

Report

TOPIC | Resourcing Consumer Engagement

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Section 1: Summary

The starting premise for this project is that early and effective consumer engagement is crucial for ongoing energy network regulation and policy development leading to energy prices being at the lowest efficient level for consumers reflecting the value / service proposition based on consumer preferences.

Engagement with consumers needs to become a core component of business as usual for network businesses, energy advocacy organisations and other stakeholders to build trust and ensure consumer interests are reflected in broader business strategy and operations. However, there is no clear agreement about what effective consumer engagement looks like, how much engagement is required, the associated costs of resourcing such engagement, who should resource it and the benefits of effective consumer engagement.

This report deals with the question of resourcing models along with funding sources and options for consumer engagement with Australian energy network businesses and with other energy policy, program and regulatory processes.

High Level Observations

Over the course of this project we identified several important observations to provide a context for our recommendations.

- Consumer engagement is highly valued and when done well gives credibility to network proposals and associated regulator decisions and has a very favourable benefit to cost ratio.
- Current consumer engagement activities are generally being done well.
- Consumer engagement should be an ongoing function so consumer groups need to be resourced over a reasonable length of time and with adequate capacity to respond to priority processes.
- Currently resourcing levels for consumer based groups does not have appropriate capacity or adequacy.
- Constituent based consumer and consumer advocacy groups provide important diversity to any process where consumer engagement is warranted.
- Consumer advocacy groups perform a myriad of functions, many of which are less visible to public processes but which play a really important part in enabling the implementation of good policy and regular practice.
- There is a good alignment between consumer advocate groups, networks and market bodies about the functions of consumer engagement that are most effective / have the most impact.
- The most effective consumer engagement functions are also those that require a higher time commitment.
- The role of retailers in network processes and the relationship between consumer advocate groups and retailers remains complex and somewhat vexed. Retailers are much more comfortable in bilateral discussions rather than multilateral forums

- As the pace of change picks up in the policy and regulatory environment there are evermore gaps in issues upon which meaningful consumer engagement occurs.
- Consumer engagement is much more than involvement in regulatory proposals from network businesses, as important as these are.
- Consumer groups play an important role in linking various stakeholders to each other.
- Resourcing consumer engagement needs to be “right sized” there is some fear of an “engagement arms race” with spending on consumer engagement being greater than the benefits provided. This could be because some networks think that this is what the regulator wants.
- Existing and augmented consumer input can be enhanced by improved coordination.
- Consumer engagement is relational, current effective engagement occurs where there are well-established relationships of trust between key individuals.
- Effective consumer engagement can / should provide confidence in regulatory processes that some would argue LMR processes previously provided.

Gaps in Current Consumer Group Funding Arrangements

The major gaps in current consumer engagement funding are summarised as:

- Adequacy: current demands for consumer engagement from network businesses, market bodies, policymakers and other parts of the industry are not able to be met by consumer groups. The project estimates approximately \$3 million per year goes to funding for consumer engagement, advocacy and research. For an overall electricity network valued at approximately AU\$75 billion and for an industry with an annual turnover in the order of \$8.0 billion per year
- Capacity: refers to the skills and knowledge base that is needed for effective consumer engagement by consumer and community groups.
- Continuity: is about the ability of consumer advocates to stay engaged with the duration of a network regulatory proposal and other engagement processes.
- Innovation and future market: so that consumer interests are part of understanding and developing future opportunities.
- Prioritisation and coordination which is about the demand for consumer engagement in approaches intended to utilise scarce consumer engagement capacity more effectively.
- Linking / collaboration: Linking and collaboration by consumer groups builds trust and confidence in energy markets and energy businesses.

Recommendations Summary

We have identified a number of emerging recommendations that will be further discussed and analysed in the remainder of this report.

1. Increase funding for existing (and potential) consumer advocate organisations to enable an ongoing, base level of energy consumer engagement and advocacy “Service” in each jurisdiction, commensurate with jurisdictional size and scope.
2. Revise Guidelines for ECA Grants to enhance continuity of consumer advocacy.
3. Ensure that market bodies, network businesses, retailers and governments pay sitting fees and participation costs for consumer engagement.
4. Enable Energy Consumers Roundtable to undertake coordination of prioritised input into policy and regulatory processes.
5. Enable a regular Networks and Consumer Groups and separate Retailer and Consumer Groups dialogue.
6. A series of at least annual Innovation and Future Market briefings should be held for consumer groups and advocates to facilitate knowledge transfer.
7. That the AER develops a minimum set of conditions that would need to apply should some form of negotiated agreement be established as a worthwhile goal for future regulatory processes.

Section 2: Context and methodology

Introduction

Resourcing Consumer Engagement – project goals

Current Project

The overarching project outcome is to develop a rationale, gather evidence, build a case, and obtain broad industry stakeholder and Government buy-in for funding for consumer advocates to improve the level of consumer input - consequently leading to better cost effectiveness of network businesses and thereby reducing costs to end consumers.

The project is structured to answer three questions: a report will be provided for each one, as well as a consolidated report:

Question 1: What are the possible resourcing options and funding models for consumer engagement with network businesses, regulators and other stakeholders?

This question is considered in sections 2 -5 of this report

Question 2: What are the costs of the various resourcing options?

This question is considered in sections 6 and 7 of this report

Question 3: What are the indicative benefits of the various resourcing options?

This question is considered in section 8 of this report.

The project specific outcomes are to:

- 1) Develop a rationale, gather evidence, build a case and obtain broad industry stakeholder and Government buy-in for funding for consumer advocates and other stakeholders to improve the level of consumer input and scrutiny applied to network business regulatory processes and broader business operations, leading to improved alignment with consumer expectations, and better cost effectiveness of network business thereby reducing costs to end consumers.
- 2) Better enable early and effective engagement between network businesses, consumer representative groups¹ and other stakeholders
- 3) Assist in longer term trust building and sound engagement across these parties.

Genesis of the Project

A key catalyst to the development of this project was a discussion paper produced by the COAG Energy Council regarding consumer engagement and released on 6th October 2017 titled: “Consumer participation in revenue determinations and associated regulatory processes – Consultation Paper on Consumer Resourcing”

In releasing the discussion paper, the COAG Energy Council said *“In July 2017, the COAG Energy Council agreed to consult on options to improve resourcing available to consumer*

¹ The term Consumer Representative Groups refers to Not For Profit groups who undertake energy related advocacy, informed by a membership, service or client base.

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”*

At this time, Uniting Communities was undertaking a project to explore the estate of the then current consumer engagement processes particularly involving network businesses and consumer organisations. The project was also exploring the question as to whether there was a specific “endgame for consumer engagement?”

The questions of consumer participation and consumer resourcing have continued to be considered since the October 2017 discussion paper was released, this project builds on the discussions and debates with the three questions that we have posed being a reflection of the issues on which the October 2017 paper sought feedback. This paper provides some recommendations about responses to the questions about consumer participation and consumer resourcing in Australian energy markets with particular, but not exclusive, reference to network regulatory processes.

Project Methodology

The two main processes that have been undertaken by the project to seek responses to the three questions we have posed have been:

1. Workshops, consultations and discussions with interested stakeholders
2. a short survey that focused on current engagement functions.

This input has also been supported by some limited exploration of relevant literature.

1. Workshop, consultations and discussions with interested stakeholders

This process included:

- one-to-one discussions with a broad range of interested stakeholders
- two workshops involving a diversity of stakeholders conducted in both Melbourne and Sydney
- group discussions with ENA members and the Energy Consumer Roundtable, as primary stakeholders.

Considerable input has been provided to the project by over 70 different people with a wide range of perspectives which have all been greatly appreciated. This report does not necessarily represent a consensus view of all those who provided input, it does however reflect opinions and recommendations that were well tested and that enjoyed strong support from across a range of stakeholder input.

A summary of stakeholders who were consulted and provided input is in appendix 1. Uniting Communities greatly appreciates the input from all who have contributed and has carefully considered all input provided.

2. Survey

A simple survey was developed and provided to a range of stakeholders to complete, a total of 17 responses were received. The intent of the survey was not to obtain statistically significant results, but rather to provide qualitative guidance and insights to inform the analysis for the project. The survey was provided initially through an excel form and also re-issued using Survey Monkey.

The survey was undertaken to seek advice on:

- our proposed activity areas of consumer engagement
- a further detailed (disaggregated) list of consumer engagement functions related to these areas.
- the perceived effectiveness / impact of these various functions
- the perceived importance of these functions
- the time and relative cost / intensiveness.

The survey questions are contained in appendix 4.

While we cannot say that the survey provides definitive views of any stakeholder group to a degree of statistical significance, we are satisfied that there is enough consistency in the responses received and our discussions with stakeholders to be able to draw reasonable inferences, the survey and results are considered in section 4 of this report.

A “Stakeholder input summary report” has been produced as a separate document to accompany this report.

Project Context

Audiences for Consumer Engagement

It is recognised that consumer engagement is undertaken with a diversity of groups, associations, individuals and consumer perspectives. We summarise these groupings for consumer engagement as being:

1. End customers, namely individual households and small business
2. Local and regional forums where members of a community: geographic, economic, environmental, are brought together by network business or out of local concern, to consider particular energy issues particularly pertinent to that community
3. Not-for-profit organisations with an interest in energy and climate related issues and invariably representing a particular constituency: households experiencing energy

disadvantage, environmental groups, agriculturally focused industry groups, regional organisations, small business.

4. Peak bodies, representing a broader organisational member base e.g. councils of social service, farmer / irrigator associations (e.g. New South Wales Farmers Federation, cane growers, winegrowers), environmentally focussed networks (eg Renew), associations of large energy users (e.g. energy users Association of Australia EUAA and major energy users (MEU).
5. Commercial and industrial customers of energy businesses
6. Consumer perspective groups comprising individuals with high levels of expertise and no constituent base (e.g. AER CCP (Consumer Challenge Panel), AusNet Services Customer Forum).

Regarding focus for this report, it is considered that engagement with end customers by network businesses through methodologies including social media, online surveys, focus groups, forums is funded by individual network businesses. So while it is a very important aspect of consumer engagement by individual network businesses the broadness of base and generally infrequent contact means that there is little capacity for specific resourcing other than what is funded by network businesses. We therefore do not consider resourcing for direct customer engagement to be a focus for this report, this remains a responsibility of network businesses.

Similarly the direct engagement that occurs between network businesses and their very large commercial and industrial customers is outside the scope of this report.

The focus for this report is on those organisations summarised by categories 3 and 4 in the list above, organisations that are generally not-for-profit, although they may represent “for-profit” members and who are representing the experiences of a member or a client base in their engagement with energy businesses.

We also note a distinction between what we term consumer constituent groups, categories 3 and 4 above, with consumer perspective groups (category 6) that represent a range of consumer interests, including AER CCP and AusNet Services Customer Forum models. The AusNet Services Customer Forum has been set up under the NewReg trial which is co-hosted by the AER, ENA and ECA. We do not consider the NewReg trial as part of this report as that reporting is happening elsewhere and being managed by the three host organisations as well as AusNet Services.

The focus of this report is on consumer-based groups that are not-for-profit and have a constituency that provides a base for their energy engagement, including advocacy. In most cases engagement on energy issues is but one of a range of issues with which the organisations are involved.

The place of retailers as customers of network businesses has also been a recurring question in conducting this project. The important role of retailers is understanding the needs of their customers and responding appropriately is well understood and as such their role as customers of network businesses is also evident. For the purposes of this project retailers

are regarded as customers of network businesses but certainly not exclusive customers and it is recognised that retailers also need to be engaging with their customer base. The resourcing focus of this project, while recognising the role of retailers, focuses on consumer and community-based groups that represent consumer interests.

The project has appreciated the valuable input from retailers and their engagement particular through the Australian Energy Council.

Role of Consumer Engagement – Recent Context

To provide some context for this project, this section summarises previous considerations about consumer engagement in which Uniting Communities has been involved. As a long standing community based organisation, Uniting Communities has an extensive history of engagement with a range of location and issues focussed consumers / clients and communities. Our approach is based on a definition developed by the Canadian Tamarack Centre for Community Engagement² which is recognised as a leader in developing and documenting community engagement practice. They define community engagement as:

“people working collaboratively, through inspired action and learning, to create and realize bold visions for their common future.”

