  
Ongoing one-on-one conversations  
Independence  
Embedding (BAU)

#### Table C

- Building knowledge and capacity to ensure meaning,
  - Provide resources and support.
  - Be accessible, accessible,
  - Offer information sessions (informal, social, open and inclusive).
  - Partner up,
  - Educate/empower internal team
  - Generate resources (content, glossaries stories, tours)
  - Remain mindful
  - Consistency/commitment

#### Table D

- Lack of a common language
  - Difference between end user consumers and consumer advocates.
  - Avoid jargon and technical language abbreviations, glossary of terms or Wiki of terms would be useful.
  - Make it relevant to customer. What's in it for me?
  - More visual tools to deliver message and tell story and don't rely on PowerPoint. Use pictures to tell the story.
  - Take time to explain and educate upfront ensure consumers understand the topic.
  - Use independent and or co-chairs.
  - Over time, gradually educate and build understanding.
  - Focused of what on the table has narrowed. - Good timing allows better focus and understanding.
  - Common language helps with 'winners and losers' conversation between consumers. e.g. DER.
  - Start conversation with what are you going to do to reduce my bill?

#### Table E

- Regulatory cycles, politics, election promises, step out earlier.
  - Leaders in industry present united industry view of what consumers want.
  - Consider consolidate regulatory cycles and present unified, efficient view.
  - Boost program of BAU to feed into regulatory cycles, eg as DSO/DER

## Appendix 5 –NewReg: what it means to try to reach agreement.

David: There are somethings that are anchored in the agenda, and what is anchored now is a session on how to reconcile the consumer preferences and network plans. To start that we have got, Tom Hallam from AusNet and Tony Robinson, the chair of the AusNet Customer Forum.

David: I want to put some of this into context, because one of the questions that I got asked first to put this thing together was "It's not just going to be about NewReg, Is it?" This event is occurring because the NewReg project board that asked us to do it. They wanted to know a bit more about what's happening with engagement more generally, rather than what has happened with the NewReg trial.

David: But it's also useful to remind ourselves as to how NewReg came about. It's goes back to a point that was made a moment ago, about the objective of pre-lodgement engagement, one of which is to improve the process post lodgement.

David: NewReg came about out of a workshop between ECA, ENA and the AER at the end of what had been a very toxic period. We asked 'How can we do this better?' And in those conversations we decided we would trial a project designed to make it better and that was what became NewReg.

David: The Project Team wrote a model for New Reg. That was actually quite open. We rewrote it, rewrote it and rewrote it many times trying to get the model to be as minimalistic as possible. And the interesting thing is that model actually hinges on the idea that you plan your engagement. So it starts off with the engagement plan, which also picks up on a point earlier about the need to engage with engagement.

David: Where we have a slight difference in the case of NewReg trial was due to timing. AusNet very kindly put their hands up to trial, but at the point that they put their hand up to be a trialist, we were getting very close to the time that we needed to get started.

The AusNet trial did not actually follow the model to a degree, because there wasn't the engagement on the engagement plan that there would normally have been and unfortunately that's left some people to think that the NewReg model inherently didn't contemplate the engagement on the plan. It was something sort of privately engaged on with the AER.

David: But the second big important difference with the NewReg trials, the one that I've asked our guests to talk about, is what it means to try to reach agreement. Rosemary Sinclair has got a description of engagement as tea and biscuits; where you just sit down and you have tea and biscuits and the network tells you all about what they're going to do and you listen, you might disagree but the final analysis, all you've done is, have a meeting.

David: Building on the model of negotiated settlement we had seen trialled with Scottish Water, we added an obligation in this model on the network and the body representing consumers, the counter-party no matter what it is called, to try to reach an agreement. And so, I thought we would just ask Tony as the chair of the

customer forum, to tell us what he has found as the experience of trying to reach agreement with the network.

David: Tony will speak first then we will have just a couple of Q and A about it which I will facilitate. So that is what we will do, and without any further ado I will pass it over to Tony.

Tony: Thanks David.

