



**UNITING**  
**COMMUNITIES**

# **Consumer Advocates Handbook**

Produced by: **Uniting Communities**

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*Note: Uniting Communities is South Australia's first accredited Carbon  
Neutral organisation/business.*

# 1. Summary of DNA approach and Rationale

In 2015 UnitingCare Australia released a high level report entitled “Changing the DNA of Network Tariff Setting in Australia.”<sup>1</sup> The following extract is a summary of the thinking presented:

*Existing processes have not always delivered the best outcomes for consumers, notwithstanding considerable improvements. Uniting Communities proposes a significant cultural shift from current arrangements for regulatory determination. Under the current model, networks put a price and revenue proposal to the Regulator, and then defend that proposal during the Australian Energy Regulator's deliberations.*

Uniting Communities also observed that often the Australian Energy Regulator’s final regulatory decision was challenged through the Limited Merits Review process, which effectively locked consumer interest out of the process. This ‘propose – defend – litigate’ approach entrenched the network's power, relegating consumers to a reactive and usually marginal role.

Instead Uniting Communities proposes an approach that changes the review process to one of deliberation, negotiation, and agreement (DNA). This places two innovations at the centre of network regulated decision-making:

1. The use of deliberative democratic techniques to develop fundamental understandings of community views and preferences; and
2. The use of negotiation between networks and consumers as an alternative vehicle for debate and compromise to the current system, by which the regulator has to make a judgement about all network proposals.

Incorporating direct and ongoing consumer focussed engagement in network regulatory processes is the priority for lasting reform, changing the make-up of regulatory processes.”

DNA was a shorthand for two separate processes, deliberation and negotiation which we argued should contribute to agreement, as far as possible, between network businesses and consumer interests. Note that deliberation, negotiation and agreement (DNA) were not intended to be seen as sequential, nor were they implying a particular best approach.

**The DNA approach is the application of Deliberative processes and Negotiation to achieving Agreement between network businesses and consumer interests.**

The key argument for deliberation was for the use of extended processes like citizens juries, where citizens without direct involvement with the energy industry, could be selected to contribute strong consumer perspectives to complex energy issues. It had been argued by some that consumers could only have limited involvement in regular trip processes because of the complexity of those processes. Deliberation enables ‘rank and file’ consumers to engage with any complex issue, through an appropriately resourced and managed deliberative process. Similarly, Negotiation was any process that involved discussion or debate between consumer interests and network businesses, we parties participated as equals. Critically the DNA approach was focused on achieving agreement, as far as possible, between consumer interests and network businesses, as opposed to the much more adversarial approach that was frequently observed at the time.

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<sup>1</sup> Now found at: <http://noshockenergy.org.192-81-211-8.ericdekock.com.au/wp-content/uploads/2016/07/DNA-of-network-tariff-setting-June-2015.pdf>

A framework that is widely used to consider consumer engagement is the International Association of Public Participation (IAP2) spectrum for public participation.

From consideration of better consumer engagement, the following table summarises the key characteristics and a brief description of characteristics of effective engagement

<b>Characteristic</b>	<b>Description</b>
<b>Transparent</b>	Engagement processes (inputs and decisions) must be transparent not only to those participating in the process but the broader stakeholder base.
<b>Embedded</b>	It must be embedded within business as usual practices and form part of a businesses' ongoing activity.
<b>Representative</b>	Participants in engagement processes must be seen to be able to represent the interests of relevant consumer groups or consumers at large.
<b>Accountable</b>	Network businesses must be accountable for how they use or do not use any insights and input from consumer engagement processes.
<b>Tailored</b>	Engagement processes must be fit for purpose for each business and tailored to meet specific business needs and circumstances.
<b>Independent</b>	Consumers and consumer representatives who are participants in engagement processes must be independent from the network business.
<b>Evidence based</b>	Where possible information and decisions must be evidence based and objective.
<b>Well resourced</b>	Consumer engagement must be appropriately resourced, noting that resourcing must be proportional to the value being discussed and the key issues or materiality of the issues.
<b>Two-way</b>	Engagement processes must be centred on honest and transparent two-way dialogue.
<b>Makes an impact</b>	Consumer input must be seen to make an impact and influence business decision making.
<b>Continuous improvement</b>	Consumer engagement processes must be able to adapt and evolve as required. This also included ensuring business culture and behaviours change in response to changing circumstances. Consumer engagement must be a dynamic and ongoing process that seeks the best outcomes for consumers in any given context, time and place.