The definition of public participation developed by the International Association of public participation (IAP2) is also helpful:

“public participation is a process to make better decisions that incorporate the interests and concerns of all affected stakeholders and meet the needs of the decision-making body.”

‘Public participation’, ‘Consumer engagement’ and ‘community engagement’ are considered to be synonyms, in practice. The term “consumer engagement” is used in this paper.

Another definitional question is whether engagement and advocacy are different? Given that much of the focus of this report is focussed on engagement by consumer representative groups, this report regards advocacy and engagement as being two faces of the same coin. Advocacy and engagement are both about challenging and achieving change, so the words will both be used to mean much the same thing in referring to the not-for-profit constituency based groups who engage with energy network businesses and the national energy markets more broadly.

Uniting Communities first promoted consumer engagement in Australian Energy markets as an alternative approach to the energy network regulatory processes that often ended up in appeal, through Limited Merits Review (LMR). They regarded the appeals process, as practiced at the time, as contrary to the best interests of consumers.

² See Tamarack Centre for Community Engagement at <http://tamarackcommunity.ca/>

The abolition of access to Limited Merits Review for energy network decisions in October 2017 was significant for many reasons, including that it gave greater impetus to network businesses, and the Australian Energy Regulator, to improve engagement with consumer interests with the objective of moving to approaches of “no surprises.” Meaning that when network businesses lodged a regulatory proposal, there were no surprises for consumer interests, other stakeholders and not for the regulator either.

Over the past 2 - 3 years there has been considerable focus on developing consumer engagement practice by network businesses, with substantial efforts made by a number of businesses. At the end of the Energy Networks Australia (ENA) annual dinner in November 2017, the first consumer engagement award was presented, as a joint ENA / ECA initiative. The inaugural winner was ElectraNet (South Australian Electricity transmission business) who were recognised for releasing a draft plan for comment and debate, prior to lodging their regular proposal. TasNetworks and Australian Gas Networks (AGN) had also produced draft plans to prompt engagement. ElectraNet also undertook a small number of deep dive events. A year later, the winner was Essential Energy who had undertaken a range of consumer engagement activities, with a focus on a program of repeated “deliberative forums” in locations spanning the very large region that they serve.

More recently a NewReg trial is being shared by AER, ENA and ECA with AusNet Services trialling a customer forum approach while Jemena electricity networks have developed a “People’s Panel” and undertaken engagement activities in languages other than English, starting with Arabic. Endeavour Energy, SA Power Networks and Ausgrid have taken ‘deep dives to greater sophistication.’ This is in no way an exhaustive list of new and emerging engagement approaches, rather it is an indication of a much broader range of engagement activities being undertaken by energy network businesses across Australia.

Role of Consumer Engagement – Changing Energy Markets

There is general agreement that energy markets globally are in the midst of a period of unprecedented change. Various expert groups suggest that uncertainty in energy markets will continue for some time to come, at least another five years before there is any likelihood of slowing in the rate of change. For example, a presenter at the 9th European Commission’s Citizens Energy Forum was Dr Philip Lewis from Finnish based, global consulting firm, VaasaETT. Dr Lewis spoke at the Forum on the topic of “key principles for the next energy markets,”

He concluded his presentation by saying “massive, amazing things will happen in the future”

Particularly interesting were his observations that the “emergent market is still 4-6 years away and that electric vehicles play a major role in how the market settles.”

Policy uncertainty, climate change, changing technology, unprecedented media scrutiny and other factors all contribute to angst for most market participants. Tensions continue between accountability for outcomes being laid with the political process by consumers while the responsibility for most aspects of energy supply is vested in the market.

There is much that is exciting with new and emerging technologies and the change that is occurring, but periods of rapid change invariably expose the most vulnerable customers to the greatest risk and provide opportunities for less honourable market participants to exploit vulnerable people. Consumer groups cite the retailer door knocking approaches that lead to the “do not knock” campaign and more recently retailer discounting as examples of the risks of consumer exploitation. Some consumers have also been exploited by ‘rogue’ solar PV companies. Another reality is that change impacts differently on different groups of consumers to a much greater degree than occurs in times of more stability.

We suggest that this dynamic, rapid and ongoing change is contributing to changes in thinking about regulatory process, including a large number of rule change proposals and the AEMC “Economic Frameworks Review.” The project heard discussion about moves from rules based regulation to approaches that are more focused on agreement between key stakeholders. The sort of language supporting this observation are phrases like “we want regulatory proposals capable of acceptance,” “no surprises” and maybe even “fast tracked regulation,” as has occurred in the UK, through their energy market regulatory reform process, referred to as RIIO.

Section 3: Consumer Engagement Tasks and Functions

In order to consider as broad a range of resourcing models as possible, we commence by considering the various discrete consumer engagement functions that are provided by consumer groups and then consider the range of potential funding sources. It is noted that the term “consumer engagement” is widely used, but tends to have different meanings for different groups. The terms “advocacy” and “consumer advocates” are used in this report with advocacy considered to be a series of functions that are part of a broader set of consumer engagement functions. Disaggregating consumer engagement into constituent functions has the value of clarifying language and better understanding the practices of engagement.

We then provide a map of current arrangements as a basis for considering future consumer engagement needs over and above what is currently offered, and then offer some ideas about funding models.

In this paper, as broad as possible range of resourcing options is considered, so ideas presented should not be construed as expression of preference by anyone involved on the project. This paper addresses the following questions, in considering the overarching question of resourcing options for consumer engagement as presented in the funding application to ECA.

1. Identify key tasks and functions of consumer engagement with a typical network business, regulators and other stakeholders – based on current experiences and forward perspectives.
2. Understand high level view of key measures against each task / function.
3. Identify relative priority ranking and qualitative resource levels.
4. Develop and document emerging industry wide (aggregated) views
5. Identify options for varying resource models and implications of tasks undertaken
6. Understand funding models for each function.

Often the concept of consumer engagement is considered at a macro level with a focus on various models and aggregated approaches. In order to better understand effective consumer engagement, from the perspectives of various stakeholders, the project has identified four “activity areas” and then disaggregated various consumer engagement models into a range of relatively discrete “functions”. These functions have been part of a survey of network businesses, consumer advocates retailers and market bodies. The objectives being to identify the full range of consumer engagement activity and to seek to identify functions of consumer advocacy that are considered to be the most effective and ultimately to identify a sense of cost effectiveness of the various functions.

The project commenced by identifying the following consumer engagement ‘activity areas’:

1. Engagement with network businesses specifically regarding regulatory proposals
2. Other engagement with network businesses
3. Engagement with regulators, government and other stakeholders.
4. Consumer group engagement with their constituents.

Activity areas were then disaggregated into discrete 'functions'. Both 'activity areas' classifications and functions were tested with network businesses, consumer groups and retailers. The functions that were identified were:

1. engagement with network businesses specifically regarding regulatory proposals
 - a. participate in regulatory proposal development committees / reference groups - generally ongoing for the life of development of a regulatory proposal and quite often the revised revenue proposal as well.
 - b. participate in regulatory proposal consultation / engagement activities - generally one-off activities or a short series of activities
 - c. challenge the network businesses regulatory proposal, including through deep dives and increasingly through response to a draft plan / proposal issued by the network business prior to lodging their formal proposal
 - d. provide submissions and comments to the AER / state regulators regarding the content of a regulatory proposal and increasingly commentary on engagement undertaken in developing the proposal.
2. other engagement with network businesses
 - a. participation in network customer councils / consultative committees
 - b. identify issues and possibilities of relevance to the network business, from consumers
 - c. provide policy advice both on internal policies and within the broader energy policy space
 - d. assist in disseminating information from network businesses to specific consumer interest groups / members
 - e. encourage and support the development of links between network businesses and relevant consumer groups, retailers, regulators, economic and regional development boards and authorities, other relevant stakeholders.
 - f. Assist with deliberation on innovation opportunities for the network business, recent examples include application of distributed energy resources (DER) and hydrogen strategies for gas businesses.
 - g. Support referrals between network businesses and relevant community organisations as well as other stakeholders. Particularly good example of this has been Western Power distribution in England, who in conversations with their vulnerable customers have identified other social and health support services that are needed, so WPD's known consumer advisory groups were able to assist with referral to other organisations that were able to provide support and assistance beyond energy issues.

- h. Support research partnerships and projects to better understand the needs of vulnerable consumers as well as exploring responses to rapidly changing energy markets and supporting customers through the various changes
 - i. consumer groups also assist as “translators” sometimes literally to assist energy businesses to engage with people who speak languages other than English and also to enable communication to customers from businesses and from customers to businesses to be clear, unambiguous and in “plain English”
 - j. provide a sense of “reality” to consumer network senior staff and boards. We observe that energy businesses and regulators pay their staff well which can lead to difficulty in understanding the day-to-day financial struggles of households near or below median income. NGO community organisations are well-placed to be able to provide a sense of reality to what the “just for the cost of a cup of coffee a week...” approaches that are common.
3. engagement with regulators, government, the Energy Charter (more recently) and other stakeholders.
 - a. Provide input to formal processes undertaken by regulators, COAG, state-level Parliamentary enquiries and rule change proposals. This occurs through participating in forums, reference groups and by making written submissions. It can also include informal discussions
 - b. provide policy advice through both formal and informal processes
 - c. provide “consumer intelligence” about the issues being experienced by “ordinary” households and small businesses
 - d. assist in disseminating relevant information from regulators and decision-makers to members / clients. This can include through media comment.
 - e. Advocacy on matters of importance to the members and clients of consumer organisations
 - f. assist in translating technical and technical language issues to more understandable language for consumers, including from non-English-speaking backgrounds.
 - g. provide a sense of “reality” to regulators and decision-makers. We observe that government decision-makers and regulators are well paid which can lead to difficulty in understanding the day-to-day financial struggles of households near or below median income. NGO community organisations are well-placed to be able to provide a sense of reality to what the “just for the cost of a cup of coffee a week...” approaches that are common.
 - h. Assist regulators in providing balance to the interests of networks and other energy businesses in debates where information and knowledge is highly asymmetric.
4. Engagement with Constituents
 - a. meetings / discussions with constituents about specific external processes, eg from network businesses, market bodies. This includes:
 - Delivering energy literacy awareness and education programs (when funding is available) & taking feedback,

- Hosting and attending community forums and events (including events such as ‘Have Your Say’ forums, ‘Bring Your Bills’ days, ‘Age-Friendly workshops’ etc – but not necessarily confined to energy matters. It’s amazing how often the topic of energy is raised in a general forum)
 - Investigating & responding to constituent concerns about energy matters (eg via a telephone-based information & referral service)
 - Coordinating internal energy networks
- b. Presentations at ‘internal’ events
 - c. Engagement with peers / other advocate organisations (including Roundtable)
 - d. Gathering case studies re a specific process (eg hardship, debt, regional reliability)
 - e. Conducting surveys
 - f. Writing copy for (internal) newsletters / social media platforms
 - g. Media comment / engagement

Section 4: Survey and Stakeholder Perspectives

This section outlines the key findings of the survey and stakeholder discussions undertaken by the project and the implications of these on project analysis.

Survey Findings

Networks, consumer groups, market bodies and a sample of retailers were surveyed to ascertain the comprehensiveness and validity of the proposed list of engagement functions. Note that the survey was not intended to be a statistical survey, rather an opportunity to consider more general issues and themes. The survey focussed on qualitative responses rather than seeking to be quantitative.

The survey also sought to test perceptions of usefulness / impact of the various functions and to explore the time spent implications of the various functions. We understood 'usefulness,' 'value' and 'impact' to be synonyms. We left the perception of usefulness to the survey respondent, rather than seek a tighter definition of usefulness. The basis of responses to questions was generally on a scale of 0 – 5, with 5 being 'very high' and 0 being 'very poor.'

The following summarises the results for the surveys, using the classifications of functions from above.