Tony: Look this is broken into two parts. That which you probably know or or could have deduced and that which you might not know. So, how we got about our business, well as a group of five people from different backgrounds, we work well as a team so that is the first ingredient to success. You work well as a customer forum.

Tony: We have taken a distilled view of what we believe customers want and expect into this role with us. Now we built up that view from a range of sources, quite an existing library of customer research both positive and non AusNet. We have done our own research, surveys and focus groups, deep dive, and most importantly we have gone out and spoken to customers in a very unscripted way. And that has been extremely valuable.

Tony: We have regular engagement with AusNet, going back to March last year. That has immersed us in the business. So we are understanding, how it is, that makes that business works and what it stands for where weaknesses are and the opportunities for improvement.

Tony: Then of course we tried, as lots of people have to get that balance right between what customers want and what business needs, what is reasonable and unreasonable. That balance between price and service will vary depending on the components of the EDPR.

Tony: Our aim has always been to reach a point of satisfaction that what AusNet is proposing, meets customers' needs and expectations and cannot reasonably be further improved. To summarize that, that is the sweet spot they are trying to get to.

Tony: So that much I suspect you could have deduced. What makes this different? Well I guess the points of difference are one, the extended time. This is not like consultants are coming in having a look at the business, making their series of recommendations and then leaving.

Tony: We have been in there since March last year. And that allows you to make all sorts of familiarities and understandings and judgements about who it is you are dealing with.

Tony: It is also true, as well as understanding the business, we have got to understand the AER and the AER's relationship with the business. We come in from outside the business and we are no more familiar with the way the AER works than we are with the way one distributor works. And that at times has been quite confusing, but we have worked through that as well.

Tony: The second point, we are very interrogative, so we sit down and across the table over countless meetings. We ask a gazillion questions. Some of which lead us into areas of quite interest and others lead us into dead ends. But we do not walk out of those meetings, or reach a conclusion thinking we do not know the answer to something. We base our judgements on getting information and answers to everything we need. And some of that arises through the course of that conversation.

Tony: And thirdly there is the actual negotiation process which has been over a period of time. We probably started parts of that last year, before we actually got into a formal negotiation stage. We are now into the formal negotiation stage and I think that just last week the publication of the pre negotiation pack. It is fair to say we are closer to an understanding and a landing point in common with AusNet on some of those matters than we are on others, and we have got about six weeks of negotiation efforts to work through now.

Tony: So I would say those are the three things Dave, and I hope my five minutes has not quite expired. But I think those three or four points as to why this might be different to what has preceded.

David: Thank you. Tom, would you like to come and grab a seat?

Tom: Just quickly, David. Just a few observations from the business' perspective. Again I think you have raised the issue, the question keeps coming up. What is the forum process? In what ways is it different, to what engagement is being done by other businesses, or in different situations?

Tom: It is the decision rights that we have given the forum. Now practically that means that they have control over certain business decisions. And that is a big deal, because, that means to go into this trial we had to contemplate agreeing to do things that we would not have agreed to do in the absence of these negotiations.

Tom: So there is a real ceding of control in certain situations that is an uncomfortable feeling for a business. So I guess, trust, I cannot over emphasize how important trust is when you contemplate going into a trial like this.

Tom: And so we have invested very, very heavily in education but also very heavily in being as transparent as possible in both directions. I think Tony would recognize that. We've let them into every part of the business and [to talk to] whoever they wanted to. And that has been very important for success.

Tom: The other observation I make is how the negotiations have actually gone. I think you can break them down into three different equations.

Tom: The panel was set up, not in opposition but really to challenge, and I think that is an important difference. So much of the negotiations have been collaboration. Particularly when researching customer experience. The business and customers in that situation really want the same outcome. The difference is around spend and degree and timing, potentially.