## 2. Recent Developments

In the eight months since the first version of the Living DNA report, which summarised the current state of network consumer engagement, a number of significant developments have occurred that reflect both the current level of interest in consumer engagement for network – consumer engagement and the rapid rate of consumer engagement developments. These are summarised below in this update because they provide important context in informing change and in learning from approaches taken by each network business. On this point, it is recognised that network businesses watch each other’s engagement experiences and learn from them. So the release of a preliminary or draft proposal that was seen from TasNetworks, ElectraNet and AGN (now Australian Gas Infrastructure Group) has been applied by NSW distribution businesses in their planning for early lodgement of revenue proposals in early 2018. ActewAGL (now Evoenergy) released both an issues paper and a separate discussion paper before lodging their proposal in January 2018. Victorian, South Australian and Queensland businesses - which all lodge their next revenue proposals during 2019 - are all considering releasing a draft decision. Deliberative forums - which Essential Energy used extensively during 2017 - are being used by other network businesses, and Deep Dives - which were significantly applied by Endeavour and Ausgrid - are also being used by other network businesses.

Each revenue proposal should mean that the consumer engagement practice of the *submitting network* ‘leapfrogs’ over the consumer engagement practice of the recently lodged networks. There remains a challenge facing consumer groups trying to keep up.

### a. Removal of Limited Merits Review

*The Competition and Consumer Amendment (Abolition of Limited Merits Review) Bill 2017* was passed by the Commonwealth Government on 16 October 2017. After significant debate this legislation cancels the option for energy network businesses appealing against decisions made by the Australian Energy Regulator to the Australian Competition Tribunal as a Limited Merits Review.

The opportunity for network businesses to apply for Limited Merits Review of regulator decisions was one of the key reasons for the Uniting Communities network believing that energy regulatory processes were failing to deliver efficient outcomes for consumers. This belief led to the release of our DNA Approaches report in 2015. We observed at the time that regulatory processes were being distorted, with too much focus on appealing the regulator’s decision. This distortion created an environment of mistrust between networks, consumers and the regulator.

The abolition of Limited Merits Review removed the opportunity for behaviours that led to sub optimal outcomes to consumers to flourish. The removal of Limited Merits Review also provided a great opportunity to focus on consumer engagement, which Uniting Communities has long argued is what produces efficient outcomes for networks and consumers. These efficient outcomes are achieved in particular by lowering the considerable transactions costs which were all borne by consumers.

### b. AER 2.0

In July 2017, AER Chair Paula Conboy spoke to the ENA conference<sup>2</sup>. Her presentation included the following comments:

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<sup>2</sup> <https://www.aer.gov.au/news/working-together-to-restore-confidence-in-energy-regulation>

*“We have had a highly adversarial culture around energy regulation in Australia. In fact I was quite shocked at the intensity of that culture when I arrived here three years ago and it’s been a conscious effort of mine to move away from it. This adversarial approach needs to change if we are to achieve mutually acceptable outcomes to investors and consumers; outcomes that are in the long-term interests of consumers. I know that many of you agree that a more constructive working relationship with us is essential if we are to move on from an inefficient and ultimately unsustainable adversarial approach.*

*If the game isn’t working—and there are parts of the game that aren’t working—we need to change the game. And I think many of us are already moving in the right direction...*

*We are essentially kicking off AER 2.0*

*We want to foster confidence among stakeholders that the energy system is working well for them, as levels of public trust now can have a long-term impact on consumer engagement and the effectiveness of competition.*

*So, looking forwards, **we see a playing field where the umpire’s decision and authority is not consistently undermined by a default appeals process.** That is a fundamental game changer and it means that we are all going to have to get used to consulting and listening to each other a whole lot more.*

*We will continue to undertake extensive consultation throughout each of our regulatory processes. This includes general approaches such as holding public forums to discuss proposals, issuing discussion papers and draft decisions and requesting submissions on these.*

*Consultation is not something we pay lip service to. It is foundational to our ethos, and the new playing field we are all about to step on to means we’re all going to have to do a whole lot more of it.*

*This open dialogue and more constructive way forward will be increasingly important as we move forward through the energy sector’s transition and into a less clear future.”*

The approach outlined at the ENA Conference represented a significant shift in the environment in which network regulation is to occur, particularly when coupled with the abolition of access to Limited Merits Review. There is no guidebook for implementing AER 2.0, which is appropriate because the direction flagged is first and foremost about building trust between parties and recognising that some scars remain with people from all sides of the past regulatory battles.