Priorities

Figure 1 shows the average score, (5 = highest priority, 0 = lowest priority) for each function, for all respondents.

Average priority for engagement functions, all stakeholders.

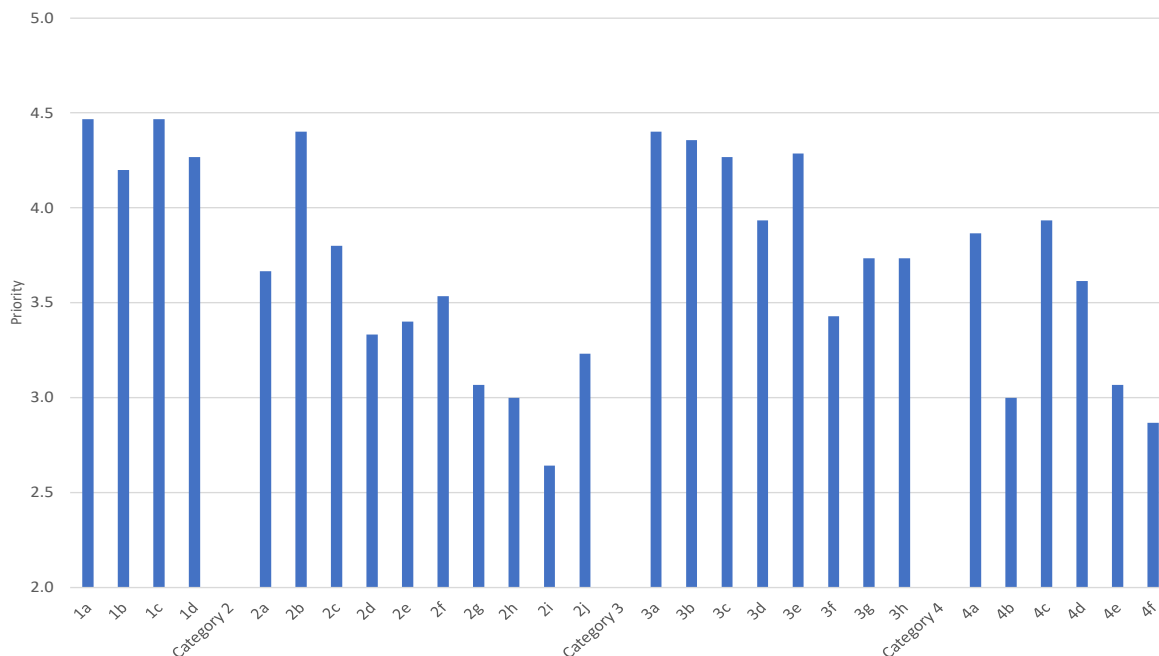


Figure 1. Source, Uniting Communities survey, 2019

The results in Figure 1 support the conclusion that the priority activity areas for consumer engagement are areas 1 and 3, which are about consumers engaging with network businesses specifically regarding their regulatory proposals and area 3 engagement with regulators government and other stakeholders. These two activity areas have a higher proportion of higher rated elements. Consequently we observe that the major focus of engagement is occurring in association with regulatory processes, though some elements from activity areas 2 and 4 are also significant.

Timing may be a factor in this finding given that over the last 12-18 months, there has been a very strong focus on electricity distribution business regulation for networks in all jurisdictions, so the recent high levels of engagement and strong focus on regulatory proposals may somewhat skew this observation.

We conclude that all stakeholders place a high priority on consumer engagement with network businesses regarding regulatory proposals.

Considerations about future resourcing for consumer engagement should consequently continue to have engagement with regulatory processes as a key aspect of consumer engagement.

We further break the results in chart 1 into four further charts (Figures 2 – 5) by stakeholder category, in particular network respondents and consumer group respondents. We note that

this is not meant to infer that this is the view of all network businesses or consumer businesses, but rather an indication based on the responses received.

Priority for activity area 1, “engagement with network businesses specifically regarding regulatory proposals” by stakeholder category

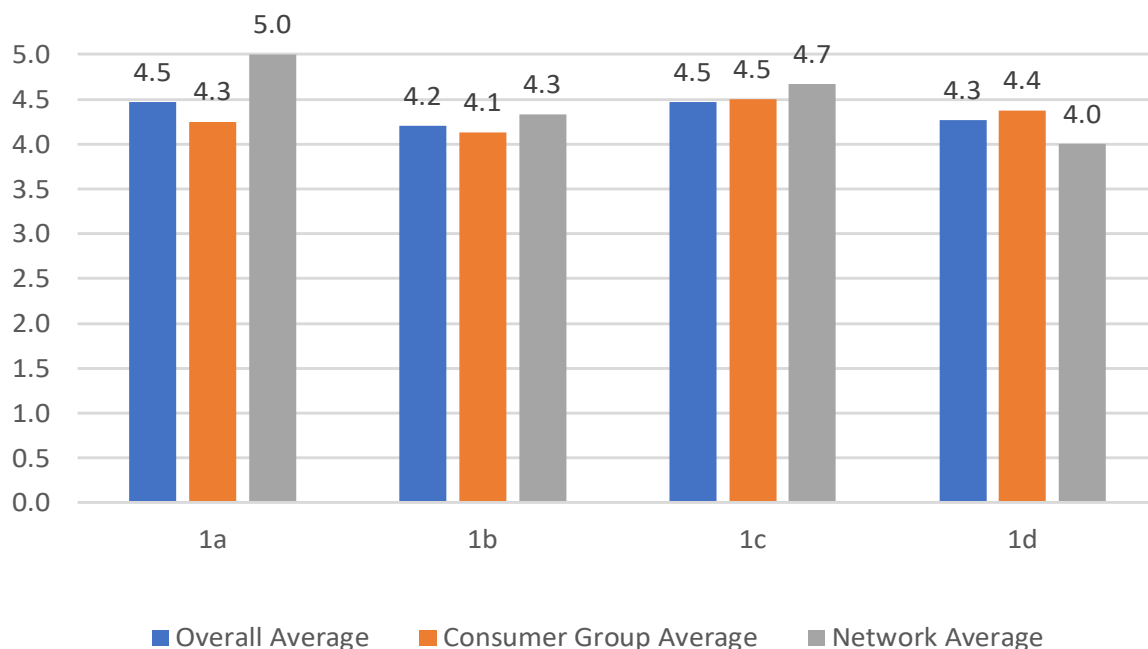


Figure 2. Source, Uniting Communities survey, 2019

All functions of consumer engagement regarding engagement with network businesses about regulatory proposals receive a high priority (greater than 4) from all stakeholders. Network businesses surveys are unanimous in affording the highest priority to consumer group participation in this proposal development including committees and reference groups, over the life of development of a regulatory proposal. Consumer groups do not give this aspect such a high priority – though it is still highly rated, regarding challenging network businesses regulatory proposals as their highest priority followed by providing submissions and comments to the AER and any other relevant regulators.

Notwithstanding the differences summarised above, consumer groups and network businesses are aligned about the value of all functions related to engagement regarding regulatory proposal development.

In Figure 3, functions related to engagement between consumer groups and network businesses on matters other than regulatory proposals show that in general this is regarded as moderately important although a couple of functions rate as lower priority (less than 3 on the scoring scale). In general network businesses afford higher priority to each of these functions than consumer groups do, the only exception being identification of issues and possibilities of relevance to network businesses from consumers, though this rates as high priority by all stakeholders.

The function with the greatest diversity regarding its priority is that of assisting with deliberation on innovation opportunities to network businesses, which network businesses rate as a very high priority while consumer groups only see it as moderately important.

This question of the role of consumers in innovation and future network issues is important when considering future resourcing. A view has been quite strongly put by consumer groups that discussions about innovation and future network issues are unlikely to ever be a pressing issue when constrained resources require focus on shorter term goals which are invariably associated with regulator proposals and efforts to influence these.

The survey did not distinguish between innovation in regulatory and policy arenas and innovation regarding new sources of energy and its distribution, though hydrogen and the gas industry was cited as an example of innovation in the survey.

Priority for activity area 2, “other engagement with network businesses” by stakeholder category

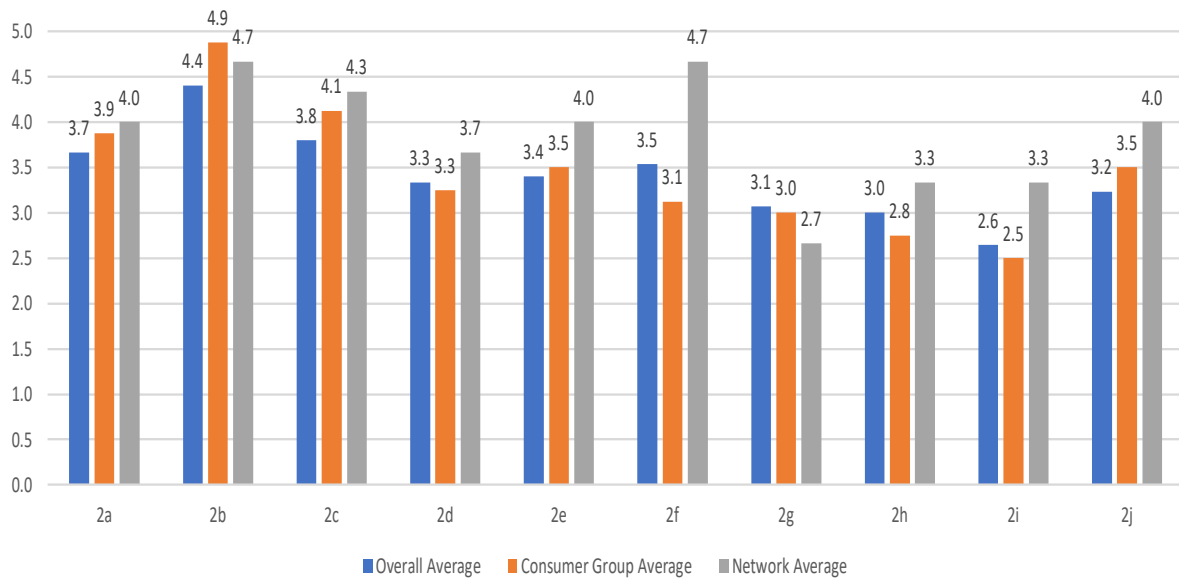


Figure 3. Source, Uniting Communities survey, 2019

Priority for activity area 3, “engagement with regulators, government and other stakeholders.” by stakeholder category

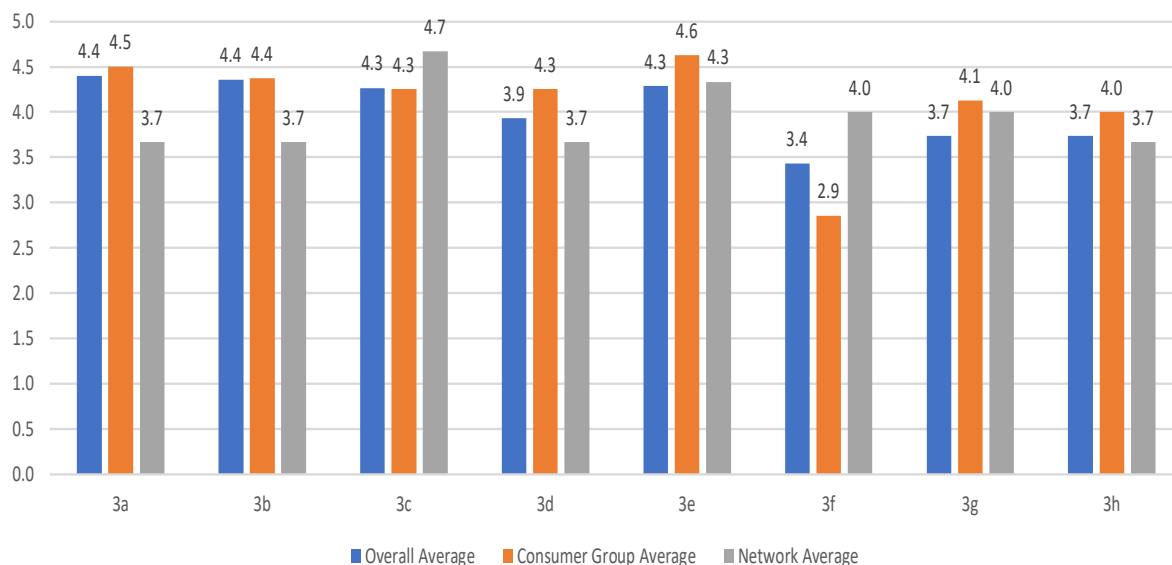


Figure 4. Source, Uniting Communities survey, 2019

Engagement with regulators, government and other stakeholders rates as a higher priority activity area for all stakeholders, but there is some diversity of views particularly between networks and consumer groups on some functions of this activity area.