- Tom: On other topics it has been a genuine trade off. Again the business can be fairly indifferent, but its more like which part of the menu does the customers want to pick from or prefer.
- Tom: The third area is the most difficult and most challenging, that is, there are areas we are negotiation where it is zero sum. And you are really arguing over who is sharing the benefits here. Should the company get more or the customers get more. And they are the most difficult. I think that is fair to say.
- Tom: We have got aspects of all those different approaches.
- David: Just one piece that I thought we should talk about and add. Because, in our earlier conversations today we have been having an important conversation about what, in general, to say we have engaged about what. It is really an important thing which areas of focus to negotiate what you can engage on.
- David: Now, in the process of setting up the engagement plan, AusNet effectively ran a negotiation with the AER about what the scope would be and the forum also about the scope. And there is a concept called in scope AER, in scope AusNet and out of scope. Does one of you want to help explain to people what that generally means and why things might be completely out of scope?
- Tom: So very simply, things that are in scope AER are matters that the AER has agreed to support the forum, with their expertise and advise. And that the AER is comfortable that the forum makes decisions in the area, it is not moving to places where the AER wants to be the decision maker.
- Tom: Then there is a series of issues that we wanted. The company wanted to discuss and negotiate on, with the forum, that the AER was not prepared to support, or felt that they had a national role. DER is a good example, where they want to set rules that are applied nationally, they do not want tailor to each DB. We recognize that, but nevertheless we can have some varying interesting, important discussions in regards to, how the DER is dealt with in our network. And to test many issues that we can then input into the broader AER process.
- Tom: And then in terms of issues that are out of scope, generally it fell into things like rate of return, which are really dealt with outside the price review process. I don't think that was controversial that was out of scope.
- Tom: Really the other decisions to take things out of scope was on the basis is that they were either highly technical, or we simply did not have time or bandwidth to be able to do it, given the length of the trail, very quickly. So there was no sort of Machiavellian plan to knock some things out. It was just that we were not simply going to have the time.
- David: So is the AER expecting the forum to negotiate with you on how much you can spend on something like a substation upgrade?
- Tony: That is another observation, I think discussing the type of solution, why we picked a solution, other alternatives, I think that discussion has been very, very effective. The exact engineering cost of a particular solution once it is agreed, I think again, in



many instances you can use history to come to a reasonable opinion on reasonable decision costs. So it is not impossible, I do not think you need to be an engineering consultant to do that. But where there is a nervousness, you can call on, I think the AER.

Tom: The other thing we have provided to the forum on request is consultancy support. So for example, for our augmentation programs they did bring in an engineering consultant with a scope set with the forum and the AER. It was linked to the AER criteria, quite transparently, and the consultancy was able to offer that independent view.

David: A question for Tony. On the flip side, have you felt at any time on technical matter that you have been unable to get the support for?

Tony: No, not at all David. Just to go back to the question of scope. For some part of the early process we were bemused bystander and understanding what had proceeded. I get that with the AER setting up the NewReg, the decision had to be made as to what could you reasonably expect. This had never been tried before. A group of five people who did not have any exposure to this business or the technical underpinnings of the economic model. What could you expect then reasonably to be able to digest and analyse that, then come up with well-founded determinations of. And it stands to reason that the AER would have been concerned upon that. We came to understanding it was a teething issue. If you accept that customer engagement in price settings are only going to increase, to get more sophisticated then this was a starting point. We were happy to be able, the AER more subsequently put its evaluation will confirm or refute this point, satisfy then, that we were more than capable of meeting their expectations and being able to digest quite complex technical matters and all of which is a really good example.

Tony: So we are looking at two zone sub-station upgrades. My background was in electricity distribution survey, so I understood what a feeder line was and understood what a zone sub-station was. And understood basic mechanics, how you could re-route feeders and do all this. We revelled as a group in pulling apart that proposition, probably a year ago, we had a great time pulling it apart saying, you know, but what if you reformatted the feeder lines out of the neighbouring sub-station. We were straight on to the annual distribution, annual planning reports and we would pull all of that out. AusNet took that onboard and we agreed that we would hire in some consultants to thoroughly analyse whether the two projects were required.