The directions summarised as AER 2.0 and largely supported by network businesses are very much in line with the DNA approach that Uniting Communities has advocated.

This report takes into account the general directions of AER 2.0 and intends to add some depth to the application of these ideals.

### c. Lodgement extensions for NSW distribution businesses

During 2017 each of the New South Wales electricity distribution businesses approached the AER seeking a three month extension to lodge their revenue proposals for the 2019-24 period. Some of the reasons for seeking extensions were for:

- new ownership arrangements which applied to Endeavour Energy and AusGrid

- another factor was that the 2014-19 regulatory determinations had not been finalised because aspects of the decisions had been remitted back to the AER, following Limited Merits Review and Federal court appeals.

However the main reasons for the three network businesses seeking extensions of time was so that they could significantly enhance their consumer engagement. The following is an example of the AER's response to Endeavour Energy, but similar responses were made to Essential Energy and AusGrid.

*"Thank you for your letter dated 8 December 2017 seeking the AER's agreement to submit*

*The AER has considered your request and is amenable to the revised submission date.*

*Based on our discussions with you and other stakeholders to date and the information presented in your letter, we understand the delay will enable Endeavour Energy to undertake more extensive customer and stakeholder engagement, especially in relation to its proposed capex program, to formulate a better informed regulatory proposal for the benefit of consumers.*

*We understand that prior to seeking a time extension, Endeavour Energy has consulted with key stakeholders, including Energy Consumers Australia (ECA), the AER's Customer Challenge Panel (CCP) and the Public Interest Advocacy Centre (PIAC).*

*Further we consider that Endeavour Energy's upcoming proposal can be assessed within the shorter timeframe, consistent with an open, transparent and consultative process."*

This is a clear example of the regulator actively supporting high-quality consumer engagement and creating the expectation that such engagement will be undertaken and will deliver more informed and consequently better regulatory proposals.

#### c. NSW 14-19 remits and deep dives in NSW

For some it has been the sword of Damocles hanging over regulatory process: how to resolve the decisions that were remitted back to the AER for New South Wales determinations mainly relating to 2014-19 that were the subject of appeal through Limited Merits Review and then subsequently through the Federal court?

On 16 August 2017, the AER hosted a stakeholder roundtable to discuss ways to resolve the remitted decisions in the spirit of AER 2.0. This roundtable included consumer representatives as well as network and regulator staff.

Significant open, honest and direct discussions have occurred between consumer groups, network businesses and the regulator subsequent to that first roundtable meeting, resulting in all network businesses involved exploring means to make a revised proposal to the regulator. The first businesses to formally make a revised proposal was Essential Energy. In responding to this proposal the AER has said:

*"We have given weight to the strong expressions of support from the CCP10, ECA, EUAA and PIAC. Notably, each of these consumer groups have clearly expressed that given the circumstances, allowing for \$100 million more than the revenue allowance in our April 2015 final decision as part of a remade decision results in an outcome that they consider to be in the long-term interests of Essential Energy's customers. For example, the CCP10 stated:*

*We understand that this involves Essential retaining up to \$100m in revenue..., but this needs to be considered in the context of the overall proposal. Consumers will benefit from:*

- *the certainty provided by the early resolution of the proposed price path*
- *the removal of the risk for consumers from the reopening of the contentious issues from the Federal Court decision, particularly in regard to debt costs, and*
- *on an ongoing basis from the reductions in operational and capital expenditure that Essential has achieved.*

*It is our opinion that the benefits outweigh the costs, in aggregate, for consumers from this proposal....*

*For all of the reasons set out above, we are satisfied that accepting Essential Energy's proposal for the 2014-19 regulatory control period is likely to contribute to the achievement of the NEO to the greatest degree and is in the long-term interests of consumers."*

#### d. NewReg and AusNet Services

During 2017, Energy Consumers Australia (ECA), Energy Network's Australia (ENA) and the Australian Energy Regulator (AER) agreed to collaborate on a project to encourage new and innovative approaches to regulatory process with particular focus on consumer engagement. This process is now referred to as the NewReg project and AusNet Services have volunteered to trial innovative process in developing their 2020-25 regulatory proposal for the AusNet electricity distribution business in Victoria.