Consumer groups rate as a very high priority, providing input to formal processes undertaken by regulators and associated enquiries and rule changes whereas networks regard this as a more mid-priority function. Similarly providing policy advice through both formal and informal processes is afforded high priority by consumer groups and mid-level priority by network businesses.

Networks give a very high priority to consumer groups being able to provide “consumer intelligence” from their member / constituent bases, consumer groups also rate this is a high priority although not quite as high as it was rated by networks.

The function of greatest disparity is about “assisting in translating technical regulatory issues into more understandable language for consumers.” Networks rate this function as a high priority area while consumer groups, in aggregate afford it a lower priority. This view is not uniform across consumer groups, some of whom regard it as a critical function particularly those dealing with people from non-English speaking background and disadvantaged communities.

Priority for activity area 4 “Consumer group engagement with their constituents.” By stakeholder category

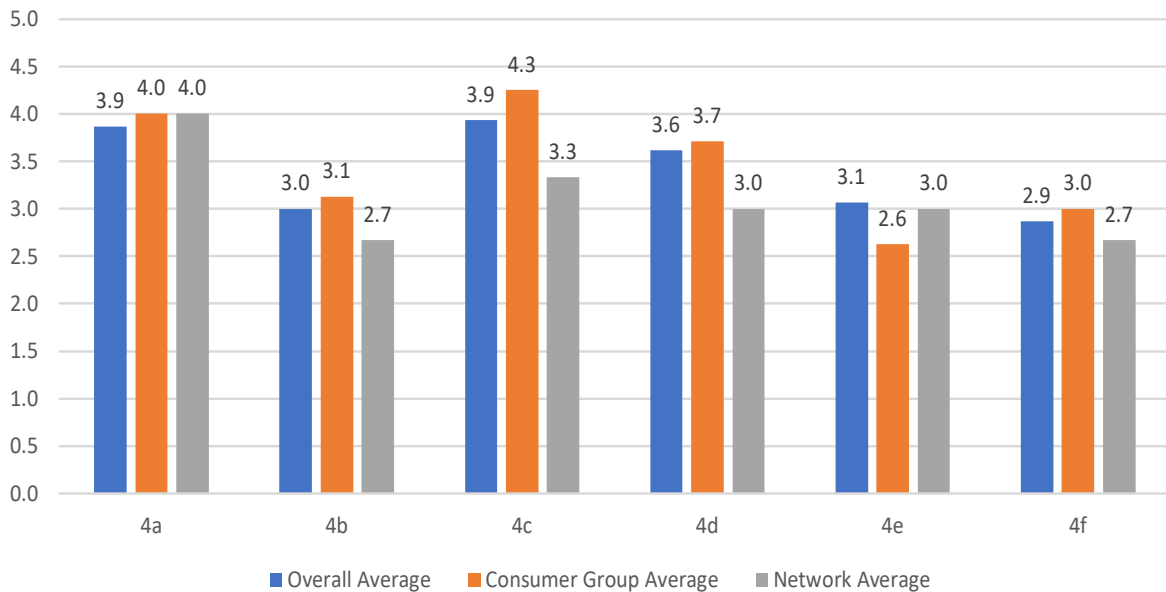


Figure 5. Source, Uniting Communities survey, 2019.

Each of the functions relating to engagement with constituents is rated higher by consumer groups than networks, except for the function of conducting surveys to which networks gave a slightly higher priority.

The high priority across this activity area by consumer groups is not surprising since, of the four activity areas, this is the aspect of engagement that is about consumer groups and their internal focus, so is much more about their preparation for capacity to engage with networks. The first three activity areas have an external focus for consumer groups.

Value / Influence

Figure 6 shows the average score, (5 = highest influence, 0 = lowest influence) for each function, for all respondents.

Average influence on network businesses by function

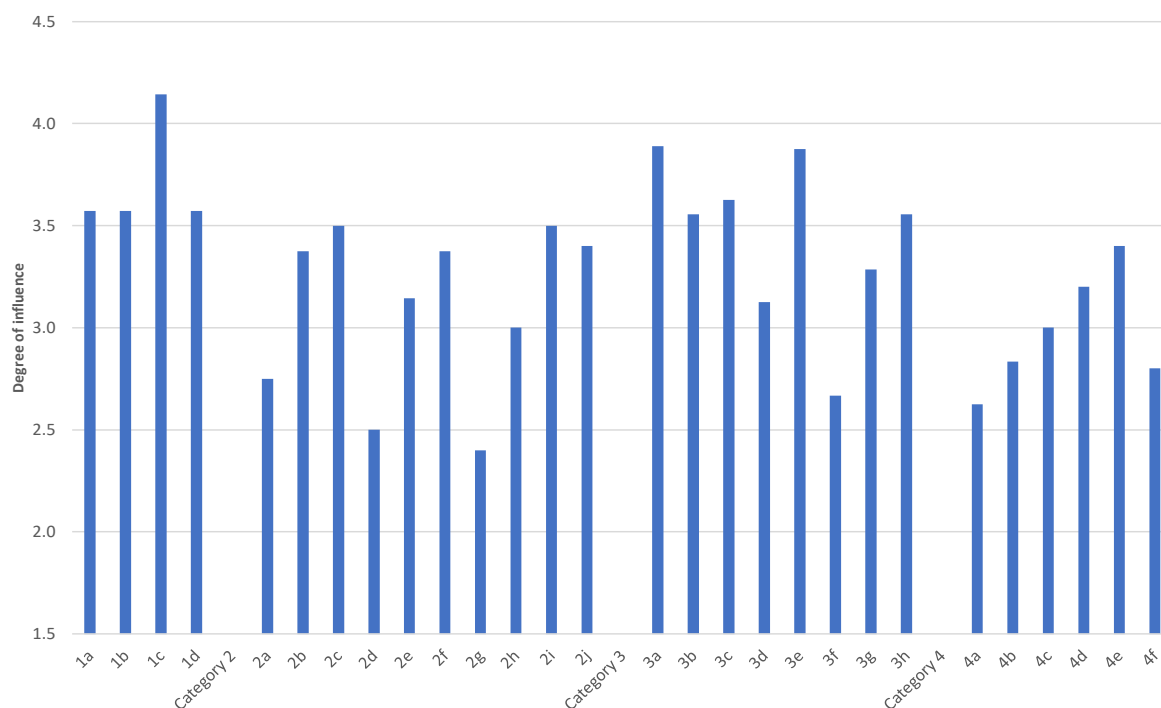


Figure 6. Source, Uniting Communities survey, 2019.

There are three functions that are agreed across all stakeholders surveys as being the most influential for consumer engagement with networks, the functions being:

1. challenging network business regulatory proposals including through deep dives and responding to draft plans, prior to regulatory proposal lodgement.
2. Provide input to formal processes undertaken by regulators, including AER
3. advocacy on matters of importance to the members and clients of consumer organisations.

The next set of priorities, with very similar scores are:

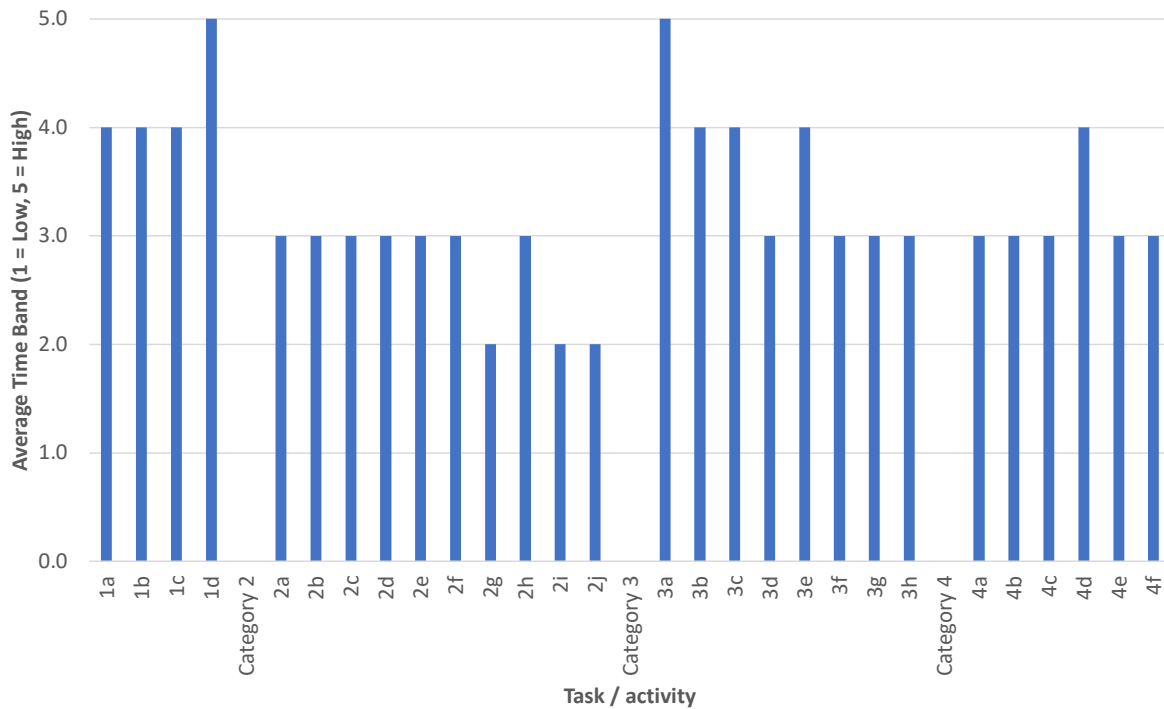
- provide consumer intelligence about the experiences of ordinary households and small businesses
- provide policy advice to both formal and informal processes
- assist regulators in providing balance to the interests of networks and consumers in a highly asymmetric reflection environment
- consumer groups participating in network committees and reference groups
- participation in regulatory proposal engagement
- providing submissions and comments to regulators about revelatory proposals and commenting on engagement undertaken.

While the lower priority functions were considered to be:

- supporting referrals between network businesses and relevant community organisations
- assist in disseminating information from network businesses to specific consumer interest groups
- meetings and discussions with consumer group constituents about specific external processes including energy literacy and education programs, have your say forums and coordinating internal (to the consumer organisation) networks of energy interest

Time commitment

Figure 7 shows the average score, (5 = highest amount of time, 0 = lowest amount of time) for each function, for all respondents.



Time Band	1	2	3	4	5
Annual Time	< 4 hrs	~ 1 day	1 - 5 days	5 - 10 days	> 10 days

Figure 7. Source, Uniting Communities survey, 2019.