Tony: They went through them with a fine tooth comb. Lo and behold, some months later, that work is finished, and the position is refined to having one project proceed and one deferred until 2028.

Tony: I think that was one where the regulator initially might have thought. Gosh, I am not sure whether a group of five people outside the industry could come in and figure this out. We think we were able to do that quite well. I am not saying we could do lots of other things equally as well, I think some of these fundamental economic questions about the WACC and others are best left to those who do that, day in and day out. But, it might be for example that next time round the AER says well look, if this was to be repeated, the remit of that group could be expanded somewhat. So

rather than just looking at some zone sub stations are there other components of Repex, zone sub stations one sixth of that spend, are there other things that could be looked at?

Tony: And provided there was enough time given, provided the permission to go out and seek consultancy support when required remained, I have no doubt that a group could handle it.

David: Thank you.

Speaker 4: I have got a question for Tony. We have been having a conversation this morning about the value of consumer advocates that have some training, and knowledge and understanding of the industry. Then I reflect on you coming in from outside the industry, or that you personally do have some background in the industry. Where do you stand on whether or not, this is something that now that you have done it, if you should do it again or if it was to be repeated, it should be a brand new group of people that would come in with the same, freshness that you entered the process?

Tony: Well, my initial thought, I have not really turned my mind to that. I think you need to keep mixing it up. So I think there is a role for a formal customer advocates and I've been one of those in different roles in my life as well.

Tony: I think over time we have a shorthand expression, lots of faces here are familiar. As they were in the welfare sector as I worked for some years. And the short hand is, it is the usual suspects. And the usual suspects in any line of work will find common denominators, so the thinking will not necessarily expand in terms to consolidate certain view points.

Tony: The advantage of having people who are not the usual suspects coming in, is that they might challenge that, and that is really important to keep that fresh. But I do not think there is one standard approach that is going to be the panacea here. I think you just have to keep finding, I think DB's, it starts with the DB, it should not be product of well regulators are going to oppose this. A DB needs to find ways to constantly challenge itself. It can never rest on its laurels and think, just because we think we have finished our forum of practice or process of internal and that is the end of it. Cultivate that behavior by challenge ourselves in the first instance. Before there is anyone externally involved to keep rethinking this to deliver a better service.

Tony: And that is the \$64 question, if you have a good answer, if I have a good answer or Tom's got a good answer.

Tom: I will give a controversial answer. Our experience is that bringing in a new set of eyes is much more valuable than bringing in the 'usual suspects', for the sake of a term.

Tom: For a start the business has to try a lot harder to explain how it works and why it works the way it does, and why it does what it does. When you have got people that aren't familiar with the industry, but are none the less, very challenging and very experienced with a specific set of skills, such as extracting customer preferences. And I think that is been incredibly strong skill set in the five individuals we picked. Their ability to extract the concerns and issues and problems on our network, which are not necessarily shared universally across the country, has been the massive

advantage from this process in our view. To ensure that our solutions are actually meaningful to our customer base.

Tom: And that does not exclude all the massively experienced stakeholders, they are still part of the process. In fact they are probably more heavily bought in to the process than I think some of our business' standard engagement practices in the past. So I do not think there is a weakness created by bringing them in but there is very specific strengths in that fresh set of eyes, and often going through that discovery process the business does not really think about 'why is it doing what it is doing?'

Tom: It gets really interesting insights, because you get some questions you simply would not get from an industry insider frankly. Everyone accepts the world as it is meant to be, we have got five people who do not necessarily do that.

Tony: I suppose I could add that they also have a longer engagement than some of the other processes you bring in outsiders for.

Tom: Yeah. It is probably just worth mentioning how intensive the education process has been. So we are chewing up five individuals time up that approximately a week a month. So they have not come into the negotiation process, I would say very far behind, if at all far behind, experienced industry stakeholders frankly after that.