On 23<sup>rd</sup> March 2018, AusNet Services announced:

*"Victorian electricity distributor AusNet Services is embarking on a ground-breaking trial in which it will negotiate its proposed service offerings and expenditure directly with highly-skilled, qualified individuals appointed to formally represent the perspectives of its customers.*

*Electricity price increases in recent years have resulted in uncertainty about the value of network services to customers.*

*The trial is being conducted under the 'NewReg' approach to electricity network regulation which was launched today by the Australian Energy Regulator (AER), Energy Consumers Australia and Energy Networks Australia.*

*"AusNet Services is committed to empowering communities and their energy future. The NewReg trial adds to our existing customer engagement activities that aim to place customers at the heart of our decision-making process by understanding what matters to them," said AusNet Services Managing Director, Nino Ficca."*

Central to the AusNet Services trial is the development of a Customer Forum which will negotiate with AusNet and seek agreement. The customer forum approach is based on the development of a customer forum in Scotland to deal with the regulation of Scottish Water.

#### e. ENA / ECA consumer engagement award

At the ENA end of year dinner in 2017, a new award was introduced that had been promoted and offered by energy consumers Australia. This was the first time a consumer engagement award had been offered to a network business, in recognition of excellence in their approach to consumer engagement. The guidelines for the award were:

*All entries must adhere to the following guidelines:*

*Must clearly demonstrate outstanding consumer engagement, with positive impacts in the business, by an Australian energy network business.*

*In seeking nominations it is recognised that consumer engagement may occur around a diverse set of issues or challenges including pricing, reliability, planning and environmental performance issues but it must be supported by an organisational focus on customers that is championed and resourced by network businesses' senior decision makers.*

*The application should outline the consumer engagement strategy and its purpose, methods used and what the consumer engagement achieved, including, most importantly, the influence consumer engagement had on business decision making and outcomes.*

The award winner was ElectraNet, the South Australian electricity transmission business with a majority of network businesses lodging entries for the award.

The establishment of this award and keen interest in winning it is another example of changing the landscape regarding Australian energy networks and their attitude and approach to consumer engagement.

#### f. Rate of Return Guideline review process

During 2017 the AER announced that it was time to review the rate of return guideline that applies to all energy network revenue determinations. The AER appointed a consumer reference group (CRG) comprised of self nominating advocates, who were asked to both prepare a single joint submission covering the views of a wide diversity of consumer interests. The CRG was also encouraged to negotiate with Energy Network's Australia to ascertain where there might be (close to) agreement between consumer and network interests.

The AER also established an investor reference group and a retailer reference group to consider the new rate of return guideline.

In calling for nominations to join the CRG, the AER said:

*"The purpose of this CRG is to facilitate consumer input into our review of the rate of return guideline.*

*We place stakeholder engagement at the centre of our work. We recognise that the decisions we make and the actions we take in performing our regulatory roles and other activities affect a wide range of individuals, businesses and organisations. Our vision is for our stakeholders to have the opportunity to engage with us across a range of our functions.*

*In keeping with this approach, CRG members will bring a wide range of consumer views to inform our thinking on estimating the rate of return."*

We understand that this is the first time that the regulator had established a consumer reference group expecting a joint submission and also the first time that the regulator specifically asked networks and consumer groups to negotiate with each other and to seek agreement. It is also worth noting that negotiation and agreement was being sought on one of the more complex set of issues associated with the Australian energy regulation schedule of issues.

#### g. COAG review of Consumer participation in revenue determinations and associated regulatory processes



On 6 October 2017, the COAG Energy Council released a Consultation Paper on Consumer Resourcing, stating:

*“In July 2017, the COAG Energy Council agreed to consult on options to improve resourcing available to consumer groups to support more effective engagement in the Australian Energy Regulator’s (AER) revenue determinations and access arrangement decisions under the national electricity and gas laws and rules.*

*The paper sought feedback on key issues associated with resourcing for consumer participation, including:*

*The effectiveness of current resourcing arrangements for supporting consumer participation;*

*The adequacy of current resourcing levels for facilitating effective consumer participation;*

*The quality of consumer participation processes and how they can be improved to maximise the outcomes achieved with existing resources; and*

*Building the capacity of consumer representatives to participate in complex, technical revenue determination and access arrangement decision-making processes.*

Consideration of next steps for this process has been topical during the course of the project, with resourcing for consumer engagement being a significant topic in almost all discussions that were conducted during the course of this project.