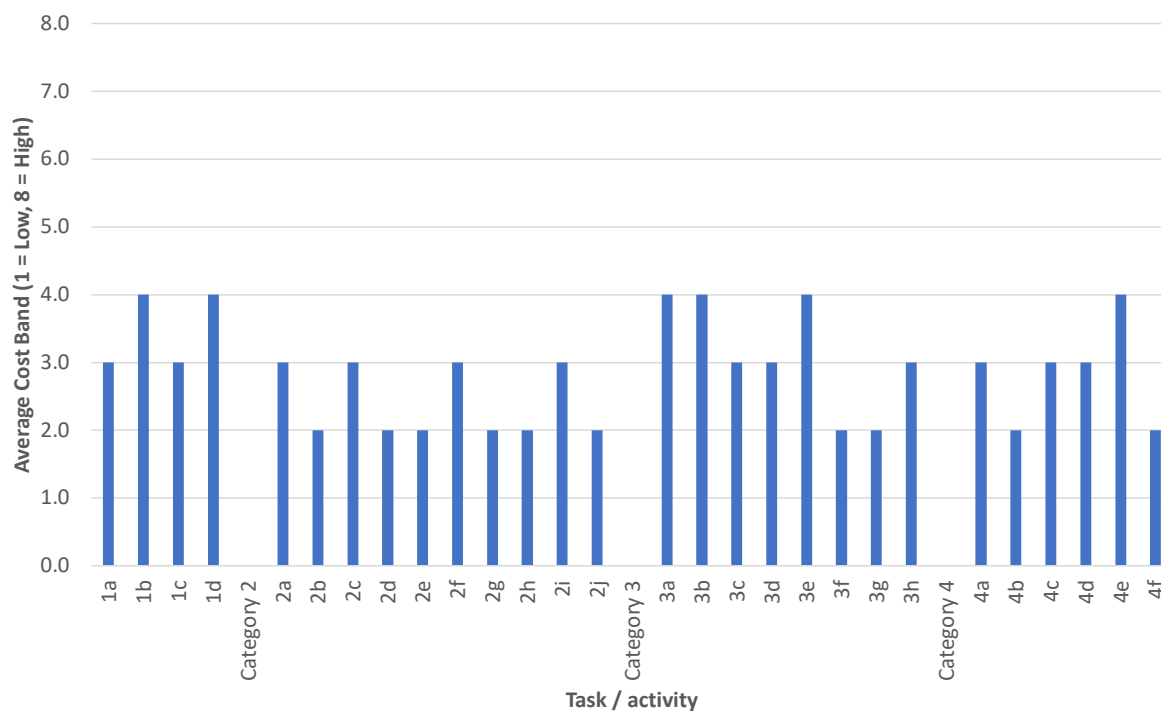
The functions with the highest time commitment were considered to be:

- providing submissions and comments to the AER and other regulators regarding the content of regulatory proposals
- providing input to formal processes including Parliamentary enquiries, reviews and rule changes.

It is worth noting that the functions with the highest time commitment are the formal processes and particularly written submissions and responses, which are embedded in the rules for energy markets and established regulatory processes and practice. Consequently a lack of adequate resourcing for consumer engagement will almost certainly mean that there are formal processes for which there are no or very limited written responses from consumer groups.

Cost

Figure 8 shows the average score, (8 = highest average cost, 0 = lowest average cost) for each function, for all respondents.



Cost Band	1	2	3	4	5	6	7	8
Annual Cost	<\$1k	\$1k- \$3k	\$3k - \$10k	\$10k - \$50k	\$50k - \$100k	\$100k - \$250k	\$250k - \$500k	>\$500k

Figure 8. Source, Uniting Communities survey, 2019.

The engagement activities considered to be of higher cost (mainly for time but also for travel as well) are:

- participate in regulatory proposal consultation and engagement activities
- provide submissions and comments to the AER and other regulators
- provide input into formal regulatory processes
- provide policy advice through both formal and informal processes
- advocacy on matters of importance to members and clients of consumer organisations
- writing copy / other material for newsletters, social media etc.

None of the functions identified are regarded as having no or low cost. We are somewhat surprised by this finding given an initial thought that some of the functions had minimal marginal cost. We suspect that this view remains with market bodies and government processes and even some businesses where perhaps there is a continuing, implicit view that people from community organisations are still part of “the voluntary sector” and so provide information and advice, along with many other services, for free.

Optimising Consumer Engagement with Network Businesses

Throughout the course of this project, considerable interest has been expressed by all participants about measures for identifying effectiveness, value and impact of consumer engagement, both from the point of view of network businesses and of consumer groups. The following tables seek to provide simple overviews of these complex questions by considering consumer and network perspectives over both short and longer term (annual) timeframes.

The first dimension to the following tables is of value, with a value including perspectives of usefulness or effectiveness of the various functions considered. As an indication the survey suggested that the IAP2 spectrum for public participation could be regarded as a proxy for value, with inform and consult levels providing less value than involve, collaborate or even empower components of the spectrum.

The time dimension refers to perspectives about whether the amount of time required for the process was low or high. The definition of high time involvement as qualitative as seen by the business or consumer group responding to a survey.

Cost vs Value

Our initial perspective was that the various consumer engagement functions would be able to be categorised in the following matrix, separately for consumer group and network perspectives

Network or Consumer Group perspective longer term	Cost Low	Cost High
Value Low		
Value High		

The survey however has yielded the following scatterplot, that indicates that the initial four quadrant allocation of functions between cost and value is not supported,

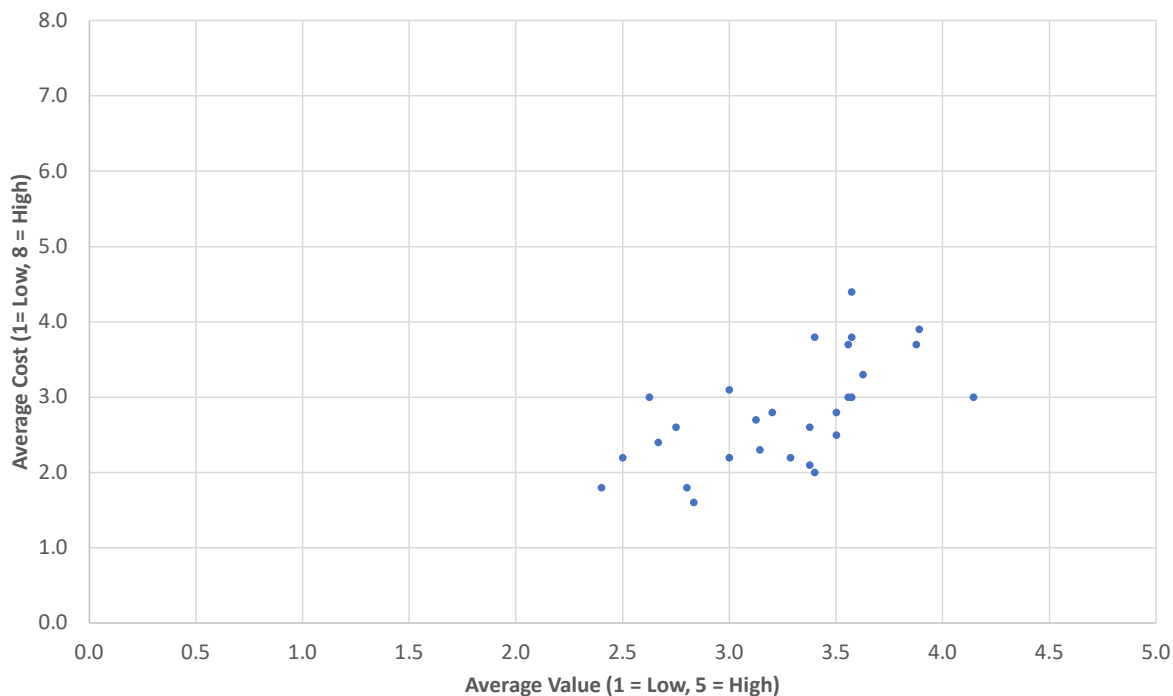


Figure 9. Source, Uniting Communities survey, 2019.

The scatterplot in Figure 9 shows cost versus value for the various functions surveyed, and shows a generally upward sloping linear trend suggesting that the higher value functions are also the higher cost functions similarly lower value functions are also the lower cost functions. We hoped that we might identify low-cost / high-value functions that would be an obvious priority for resourcing, however this is not the case. Similarly the engagement experience over recent years has ensured that there is little evidence of high-cost / low-value engagement functions undertaken either.

In short, better resourcing supports the high-value functions of consumer engagement.

Time vs value

As with considerations of cost and value, the project’s initial hypothesis was that there would be engagement functions that could be allocated in each of the four quadrants of the following table that considers functions by the time effort required and the value / influence of that function. (We use the terms ‘value’ and ‘influence’ to mean the same things; value arguably being more of the perspective from a network whereas influence would be more the objective of consumer groups)

Consumer group or Network perspective - Influence on regulatory proposals	Time Low	Time High
Influence Low		
Influence High		

The results from the survey give the following scatterplot which again shows an upward sloping generally linear relationship between time and value. Those functions which take

the most time commitment are also seen to be the more valuable. Again, there is no clear evidence of low-time / high-value functions that would be a priority for resourcing for consumer engagement.

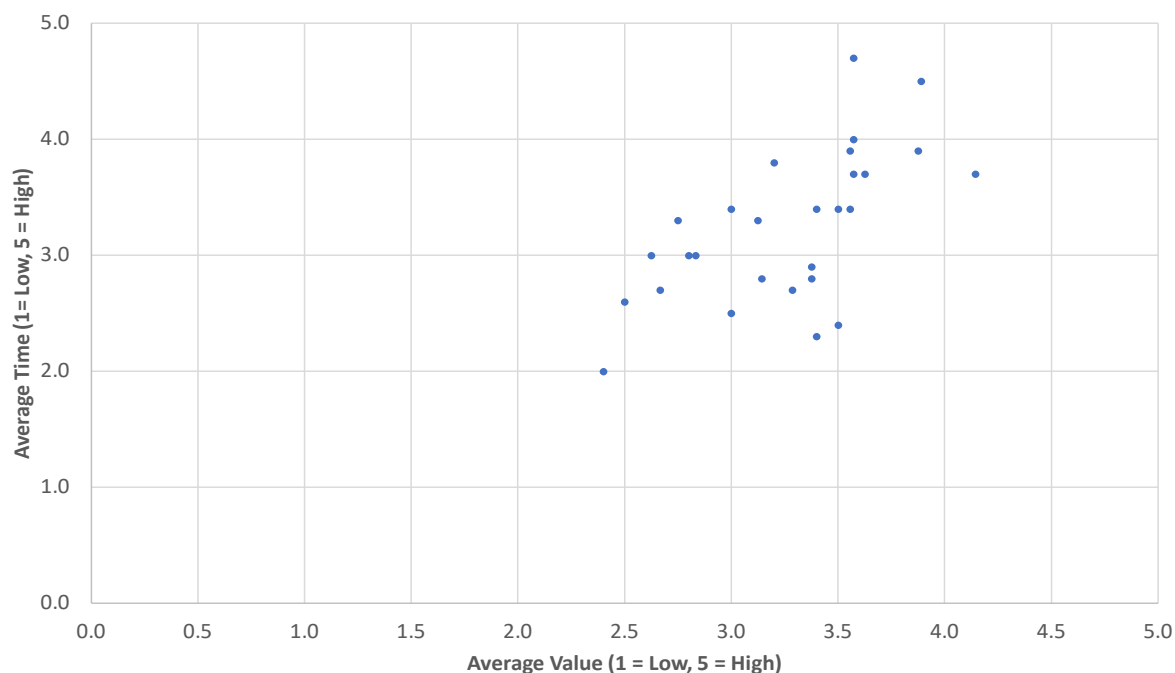


Figure 10. Source, Uniting Communities survey, 2019.

The resourcing implications of considering time versus value for consumer engagement functions are that those functions which are regarded as taking the most time, and consequently needing the more resourcing, are also the most useful in terms of outcomes.

Observations arising from survey and project analysis

Some summary observations arising from the survey and subsequent discussions with stakeholders included:

- Current consumer engagement activities are generally efficient, and are being 'done well.'
- Consumer engagement is much more than regulatory proposals from network businesses, as important as these are.
- Consumer engagement is highly valued and when done well gives credibility to network proposals and regulator decisions.
- Consumer engagement is an ongoing function so consumer groups need to be resourced over reasonable length of time and with adequate capacity to respond to priority processes
- Constituent based consumer and consumer advocacy groups provide important diversity to any process where consumer engagement is warranted will.
- Consumer advocacy groups perform a myriad of functions, many of which are less visible to public processes but which play a really important part in enabling the implementation of good policy and regular practice.