Speaker 5: Just having been through the experience at AusNet services, I think what is really interesting is, that right at the start, when you have a fresh set of eyes that has not been part of the industry, it is very easy to become very defensive, so I mean, our experience with a lot of the consumer advocates, because we understand the challenges, we have been to lots of events, there is almost this mutual understanding around things where people know why, it is really difficult to get to know how it comes. But I have to say personally, when the customer forum came onboard, we felt so challenged and we almost went into this very defensive position. Well we could not do this, because of that, this or that.

Speaker 5: I think once we got over that initial shock of having to feel defensive, what we found was actually very empowering to have a third party voice in the process and enabling us to challenge the business with issues, we were struggling with. Because it came from outside of the business, it was candid and it was very direct and we had the ability to actually put forward those views and challenge internally. There is a bit of a journey that I think for anybody that embarks on this process that you almost at the start have to let go of this defensive, trying to explain yourself and actually embrace the fact that it enables you to challenge the business on issues you have had problems with yourself.

David: We are not trying to build ourselves up here, so we better be careful.

David: I have once last question, in the context of one of your comments Tony, which is working as a team. Because, one of the things we have talked about in terms of consumer engagement in general is that when a network is dealing with a group of consumers, you have got a group of consumers who have got different perspectives and it goes back to that point that we talked about as to what our motivation was and what capable of reaching an agreement means. People explained the reason why you need a 'customer forum' was to reach an agreement with a counter party.

David: And you can not be a counter party unless you agree. And so there is a distinction in the case of what you have been doing, that as the customer forum, you collectively came to a view about what you thought the customer preferences were. Whereas in a normal engagement process, the network would all the way through, wind up dealing with a group of people who right to the end point have not actually formed that kind of view.

David: Is that a reasonable perception? I am just checking.

Tony: I think that is a reasonable perception, the mystery or the magic in that is, how is it that we reached the view that we reached. And did the view that we reached as to what we believe customers want, customers being a very diverse group, is that an accurate portrayal of where things are at?

Tony: So there are some universals of course, everyone wants lower prices, we probably added a little bit more to the, other side of that coin, which is to say they also want better services. I think we have been able to extract at modest cost a fair whack of new and improved services. That is one of the real gains here. We go into it thinking, well what does the mythical, universal customer want? But we load that up and we do it over time, with the experience you have learnt out on the road in particular.

Tony: I will just give you one anecdote. I think this tells the story. This is not taking a lead from anyone in the business Tom, it is one of those moments, you could never get this recognition but the difference between what a business believes it is doing, and what it is doing.

Tony: We went down to this timber mill in Gippsland, September last year. We learnt that much we came back and we said you really do need to go down and meet these people because, they have got a story that is at odds with what you would like to think is happening amongst your customers.

Tony: It is a big timber mill, it has three transformers on the site, supply interruptions are disastrous for them and the whole economy depends on, more than half of the town is employed at the mill, so it is a marginal industry so it is quite critical.

Tony: And so, that was arranged and good on them, they did come down at the end of the year. We were in there, and the back and forth at the table, the fellow at the mill says, "Well, you know, I am not happy with this, this and this." He is being very reasonable about it, he was not being savage. He just says, "We pay all this money, we should get a better service. You do not maintain the transformers well enough."

Tony: This is the difference, in town from being briefed of this, Alistair said, "I do not know, we have a maintenance schedule there." And he gave that line. He said, "NO, we have a schedule, I will be very confident that we have maintained it." "No, no, you do not, I cannot remember the last time." "well I am confident that we got a..." "You know, worlds apart.

Tony: We then go for a walk around the factory, and the first thing we walk in to is the transformer, it's got the bund around it, and it is filled to brim with wood shavings and stuff that you find around a timber mill. The look on Alistair's face as he saw that and he realised everything he had been briefed on, was about the world as the

people in town thought existed, not the real world. And you just got then, that bringing people out to face real customers in real situations was more educative than us sitting down and talking for hours and hours. He just got that there was a failure in the business, something that recording did not reflect.

Tom: So does a story like that create real change? I think that, that is an important issue. Well the answer is yes, so we are doing things differently with our larger customers now and we have put in considerable extra resources into the community liaison and the big business liaison areas of our business and massively simplified how easy it is to contact someone who can fix your problem, in our business.