These seven recent developments are all indicative of the active consideration of consumer engagement issues for network regulatory processes and indicate the rate of change in both the policy and practice environment.

### 3. Meanwhile in the UK

On 9 April the United Kingdom (UK) energy regulator, Ofgem released RIIO – 2 enhanced stakeholder engagement guidance – version 1.

Note that RIIO is the shorthand for the significant revision of network regulatory practice undertaken by Ofgem about four years ago, RIIO simply stands for:

#### **Revenue = Incentives + Innovation + Outputs**

The very recent guidance for stakeholder engagement includes the following summary:

*“We are introducing different models for enhanced stakeholder engagement. This will involve the establishment of Groups, by the companies and by us, that will provide additional challenge to network companies’ business plans.*

*In **distribution**, each company will be required to establish a Customer Engagement Group. These Groups will provide challenge on whether the company’s business plan addresses the needs and preferences of consumers.*

*In **transmission**, each company will be required to set up a User Group. These Groups will challenge the company’s business plan proposals, and provide input to the plan.*

*We will also set up an independently chaired RIIO-2 Challenge Group that will assess the business plan proposals in both sectors and will provide a report to us on their findings. Through their interaction with us during the development of sector methodologies, the RIIO-2 Challenge Group will also be able to consider and feed back to us their views on our approach.*

*All of the Groups will be:*

- **independent**, operating at an arm’s-length from both the network companies and from us
- capable of providing rigorous **challenge** to companies
- providing **their views** to Ofgem in the form of reports that we will receive alongside the final business plan submitted by companies.

*The role of the company groups in both sectors is similar, in that they will provide challenge to the companies’ business plans, and ultimately provide us with reports detailing their views on the plans. There is a difference in the composition of the Groups. This reflects the characteristics of each sector, especially the range of stakeholders and their capability to provide challenge and direct input to company proposals.*

*We are also proposing to hold “open hearings” once we receive the business plans. Areas of contention that these groups have flagged could provide the focus for these hearings. These would then allow us to listen to arguments from the companies, the Chairs of each Group and from other interested stakeholders in favour of, or against company proposals. This could enable us to gain better understanding of issues in a transparent and public manner. We are consulting on this approach and we will provide further detail on this in due course.*

*We are also consulting on potentially separating the electricity System Operator (SO) price control from the price control for National Grid Electricity Transmission, and considering the case for alternative models of regulation for this. If our decision is to separate the SO, then we will need to develop further the role that enhanced stakeholder engagement could play a role in the SO’s framework.*

*If we implement a separate framework for the SO, then we would expect the approach to stakeholder engagement to be broadly consistent with the models we have set out for network operators. We would expect engagement with a wide and representative range of stakeholders to inform its business plan, and that this should be subject to appropriate scrutiny and challenge. However, given the potential for differences in how we will regulate the SO, it is not sensible at this time to commit to a model.”*

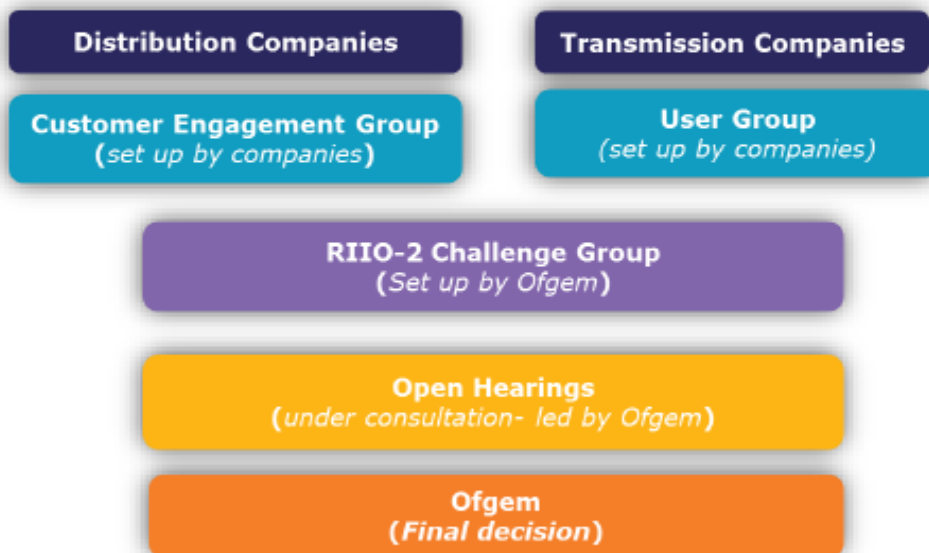
This diagram summarises the key elements of the new consumer engagement requirements.