- There is a good alignment between consumer advocate groups, networks and market bodies about the functions of consumer engagement that are most effective / have the most impact.
- The most effective consumer engagement functions are also those that require a higher time commitment.

A 5th Activity Area

Upon reviewing the initial survey results and through testing the four activity areas and associated engagement functions through forums, some consumer groups suggested that there is a fifth activity area of consumer engagement that has been identified which was summarised as “Linking.” Linking relates to some of the formal processes that consumer group advocates play in enhancing information flow, idea generation and solution seeking between various stakeholders, to the benefit of consumers, and which reduce transaction costs for networks, market bodies and other stakeholders.

The project agrees that the linking function is an activity area undertaken by consumer advocates that adds value, and has the following functions associated with it:

Activity Area 5: Linking:

- a. taking requests
- b. follow-up on requests submissions and proposals
- c. undertaking “warm referrals”
- d. advice about who network businesses can and should talk to
- e. building long-term relationships
- f. sharing some technical expertise e.g. with CALD communities about “do not disconnect” customers.
- g. “X factor” activities that don’t quite fit anywhere else (eg PIAC working with Essential Energy to help set up indigenous groups community energy)

Since this category evolved from consideration of initial survey results and forums, analysis of priority, value, time of this activity area are not included in this report, however all five activity areas are considered in developing project findings and recommendations.

Appendix 2 provides the full list of consumer engagement activity areas and functions and are presented as an outcome of this project.

The following table summarises the consumer group impact for the various functions that have been identified, considering frequency complexity skill set and effort required (including time considerations) as well as the extent to which other stakeholders are involved. Its function for each school is classified as high, medium or low. The table has been developed by the project based on responses to the survey conducted, one-to-one discussions and the forums that were held in Melbourne and Sydney as well as a meeting with the Energy Consumers roundtable.

Figure 11 shows the data presented in some of the previous charts and shows the degrees of alignment regarding thinking about the value of various consumer engagement functions by network businesses and consumer advocacy groups. It has been compiled based on responses to a survey presented to network businesses and consumer advocates. We appreciate that this may not represent the view of all network businesses or consumer advocates, but rather is a guide to inform our analysis based on the responses received.

Comparative Priority ranking, CE functions	Priority ranking by consumer group respondents	Priority ranking by Network business respondents	Average Score, consumer and network responses
<i>Engagement with Networks re regulatory proposals</i>			
1.a Participate in Network reg proposal committees	4.1	5.0	4.55
1.b Participate in Reg re-set Engagement	4.0	4.0	4.0
1.c Challenge reg proposals	4.4	4.5	4.45
1.d Advise regulator re reg props	4.3	3.5	3.9
<i>Other Engagement with Networks</i>			
2.a Participation in network customer councils / consultative committees	3.7	4.0	3.85
2.b Identify issues of relevance to consumers, for networks	4.9	4.5	4.7
2.c Policy advice re internal and external issues	4.0	4.5	4.25
2.d Information dissemination, from networks to consumer group members	3.1	4.0	3.55
2.e encourage links between db's regulators, other stakeholders, retailers	3.4	4.0	3.7
2.f Innovation deliberation	3.0	4.5	3.75
2.g support referrals between dbs and relevant community services	2.9	2.5	2.7
2.h support processes re vulnerable customers	2.6	3.5	3.05
2.i consumer groups assist as 'translators'	2.4	3.0	2.7
2.j provide 'reality check' to db's re poorer households	3.6	4.0	3.8
<i>Engagement with regulators, govt and other stakeholders</i>			
3.a Input to formal processes by regulators, govt, COAG etc	4.6	4.0	4.3
3.b provide policy advice, formal and informal	4.4	3.5	3.95

Comparative Priority ranking, CE functions	Priority ranking by consumer group respondents	Priority ranking by Network business respondents	Average Score, consumer and network responses
3.c Garner broader consumer “intelligence”	4.3	5.0	4.65
3.d. assist in disseminating info from decision makers to members / clients, including media comment	4.3	4.0	4.15
3.e. Advocacy from client / community base	4.7	4.5	4.6
3.f Translating technical to understandable	2.9	4.0	3.45
3.g provide a sense of ‘reality’ for poorer people	4.1	4.0	4.0
3.h Assist regulators to provide balance where info / knowledge highly asymmetric	4.0	3.5	3.75
Engagement with Constituents			
4.a Meet with constituents about specific external processes	4.0	4.0	4.0
4.b Presentations at “internal” events	3.0	2.5	2.75
4.c engagement with peers, including Roundtable	4.3	3.0	3.65
4.d Gather case studies	3.7	3.0	3.35
4.e Conduct surveys	2.4	3.0	2.95
4.f Writing copy for internal newsletters, reports and publications	2.9	2.5	2.7

Figure 11. Source. Source, Uniting Communities survey, 2019

Priorities and Funding Gaps, from the Survey.

As an indicator of relative priority, the elements from figure 11 with an average score of 4.5 or more are considered to be highest priority and the elements with an average score of 4.0 or more are considered to be high priority.

This leads to the observation that the highest priority functions in terms of value to the relevant parties are:

- consumer group participation in it network regulatory proposal committees
- challenging regulator proposals
- identifying issues of relevance to consumers for networks then garnering broader consumer intelligent; and
- providing advocacy from a client base for regulators, government and other stakeholders.

Limitations to effective participation in these highest priority functions, as given by consumer groups and other parties during discussions include:

- Adequacy
- Capacity; and
- Continuity.

These three gaps are all inter-related. Primarily the gaps relate to the difficulty in engaging over the full life of the development of a regulatory proposal, due to lack of funding continuity, limited capacity to engage across the breadth of network regulatory proposals, including some of the more technical aspects of network businesses and for some jurisdictions lack of adequate funding to effectively engage.

The high priority functions identified are about:

- participation in engagement processes on network regulatory proposal development
- participation in deliberation about innovation, though this afforded higher importance by network businesses.
- providing input to formal regulatory and policy processes
- assisting in disseminating information from decision-makers to constituents, in other words providing an informed link between regulators and policymakers with the people impacted by regulation and policy decisions.

These high priority functions also present similar gaps of adequacy, capacity and continuity. During our consultation consumer groups reported to the project that these are a real and significant gap in their ability to appropriately fund and resource these activities.

The value of consumer group input from their constituents and the 'reality check' that this provides is well recognised, but funding is very rarely provided for consumer groups to undertake the "spadework" required to garner perspective from constituents and adequate evidence, and then translate that into the relevant context for decision-makers. These gaps are evidenced by the survey results relating to activity area 4, engagement with constituents which was generally regarded as lower priority than other more direct regulatory and policy input functions included in the survey.

GAPS and Future Imperatives

Part of a rationale for increasing resourcing for Consumer Engagement is to meet current gaps in engagement activity across the NEM (National Electricity Market), that are likely to be significant for consumers and to look to emerging engagement imperatives. This section consequently summarises examples of gaps in engagement over recent months, where potentially further consumer engagement could have helped to deliver better consumer outcomes.

Call on ECA Grants

A starting point for consideration of gaps in funding for energy consumer groups is the ECA Grants program which is the primary source of funding for consumer engagement, energy advocacy and energy research projects.

The ECA Annual Report for 2017-18 states that the total amount requested in grants for that year was \$6.4 million, with the total available budget for allocation being \$2.1 million. It is understood that the demand for ECA grants continues to run at about \$3.00 requested for every dollar available.

Recent Developments.

The project has had recent discussions with both AEMC regarding their Economic Frameworks Review and AEMO about consumer engagement in general and with respect to the Integrated System Plan (ISP) in particular. Both indicated keenness to be part of further thinking about the role of consumers in future market structures and processes, including and beyond network revenue resets.

Example of Current Resourcing Dilemma

AEMO has lead a significant process regarding the Integrated Service Plan (ISP) and has sought to consult on this. They became frustrated at their perceived lack of consumer interest. This project observes:

- AEMO has no direct funding for Consumer engagement, though collects the levy that funds ECA and the grant process that they manage
- Energy Security Board (ESB) is eager for consumer input, but has no resourcing for this input
- AER says its important but not their issue to resource
- ECA grant process can take a number of months for a project to be approved
- Consumer groups are very interested but can't 'self-fund'

The end result is that a very significant issue could be considered with minimal actual consumer input, despite the potential for consumers to pay for billions of dollars for additional network infrastructure, over many years.

Market Body processes

On 11th of June 2019 the project undertook a quick survey of the websites of AEMC, AER, AEMO and COAG energy Council to gain a sense of the extent of current topics for which input was being sought: this is a snapshot of our website browsing:

AEMC

For the month of June 2019, there were eight topics listed for discussion / input, and summarised by the following screenshot:

DATE	NAME	EVENT TYPE
06-Jun-2019	Transmission loss factors consultation paper	Publication
13-Jun-2019	5 minute settlement and global settlement implementation consultation paper	Publication
20-Jun-2019	Review of the Reliability and Emergency Reserve Trader Guidelines 2019	Submissions Clo:
27-Jun-2019	Coordination of generation and transmission investment implementation – access and charging directions paper	Publication
27-Jun-2019	Market making arrangements in the NEM draft determination	Publication
27-Jun-2019	Monitoring and reporting on frequency control framework	Submissions Clo:
27-Jun-2019	Reducing customers' switching times consultation paper	Publication
30-Jun-2019	2019 Retail Energy Competition Review	Expected Completion

AER

The AER website listed 67 “open³” projects, including some significant network regulatory processes and work the AER is undertaking on “VCR”, value of customer reliability.

AEMO

This website indicated that the market operator was “Accepting submissions⁴” on 72 different topics

COAG Energy Council

This website gave the following list of “latest consultations⁵”

- Energy Security Board – Converting the Integrated System Plan into Action - Consultation Paper
- Retailer Reliability Obligation
- Energy Security Board – Retailer Reliability Obligation Draft Rules Consultation Paper
- Review of Energy Market Commission Establishment Regulations 2005
- COAG Decision Regulation Impact Statement – COAG Energy Council.

This very quick inspection yield 152 topics open for input to some extent as of 11 June 2019. It is recognised that not all of these are high level policy or regulatory processes requiring consumer input, but we suspect many could benefit from some degree of consumer perspective, and consumer groups need enough market knowledge to be able to ‘triage’ their engagement. This list does not include jurisdictional processes nor planned

³ https://www.aer.gov.au/all-aer-projects?f%5B0%5D=field_accr_aer_status%3A6&page=3

⁴ <https://www.aemo.com.au/Stakeholder-Consultation/Consultations?page=24&SortOrder=&filter=>

⁵ <http://www.coagenergycouncil.gov.au/>

engagement activities conducted by any of the network businesses or other energy market stakeholders.

This summary of the current volume and range of energy market discussions is not surprising to anyone involved, it does however provide a glimpse of the breadth of current activity. When coupled with current resourcing for consumer maybe extending to about 25 people (about 15 FTE's) the capacity for consumer groups to engage becomes even more evident.

The likely implication of so many processes is that there is a significant number that are simply not accessible to consumer organisations because of the number of processes, the range of topics and expertise involved in the small number of consumer groups who are able to engage. It is reasonable to suggest that organisations seeking input from consumer interests can prioritise their processes where consumer input is most sought and contribute to the costs of this consumer input.

The forums conducted during the course of this project identified a significant number of 'gaps in funding', these are listed as appendix 3

The following themes, with resourcing implications, are drawn from the various "gaps" summarised above:

Adequacy

The adequacy of funding for a range of consumer engagement functions was, not surprisingly, a recurring theme throughout the project.

Capacity

Consumer groups simply didn't have the capacity to respond to the range of topics that are current at any point of time due in part to the ever greater complexity of energy markets and energy market operations and to the significant rate of change that is occurring in energy markets globally. Regular turnover of people employed to work in consumer based organisations means that knowledge and expertise capacity building needs to be ongoing

Prioritisation and Planning

With competing demands for consumer input, and limited capacity to respond, there is no ready mechanism for consumer groups to be able to set priorities for the focus of engagement.

Many consultation processes that are undertaken have relatively short lead times so the capacity to obtain resourcing and/or adjust priorities, for consumer groups is difficult.