Tom: And again, this is an ongoing process of improvement, we are not sitting here claiming problem solved, by any stretch of the imagination. But, there are systematic failings that you can pull out of all these one on one conversations. Tony and his group have had thousands of those conversations. I am not exaggerating.

Tom: There are clear systematic issues that we are addressing or that we have managed to pull out of it. Again, that is a massively valuable outcome from this process.

Tom: Maybe, just one other quick observation, Tony has talked about the massive sets of improvements to services that they have negotiated or they have achieved, in the 18 months, and we have done a lot already. But, a negotiation goes both ways, and there are also situations, many situations where they have asked the company to take more risk. On reliability for instance in certain circumstances for lower costs. So I think that is important, you could say, there can be a perception of, well we are negotiating better services is easy, but it has gone in both directions and it has been well thought out.

Tom: I think the situations in where you can go in those directions. So, for instance on a big station rebuild program, we cut tens of millions of dollars out of that program during the negotiation and there is a clear greater risk from that, but we think it is wearable.

Tom: This is the areas around where planning standards are gray. And what they have said is, "The customers we are talking to, would prefer you to err on the, well a cost side, and take the marginally higher risk, not massive." And the company has had to go away and go, "Well are we prepared to wear that, because if we have an outage there customers [will not be happy]." But we could not deny the research. We are saying that.

David: Last question.

Speaker 6: Thanks David, three quick questions.

Speaker 6: How much does all this cost? And what do you expect it cost by the end of December when the customer role finishes?

Speaker 6: Secondly, are you expecting consumer advocates to put in submissions on your initial proposal that says it is capable of acceptance?

Speaker 6: And what happens if the draft decision shows significant differences. What is the method of consumer engagement after the customer forum finishes?

Speaker 6: And final question, are you using this customer forum in your transmission reset?

David: They are all for you Tom, those questions.

Tom: Seems more than three to me but I will give it a go.

Tom: Firstly, well I probably make two observations, one we are still within the original budget set up for the process. I might have to get back to you on the exact amounts, but I think we put aside about a million dollars for the process. But you have got to remember, that is paying for an engagement process that we would have done regardless of whether the customer forum was attached to that engagement process. So that is paying for a whole suite of customer research as well.

Tom: The second observation I would make is that, that is way less money than businesses have traditionally spent in court processes. So I am not sure, if it has been implied that this process creates costs that are higher than a more adversarial process, I do not think that case can be made, given the history of disputes in this industry in the past.

David: There were a couple of other questions, which I will re-ask on the questioner's behalf. Are you expecting consumer advocates will all write submissions supporting the proposal?

Tom: So, on the issues we all have agreed, I think that is one of the tests. So we, have to do communications after we have finished our negotiations. I think how well we go about it, you can measure by whether we get broader support from the wider stakeholder base. I think that is one of the tests. Are we attempting to lodge something that can achieve that?

Tom: Certainly. We are. And indeed, many of the most controversial issues such as WACC and so forth in the past are actually settled in the regime. So, I think it is something that you can aspire to, quite realistically as a distributor now days with rate of return off the table. I think one of the clear benchmarks is what does our proposal look like, compared to some of our peers. It would be interesting to see whether there is differences or not. I am not aware if there are or not, but there may be obvious differences from our process, there may not be, with regards to the outcomes of what is lodged.

Speaker 6: Next question was, If the draft comes back from being different from the proposal, you will completely negate the customer forum.

Tom: So, I think as we have set up, we are not negotiating the whole proposal. Honestly, we will be disappointed if the AER feels it cannot stand behind the negotiated outcomes, that we lodge at the end of January. But there are significant other parts of the proposal.

Speaker 6: I am not referring to the bits that you covered in the customer forum, but the other bits, like [inaudible 00:38:46] or something like that?

Speaker 6: What happens if the AER comes out and says, no, it stinks and you want x plus y. What sort of engagement is going to happen from that sort of issue?