There is common ground with both the AusNet Services, NewReg trial and the Ofgem guidance where all network businesses will be required to set up a customer engagement group, with quite specific roles and functions integrated into the regulatory process.

There will no doubt be a range of models the customer forums or customer engagement groups but we suggest that both Australian and UK regulators are keen to see independent, well-informed consumer advocates and people representing consumer interests as integral to network business activity and we hope to enhance broader consumer engagement in network regulation and related policy development and practice.

**Chapter summary:** This chapter explains the roles and responsibilities of various Groups, Ofgem and network companies in the enhanced stakeholder engagement process. It also sets out the membership and governance arrangements for each of the Groups.

**Figure 1: RIIO-2 enhanced stakeholder engagement model**



### Role and Responsibilities of all parties in the process

Ofgem states that the **focus of the Groups** will include the following areas

- *the company’s overall priorities and approach, for example at a strategic level does the company understand the range of changes happening within and to the energy system that could impact its activities*

- *direct input to identifying investment requirements and outputs representing desired performance levels and service quality improvements*
- *associated totex budgets (including level of cost efficiency improvements) for example has the company demonstrated how its proposals for expenditure efficiency/service quality improvement are sufficiently stretching? What evidence has the company provided to allow them to assess how the output targets and expenditure proposals:*
  - *compare to historical levels of performance?*
  - *compare to other network companies?*
  - *compare to other industries?*
- *the stakeholder engagement the company has undertaken to inform their proposals*
- *the company's approach to innovation, including incorporating innovation into business as usual, and including innovative approaches and initiatives from leading global network companies*
- *the range of scenarios the company has considered to anticipate future network requirements and the company's approach to managing uncertainty and associated risks. This should include testing the business plans against more extreme scenarios (both significantly lower or higher demand) to ensure the business plan remains robust in the face of unforeseen changes*
- *what alternatives to the investment proposals has the company considered, including from parties offering alternative and non-network based solutions*
- *any issues of particular relevance to a local region – including any significant investment choices in their area, and provide challenge to decisions made by the company when considering competing interests and perspectives*

The Groups will meet with Ofgem periodically (collectively and through the Chair as appropriate) to provide regular feedback to Ofgem on the progress made by the company, and on the process itself.

## 4. Topics for Consideration: Consumer Advocates

The brief summary of recent developments in Australia and the very recent guidance from Ofgem in the United Kingdom (UK) demonstrate the rapid level of development of approach in both Australia and the UK. These developments also indicate that in the continuing uncertain environment of our energy markets, there is strong interest in formalising consumer engagement structures as business-as-usual within network businesses. The AusNet Services customer forum trial through NewReg in Australia and the Ofgem stakeholder engagement guidance both appear to be moving in this direction.

The following is a brief list of topics that Uniting Communities has gleaned from workshops conducted during March 2018 and from ongoing discussions, that may flag some potential for concern from current consumer engagement developments:

1. Community engagement versus consumer engagement: The National Electricity Objective (NEO) is silent or unclear on communities but rather uses the term consumers. Notwithstanding this, there was some discussion of the need to consider the provision of network services as broader services to the community including one or more 'community compacts' or 'social licences to operate'.
2. The risk of "advocate capture" where jurisdictionally based business staff members and consumer advocates become close to the point that some poor or inefficient practice is deemed acceptable by consumer representatives.
3. A risk of 'gold plating' of consumer engagement, whereby network businesses could potentially use 'Consumer engagement' to try to justify costs that are marginal to engagement (however there are reasonably straightforward approaches to manage this risk)
4. "Consumer vs Consumer" There can be tensions between the best interests of different consumers. 'Consumer vs consumer' conflict, would be unhelpful.
5. "Crowding out" established community based consumer advocates, in favour or more prescribed or formalised engagement approaches.
6. A "best engagement approach." Consumer engagement needs to be bespoke for each network at each time and needs to be a continuous improvement process.
7. Ongoing resourcing for a diversity of consumer engagement is crucial

Consumer groups in particular, need to be aware of the potential for damage to effective engagement that could occur if any of these potential concerns emerge and are unchecked.