Indeed simply having the capacity to rationally set priorities for a consumer organisation also takes time and resources and is invariably unfunded.

Continuity

A significant theme from all discussions undertaken by the project has been the identification of network regulatory processes being longer processes now than they were, say five years ago. This is in part due to the desire of the regulator, network businesses and consumers for engagement about regulatory processes, in particular, to start earlier and to include the development of and consultation about draft plans. This is accepted to be a very positive development, that means that consumer groups need to be able to allocate resourcing over a minimum of three years to engage effectively with a network regulatory process, from early engagement with the network through to the formal process that the AER is required, by the rules, to conduct. Consumer input can still be sought up to the lodgement of a network's revised revenue proposal.

Coordination

Various aspects of coordination were raised during the conducting of the project, including questions about whether consumer resources could be used more efficiently by better coordination. Coordination was used to describe processes including then following:

- Optimising the time input to a process from consumer groups, in aggregate, so that adequate diversity of perspectives and expertise on the topics is provided, without too much duplication of effort from different consumer groups.
- Coordination of timing of consultation events and processes across the market Bodies and COAG processes
- Coordination from network businesses so that consumer groups are less likely to have the same discussion with various networks, particularly in jurisdictions with multiple distribution businesses.
- "Signalling" from market bodies, government and networks about future matters for engagement to assist consumer organisations to better plan and prepare for their input.

There are also questions about who should take leadership in assisting with coordination?

It was also recognised that there is some higher priority processes where a diversity of views from consumer groups is very helpful while for other processes, one consumer group providing input and a 'lead perspective' would most likely be adequate.

Engagement is relational

Engagement is still very much about individuals as opposed to organisations. The energy policy and regulatory space is quite small compared to many other economic and social policy processes, so it is a very relational sector, where input or opinions are sought. Market body and network staff are most likely to pick up the phone or send an email to someone they know and trust. So individuals are much more likely to be engaged than the organisations they work for. This creates structural concerns and means that a handful of key people leaving the consumer sector can leave substantial engagement gaps.

Innovation / Future Network

A significant gap identified is that of consumer group capacity to be part of discussions about innovation including consideration of possible and desirable future network structures. Current debates about distributed energy resources and responses to the significant increase in renewable energy coming into networks are critically important topics for both current and future engagement. Consumer groups however tend to focus on current regulatory processes because limited resourcing means that this is likely to be the area where they have most influence in the short to medium term.

Linking and Collaboration

These are important functions that consumer groups play that are not readily visible but play an important part in trust building and effective engagement.

Retailers

Why aren't retailers at the regulatory table? This was also identified by some as a gap. Retailers responded by saying that retailers are wary of each other in multilateral discussions, due to competitive pressures each retailer experiences. This is where retailers and network businesses are different. Retailers also said that there was quite a bit happening behind the scenes i.e. significant one-to-one engagement between relevant networks and individual retailers. Another view was that it's not the role of retailers to engage, that's the role of the CCP.

“The Energy Charter”

During the course of conducting this project, a number of energy businesses: network businesses, retailers and generators across gas and electricity announced the development of an Energy Charter, in consultation with a group of end-user representatives across consumers, small business and commercial and industrial representatives, chaired by Energy Consumers Australia (the End-User Consultative Group). The Energy Charter is a voluntary principles-based disclosure regime, which currently has close to 20 energy company signatories. An independent Accountability Panel, chaired by Dr Wendy Craik AM, is responsible for evaluating the signatories' progress against the Energy Charter on an annual basis.

The goals of the Energy Charter, expressed as purpose and five key Principles (which are accompanied by Principles in Action) are:

PURPOSE: To progress the culture and solutions required to deliver a more affordable, reliable and sustainable energy system for all Australians in line with community expectations.

FIVE PRINCIPLES

- 1. We will put customers at the centre of our business and the energy system*
- 2. We will improve energy affordability for customers*

3. *We will provide energy safely, sustainably and reliably*
4. *We will improve the customer experience*
5. *We will support customers facing vulnerable circumstances*

Consumer groups have been broadly supportive of the intent of the Energy Charter. There has been some discussion about the extent to which the Energy Charter is ongoing or “flavour of the month.” At this stage, it is yet to be fully determined what will be expected of consumer groups by Energy Charter signatories in implementing the principles and outcomes of the Energy Charter. The fact that all five Principles are customer focused suggests that signatories will want to engage with consumer groups in some detail. Similarly the ongoing resourcing of consumer engagement with the Energy Charter Principles and Principles in Action is yet to be determined, but is a very important question to be resolved in the near future with the involvement of the End-User Consultative Group.

Principle 1 of the Energy Charter is “We will put customers at the centre of our business and the energy system”. Principle in Action 1.4 of the Energy Charter states – “Have robust processes to determine customer and community needs and be accountable on how feedback has been considered and incorporated into decision making.” It is understood that signatories to the Energy Charter (currently 18) across the supply chain, from retailers to generators, will increasingly look at better practice mechanisms for engaging with consumer and end-user representatives, recognising that there is some very good practice currently in place by some energy businesses. There are opportunities to ensure that across the supply chain customer engagement is happening, and the learnings from one part of the sector are shared across all others.

The Energy Charter has established Better Together initiatives as a means to progress collaboration across the energy sector, leading to tangible customer outcomes aligned to the Energy Charter.

In recognition of the importance of customer engagement, the first Better Together initiative of the Energy Charter is focused on better consumer engagement. It is set out in the table below which is copied from the “Better Together” documentation.

In line with the Better Together initiative, this project report could form one of the key inputs for this ongoing work, to consider:

- a. Guiding principles for better customer engagement amongst Energy Charter signatories.
- b. Supporting better customer engagement including through resourcing and funding.
- c. Collaborative and more effective engagement processes – including potentially through an annual Energy Charter Annual Roundtable event (maybe post the Accountability Panel Report in December?), more engagement with the Consumer Roundtable etc.

	Opportunity for discussion	Charter Principle in Action
Principle 1: We will put customers at the centre of our business and the energy system		
1.	<p>Customer and stakeholder engagement</p> <p>We recognise that there are great examples of customer engagement across the energy sector, but that different organisations may be at different levels of maturity at this point in time. To support organisations to develop their maturity in relation to Principle in Action 1.4, we propose consideration of 3 elements, bearing in mind that some aspects are aspirational and may not be an immediate focus.</p> <p><i>1. Guiding principles for great customer engagement, recognising that engagement is not a one size fits all approach and should be tailored for the circumstances and participants.</i></p> <p>This could incorporate a collation of current practice on customer engagement. Highlighting what signatories are doing, why they chose that approach, and how it is adding value. Involving stakeholders in the design of engagement is an effective way to drive a relevant and innovative approach. We believe there are examples across the full IAP2 spectrum which could be shared, including examples of co-designing engagement strategies.</p> <p>There has been some great work on this topic done over the past few years from ENA (Handbook on Customer Engagement 2016) and the Australian Energy Regulator’s guideline on consumer consultation for network businesses. Several consumer advocate groups have also explored measurement tools including the Public Interest Advocacy Centre (Evaluation of Consumer Engagement by NSW DNSPs) and the Ethnic Communities Council’s work on best practice engagement for CALD communities for retail and network businesses. We see an opportunity to broaden this approach to cover the whole chain. This is an opportunity for a co-design partnership between signatories, the EUCG, stakeholders, and interested customer advocates, to ensure the output is relevant and enables customer outcomes.</p> <p><i>2. Investigating and suggesting options for supporting quality customer engagement.</i></p> <p>Some Advocates have highlighted the challenges with participating to the level they might want to, struggling with both time and funding for engagement, dependent on the organisations they come from. We could look at case studies for improving support for participation, removing duplication of consultation, and longer-term planning to better coordinate and avoid peak engagement periods. ECA have an Advocates’ Calendar on their website, which could be a good starting point for increasing visibility.</p>	1.4 – Robust processes to determine customer and community needs and be accountable on how feedback has been considered and incorporated into decision-making.

	Opportunity for discussion	Charter Principle in Action
	<p>We seek end use consumers' advice in identifying the barriers to participation and co-designing solutions with them that deliver the best consumer outcomes.</p> <p><i>3. Opportunities for collaborative consultation could be identified and actioned.</i></p> <p>Ultimately customers want improvement in the industry as a whole, and we have heard from some customers that they don't just want to deal with the supply chain in silos. This raises the question of how does / should any one cog of the supply chain represent the industry as a whole? We see there may be opportunities to trial or move towards cross industry engagement. When all relevant parties are in the room, there is an opportunity to shift conversations and solve big problems in a productive and collaborative environment.</p>	

Figure 12. Source Energy Charter

For this project, the Energy Charter is recognised as part of the future engagement process under our activity area 3, *“engagement with regulators, government and other stakeholders.”*

As a collaborative forum that involves many of the energy businesses in Australia, the Energy Charter affords considerable potential for contribution to resourcing and funding for consumer engagement through voluntary contributions, a Charter member levy with potentially a matching arrangement with Commonwealth funds. The Energy Charter also provides a potential mechanism for allocation of some consumer engagement funding.

The Charter could also provide a potential mechanism for improved coordination of consumer input to energy businesses, networks included, regarding policy, regulation innovation and future market considerations and serve as a basis for semi-regular dialogue with consumer interests.

It is recognised that the Energy Charter is a new grouping with their first round of processes culminating later in 2019. So any thoughts proposed by this project must be regarded as preliminary, however there is clear potential for the Energy Charter play a significant role in enhancing consumer engagement.

Section 5: Resourcing and Funding – Current Situation and Gaps

Key concepts and terminology

Accepting that consumer engagement gives improved network regulatory decisions and recognising the significant demand for consumer engagement with the vast array of processes being undertaken by network businesses, market bodies the political process jurisdictional regulators and other stakeholders, the crucial next question is about who resources consumer engagement and for what purposes? This discussion was informed by a series of one to one discussions with consumer groups, networks and market bodies and through discussions with the Consumer Roundtable and ENA stakeholder engagement staff. The views expressed in this report should not be regarded as endorsement by these groups, though every effort has been made to carefully consider all input to the project.

There is a distinction between consumer engagement resourcing and consumer engagement funding with the definitions that this paper is applying are:

- **Consumer Resourcing:** refers to the groups that undertake the various consumer engagement and any associated advocacy activities and functions, in short, resourcing is about who does the engagement (and how the engagement is undertaken)?
- **Consumer Funding:** refers to the source of the funding and encapsulates both funding source and allocative approaches. In short, who pays for the engagement?

Applying these two definitions to current resourcing and funding perspectives occurs in the following categories:

Resourcing models

We have identified three resourcing models for consumer engagement:

- **Consumer constituent groups:** This is where consumer engagement (including advocacy) is undertaken by groups with a direct consumer constituency. This includes a range of consumer representative groups and includes consumer advocacy groups, industry groups, welfare service providers, farmer and agricultural groups
- **Direct to consumer:** This is where consumer engagement is undertaken by consumers directly. This refers to the full range of processes that seek the opinions of bill paying customers: including market research, citizens juries, deliberative forums, online engagement, focus groups. These methodologies are often undertaken through third-party consultants mainly contracted by network businesses but sometimes other parties also utilise consultants.
- **Consumer perspective groups (via contract):** This is where consumer engagement is undertaken by parties who are appointed / contracted by a network business or regulator in order to provide a consolidated consumer perspective: including customer forums and AER's CCP.

Funding models

We have identified five funding models or sources for funding for consumer engagement:

- Networks
- ECA (via the grants program)
- Jurisdictions
- Market bodies
- Own sourced

Resourcing and Funding models – current situation

Figure 13 provides a summary of the current consumer engagement resourcing and the funding arrangements, as understood by the project.

The table shows the five main sources of funding and the three broad resourcing models. As might be anticipated, funding is provided from across the resourcing categories with no dominant funding provider nor dominant resourcing model.