Tom: We have been planning to continue engagement as a matter of BAU in our business, post the customer forum process. But there are clear engagement points in our process, post lodgement. We have been planning to proceed through those processes the same way as any other business would. We are not saying, this is instead of those.

Speaker 6: So it is going to be you guys consumer council your BAU engagement organization?

Tom: Well one of the things we are negotiating with the customer forum is ongoing reporting. Being held to account to those agreements that we make with the forum over time, after the forum ceases to be needed.

Tom: I would expect to be catching up with the forum on a sort of ad hoc basis, through the process if there is any issues. Mate, if we have been talking to them about DER or innovation and the AER wants to have a discussion about those issues, it would be sensible to draw on the negotiations we have had.

David: Last question was are you using this customer forum in your transmissions reset?

Tom: So, we are not using the forum on transmission. Transmission is a very different beast. Effectively we can engage directly with all of our customers with the transmission forums. So we do not need a representative body, we can actually talk to all of our big customers.

Tom: So we have got all of our distributors, all of the big generators, we are quite capable of having that conversation directly with each of our customers. We have a tailored conversation with each of those customers. So, I do not think you get much for a transmission business from a customer forum process. The big test is, will we use this process for our gas review that starts in a few years.

David: Thanks for that. I think it is a pretty important point to raise that the AER, that there is nothing in anyone's processes, no consumer engagement process that any network has ever run that has resulted in the expectation that all consumer groups must necessarily roll up, lodge proposal stage, and be non-critical of the proposal. It just has always been the case.

David: I can think of the great SAPN case, where they thought they had a great deal of room with consumers and went up with a sticking review from one consumer group, because, they thought the engagement process was not reasonable. So I do not think that this process of trying to reach agreement is any different to that.

David: David, I was going to try to move on, but one last question.

Speaker 7: You are now lodging next January, but you were going to be ready to lodge in July. But a last minute delay from the big governments. So you were practically at the point of lodgement.

Speaker 7: Did you feel that, at that point, you had done sufficient engagements on the out of scope consumer forum issues, or has the consumer engagements on the out of scope issues suffered in anyway because of the emphasis put on the trial of the consumer forum?

Tom: The decision to delay, wasn't as last minute from the business' as perhaps it was for everyone sitting in the room.

Tom: We had to make some very quick decisions, once we knew there was going to be a delay. And I think two key parts of the proposal, we made those decisions, innovation and DER, both those issues were going to benefit from more time.

Tom: So we did stretch out, delay the consultation, and we did a lot more researching in both those areas as well. We took advantage of the extra time, if that makes sense?

Tom: And I think, that is a good investment of time on those two issues, I think DER always benefits from more information and the ability to keep up with government policy, which changes from month to month as well. So, we sort of reinvested in the process, if that makes sense, with the six month delay.

Tom: I think if we had to lodge in July, we would not have been able to reach a negotiated agreement on DER in particular. I do not think either party would have been comfortable that we were informed enough at that point in time, to reach an agreement so it was more an informed.

Speaker 7: The question before about the things which were out of scope of negotiations in the customer forums.

Tom: So the joint DB's are doing for instance extensive engagement on the tariffs. So that is a separate, very successful process that has been industry wide. With our deep dives on our expenditures, on opex and capex, both those deep dives we presented on the entire spends. We did not just restrict it to issues that were negotiated.

Tom: Now, on some issues for instance, the large amounts of investment in bush fire safety was for information only, we do not back away from that, we have got particular standards we have to meet. We are not going to negotiate away from those standards.

Tom: I think we have been very, very transparent in our draft proposal that we issued, included every single dollar that was being spent across the network and why it was being spent. So, I think we have been pretty transparent about the overall package.

David: I think we have taken up enough of your time, it has been very generous of you to give that to us.

David: We are going to move into a session where we are actually going to now talk about, overcoming barriers in consumer engagement and you are more than welcome to stay and join us for a discussion.

David: But if I can just get you all to thank Tony and Tom.