## 5. Next steps

As discussed, consumer engagement is largely viewed as being a crucial role for networks. Consumer engagement is seen as integral to business strategy and understood to be “the new business-as-usual”. It must not be viewed as a passing fad or a box ticking exercise or just part of a regulatory reset process. It was also recognised that the energy industry and consumers are on a journey towards improved consumer engagement, and that there are some questions to be answered.

We have identified four high priority areas of focus for the next 12 – 18 months to address the key questions and inform the evolution of consumer engagement.

It is important to understand that these focus areas are interdependent, in other words the insights and findings from one area will necessarily influence the considerations and findings of another. These four areas must therefore be viewed as a program of work that needs to be covered rather than a set of four separate tasks.

The four focus areas are summarised in a diagram that highlights their interdependent nature and is explored in further detail below.

- 1. Developing a ‘business case’ for consumer engagement:** This is seen as a critical component to inform Government policy and funding options and to address the concern that there is a risk of consumer engagement being the next ‘gold plating’.

The question remains as to what is the ‘right’ level of spending on consumer engagement by network business. Stakeholders will need to be convinced that network spending on consumer or stakeholder engagement is cost-effective and delivers outcomes for consumers.

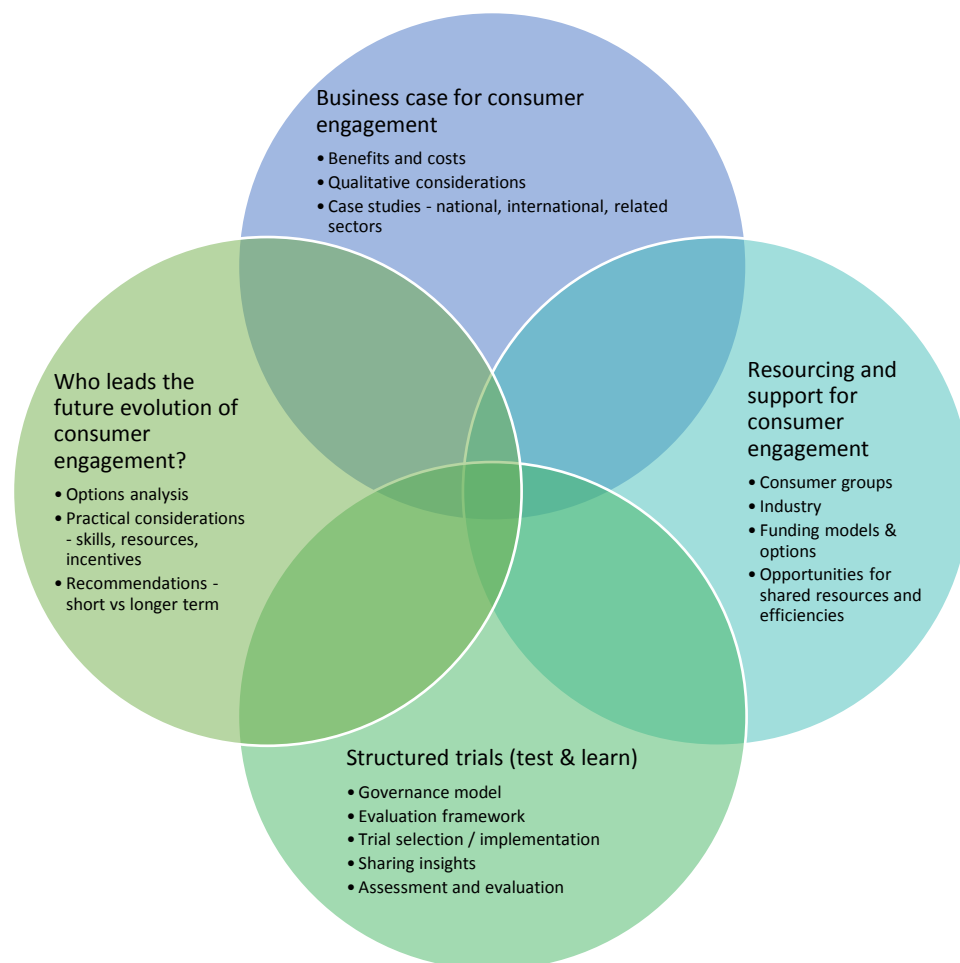
The business case is not necessarily a formal cost benefit analysis. Rather it will seek to provide a report and analysis to identify the broad costs versus the benefits of engagement and will also include:

- a. Case studies documenting recent network – consumer engagement that detail costs and benefits and lessons learnt.
- b. Relevant insights from other engagement activities such as the AusNet Services Services customer forum trial where opportunities arise, and examples of better practice consumer engagement from related industries such as water industries (for example Yarra Valley Water which ran a successful citizens jury process).

- 2. Structured trials:** There are currently a number of trials of varying consumer engagement models occurring across the industry. Clearly the learnings and insights from current and historic trials can inform the business case and also be included in some of the case study and insights materials.

Going forward, there are several trials that could be undertaken by network businesses, but there is a limit to how many of these trials the AER and other stakeholders can be actively involved in supporting and resourcing. Accordingly there is merit in considering a structure framework within which trials can be managed and monitored for maximum industry value. This would include:

- a. **Governance:** Which trials can or should be explored? This should not only be an individual business decision, but also an industry level decision to maximise overall benefit from learnings.
  - b. **Evaluation framework:** A standard format for capturing, analysing and reporting the costs, benefits and learnings from trials will be critical to share insights and make appropriate assessments and comparisons across various trials and inform future decision making. A template to ensure information can be captured from multiple angles, such as the network business, the consumer perspective, the regulator and the broader industry (e.g. retailers, other stakeholders) is required to be developed.
3. **Resourcing and support for consumer engagement:** Consideration needs to be given to the appropriate resourcing and funding model for consumer engagement. The level of costs for consumer engagement is closely tied to the business case analysis, but the funding models and options can be somewhat discrete. This should also consider options for shared resources and areas for efficiencies.
  4. **Who leads the future evolution of consumer engagement?** The question of who leads the future evolution of consumer engagement is closely tied to the resourcing and support question. However this can be viewed on both a short term horizon (e.g. the next 18 – 24 months) and a longer term horizon once the learnings and insights from the trials and business case have been implemented.



## Post Script: Uniting Communities reflection

We note that Uniting Communities perspective has changed in the five years since we first presented consumer engagement thinking to the AER, with key developments in our thinking being:

Rather than advocating for “*consumer engagement processes that involve ongoing input from a diversity of residential and small business energy bill payers, channelled through community based organisations*” we increasingly recognise the merit of engagement strategies that seek input directly from bill paying customers. We seek this engagement particularly through deliberative processes as well as focus groups and surveys. We have come to recognise the role of consumer advocates in providing the important function of facilitating broader consumer input.

Moving away from the idea of consumer advocacy groups representing consumers and towards seeing consumer advocacy groups as able to represent a consumer perspective is important. This is important because a diversity of views being sought in any engagement process is important.

Rather than promoting ‘negotiated settlements’ as per the North American system we support future processes that allow for documented agreement between consumer interests and network businesses.

### What have we learned?

Having spent quite a bit of time focussing on the three South Australia and based network businesses that have all applied aspects of the “DNA Approach”, we are more than ever convinced about the soundness of the concepts we raised in 2015, in the initial paper. What is a surprise to us is the amount of progress that has been made, in general and by network businesses in particular. Of note is the level of interest shown consumer groups and regulators in seeking processes for regulatory proposal development that are more collaborative, consumer centred and which are seeking agreement. At this stage the level of agreement appears to be more implicit than explicit, but there is more discussion emerging about what forms of explicit agreement would look like.

Not surprisingly we have had it reinforced over and over again that trust in any such agreement making process would be crucial, while recognising that trust can be elusive.

As a consumer organisation we believe we have been taken seriously at all times and have learned that it is invariably the informal and networking processes that are required to make more formal processes effective. In short, sharing over coffee is important! People of goodwill with broadly shared goals can achieve significant progress chatting over a cup of coffee, or through other informal but transparent processes.

Getting started can be the most difficult part, with senior management of network businesses, preferably boards, wanting to effectively engage with a range of consumer interests. Stakeholders and consumer interest groups need to be open to overtures from businesses, clear about their objectives and willing to discuss, learn, share and negotiate with businesses, in good faith.

Sincerity is crucial for all parties. This means that mistakes can be made, but through open communication, there is learning from slips as well as success. Sincerity also means that agreement is sought, but areas of disagreement can be identified and accepted and without getting in the way.

Our summary formula for better consumer engagement is:

**Great Consumer Engagement = (0.8 x sincerity) + (0.2 x coffee)**