Funding \ Resourcing	Networks	ECA (Grants)	jurisdictions	market bodies	own source
Consumer Representative Groups		✓	✓		✓
Direct to consumer	✓	Through ECA surveys, not grants			
Consumer Perspective Group	✓			✓	

Figure 13. Source, Project Analysis

Current Funding

The following but provides a broad-brush overview about the sources of current funding for consumer engagement in Australian energy markets, summarised in Figure 13.

1. Network businesses: it is evident that over recent years network businesses, in general, have made significant investments in consumer engagement including commissioning research, conducting surveys, holding forums, conducting local committee meetings and engaging with consumer groups, particularly about

regulatory proposals. For the sake of simplicity, we suggest that networks engage in three broad areas:

- a. regulatory proposal development
- b. gaining local input into specific more localised network augmentation and replacement projects, often related to capital expenditure
- c. non-regulatory policy and process issues currently including issues like Distributed Energy Resources (DER), Tariffs, future network and innovation.

The resourcing that goes directly from network businesses to consumer representative groups is predominantly for sitting fees travel and associated costs for participation in ongoing reference groups and occasionally other specific consultations. The AusNet Services customer forum trial is an example of a network funding a consumer perspective group.

We note that many networks also fund the salaries of staff who are either directly or indirectly involved with consumer engagement.

The project worked closely with a number of Energy Networks Australia members and had discussions about current levels of spending on consumer engagement by network businesses. The project gave a commitment that these discussions were “Chatham House rules” and would not reflect on discussions from any particular network business. It is also recognised that levels of spending are sensitive.

From discussions with the network businesses the projects rough estimate is that across all energy network businesses in Australia, annual spending on consumer engagement (during high regulatory focus years), by network businesses, in aggregate is in the range \$7m - \$9m, excluding the salaries and on costs associated with engagement and regulatory staff.

Individual network spending changes each year, in part in response to the stage of regulatory proposal development and in response to network specific matters, including major augmentation projects or even significant replacement spending.

Most of the consumer engagement spending by network businesses is for direct engagement with bill paying customers, often through specific engagement activities undertaken by contract with third parties that have specialised engagement expertise. Many networks pay sitting fees for consumer groups and meet travel costs for participation in consumer advisory / reference groups.

2. Industry levy: collected by AEMO on behalf of Energy Consumers Australia. Energy Consumers Australia is currently the main source of grant funding for consumer engagement and advocacy, allocating \$2m annually that is drawn from an industry levy, collected by AEMO and based on turnover through the National Energy Market. Grants are provided for projects that meet the guidelines of three grant sub-programs:

- **Advocacy**: to support advocacy on issues of material importance to residential and small business consumers, and to build sectoral capacity.

- **Research:** to inform and support advocacy by providing a robust, topical and well-informed evidence base, and to build knowledge among advocates, decision-makers and industry on the long term interests of consumers.
 - **CEO Grants** for grants of up to \$15,000 to enable consumer engagement and advocacy in government, regulatory, or industry decision-making processes.
3. Jurisdictional governments: some of whom fund consumer based groups for utility consumer engagement, research and advocacy. In most cases this funding includes advocacy on water and wastewater related issues and can include energy, from a jurisdictional perspective.

Queensland, New South Wales and South Australian state governments provide funding to consumer advocacy through specific organisations, QCOSS, PIAC and SACOSS specifically with each of the state governments providing funding that includes consideration of water and wastewater engagement. The project estimates this figure to be \$1.2m pa.

4. Market bodies: the AER provides sitting fees and meeting related expenses for their Consumer Consultative Group and for targeted consultations. They also resource their Consumer Challenge Panel.

The AER summarises the role of the Consumer Consultative Group (CCG) as:

“The Customer Consultative Group (CCG) provides advice to the AER in relation to our functions under the energy laws affecting energy consumers across participating jurisdictions.

The inaugural CCG was appointed in 2009 to enable informal consultation on the development of retail guidelines and to assist the AER in developing an understanding of retail issues prior to the commencement of the National Energy Retail Law and Rules in relevant jurisdictions on 1 July 2012.

Membership provides participating organisations with the opportunity to inform the AER about issues that impact on the groups they represent. It also provides members with the opportunity to meet with other consumer representatives to discuss key energy consumer issues.”

Members of the CCG are drawn from consumer representative groups and normally meet 3 times per year, for a day to consider current energy regulation topics. CCG members receive sitting fees and all travel costs are met.

The AER sometimes appoints consumer reference groups to participate in major reviews, the 2018 rate of return process being the most recent example. Members of reference groups also receive sitting fees and have meeting attendance costs met.

The Consumer Challenge Panel (CCP) is also appointed by the AER with an annual budget of \$500,000. A key objective of the CCP is to *“advise the AER on the*

*effectiveness of network businesses' engagement activities with their customers and how this is reflected in the development of their proposals.*⁶ The CCP observes consumer engagement by network businesses and comments to the AER on the effectiveness of this engagement, the CCP does not replace network engagement with bill paying customers nor consumer representative groups.

The AEMC has some capacity to meet the travel costs of consumer representatives to attend their forums.

The project is unaware of any funding for consumer engagement from AEMO, the ESB or COAG Energy Council processes.

5. Own source income: Some consumer advocacy groups are able to generate income from other sources which is used for engagement on energy issues on behalf of their members / constituents. There is also a significant amount of volunteer / pro bono time and effort that is provided by highly engaged staff from community and consumer representative groups. This effort is particularly difficult to quantify but the project asserts, add significant value to energy business engagement and energy market consultation. The sustainability of this effort into near and midterm future cannot be assumed.

The linking function played by energy advocates is important too, for example by bringing the voice of financial counsellors and their clients, older people (eg through COTA), people with disabilities and many more to help inform relevant energy debates.

There are a small number of organisations that have some capacity to generate revenue to self-fund energy advocacy, Renew arguably being the best example.

Philanthropy

In addition to the five categories identified above, a limited amount of funding does come from philanthropy. The project has only been able to identify one recent example of philanthropic revenue for energy related consumer advocacy, from the Lord Mayor's Charitable Foundation in Melbourne.

⁶ <https://www.aer.gov.au/about-us/consumer-challenge-panel>

Considering the five consumer engagement activity areas discussed earlier, the following table summarises current funding arrangements

Funding source \ Engagement activity area	Networks	ECA Grants	Jurisdictions	Market Bodies	Own Source
Networks re reg Proposals	Sitting fees	Grants for projects to engage and challenge			
Other engagement with networks	Sitting fees		Grant funding		Earned revenue, eg "Renew"
Regulators and other stakeholders				Limited travel and sometimes sitting fees, eg AER Rate of Return, AER CCG	
Own constituents		Small component of some grants			Self funded
Linking		Consumer Roundtable		AER CCG	Voluntary contributions

Figure 14. Source, Project Analysis

Current Resourcing

There is also value in having a perspective about the number of people who are currently involved in engaging with energy matters across Australia, from constituent based organisations. The FTE equivalent positions are located across community / consumer / welfare focused organisations and a lesser amount to environment focused organisations with modest funding provided through industry associations.

There is an annual turnover in the order of 25% to 30% of energy consumer advocates located with community based not-for-profit organisations with only about five people being employed, with at least a part-time energy advocacy role with consumer advocacy organisations, for five years or more.

The energy consumers Roundtable is suggested as a useful starting point in identifying the current resourcing levels. The Roundtable is funded by ECA to bring consumer advocates together a couple of times a year to provide opportunities for dialogue with market bodies and to debate current energy policy issues.

Figure 15 outlines an estimate of the current resourcing levels of energy consumer advocates based in community, environment and 'other' (industry focussed) groups with engagement in energy issues. It is based on the current list of participants on NEMchat (the email groups used by consumer advocates) and participation in the most recent energy consumer's Roundtable

There are currently 52 people who participate in NEMchat while the average number of people attending consumer roundtables is between 22 and 25 people, 22 people attended the most recent Roundtable in June 2019.

Of those present seven (plus two on leave) indicated that they worked on average full-time (30 hours or more per week) on energy advocacy while the majority of people present engaged with energy policy and energy business engagement activities as part of a broader range of issues that they work on; issues including poverty, housing and homelessness, environmental protection, mental health, labour market, child protection, family violence financial counselling and many more social justice issues.

Jurisdiction	Active in RT, June 2019	Nemchat Participant	Full Time Staff > 30 hours per week	FTE Estimate of part time	Examples
Queensland	3	7	1	1	QCOSS. Note active COTA involvement is voluntary
NSW	4	11	4	0.8	PIAC
Victoria	7	19	2	1.5	Consumer Action. Brotherhood of st Laurence, VCOSS
Tasmania	2	3		0.4	TasCoss, Anglicare
SA	3	5	1	1.0	SACOSS, Uniting Communities
WA	1	4		0.1	WACOSS
ACT	1	1		0.1	ACTCOSS
NT	0	0		0	
National*	1	2	1	0	ACOSS, TEC, Choice

Sub-totals	22	52	9	4.7	
Other Advocates	-	-	-	2.0	EUAA, MEU, Irrigators Trust
Total	22	52	9	7.0 (rounded)	

Figure 15. Source, Uniting Communities 2019, based on discussions with Consumer Roundtable and EUAA

*Note that the distinction between jurisdictional web-based and national organisations is not clear-cut. The Total Environment Centre (TEC) for example, is predominantly funded to work on national issues while also being New South Wales based. Renew, St Vincent De Paul Society, the Councils of Social Service and Uniting Communities are all actively involved on national level issues while their staff are jurisdictionally based where they are also active. The involvement of “other advocates” who are part time reflects the groups, mainly with Commercial and Industrial business or agricultural constituency, who can be very active on energy issues when there is a specific aspect that they are keen to influence. At other times their involvement is much more of a watching brief, with EUAA and MEU having a more ongoing interest.

Beyond the Roundtable membership there are about another 4-8 people nationally who engage on energy issues mainly representing business and agriculture groups. For these people too, energy issues are but one of the range of issues they are involved with on behalf of members and constituents.

It is instructive to recognise that for a significant majority of the people involved with energy policy and engagement from a consumer perspective, energy is but one of a number of issues with which they are involved.

Figure 15, while indicative, indicates that a majority of the fulltime staffing is based in NSW and this is due to the NSW State Government funding for the Public interest Advocacy Centre’s Electricity and Water advocacy project. This highlights the limited resourcing levels in other jurisdictions and emphasises the significance of part-time funded staff and some volunteers who are more likely to be limited in their capacity to engage in detail on some issues.

One of the advantages of better consumer resourcing such as the levels in NSW is evidenced by the following statement from AEMC in releasing their draft determination of a rule change initiated and proposed by consumer groups in New South Wales. “On 31 August 2018 the AEMC received a rule change request from the Public Interest Advocacy Centre (PIAC), Total Environment Centre (TEC) and the Australia Institute (TAI) seeking to introduce a mechanism for wholesale demand response in the national electricity market.”

The ability for the better funded New South Wales based consumer groups to be proactive is a very high likelihood of leading to better outcomes for consumers.

Gaps – Resourcing and Funding

What also needs to be resourced?

The list below summarises gaps in funding and consequently under-resourced aspects of consumer engagement.

- **Adequacy:** Current demands for consumer engagement from network businesses, market bodies policymakers and other parts of the industry are not able to be met by consumer groups. The project estimates approximately \$3 million per year goes to funding for consumer engagement, advocacy and research. For an overall electricity network valued at approximately AU\$75 billion and for an industry with an annual turnover in the order of \$8.0 billion per year, the consumer engagement contribution is miniscule and not in keeping with the levels of consumer engagement and research undertaken by businesses in highly competitive industries.

Note: The reality for community-based / not-for-profit organisations is that increasingly they are expected to behave as competitive organisations competing to provide services specified by government procurement processes. This is an outcome, in part, of the Harper Competition Policy Review⁷ whose conclusions in the final report March 2015 included:

*“In the area of **human services**, the Panel recommends that:*

- *user choice should be placed at the heart of service delivery;*
- *governments should retain a stewardship function, separating the interests of policy (including funding), regulation and service delivery;*
- *governments commissioning human services should do so carefully, with a clear focus outcomes;*
- *a diversity of providers should be encouraged, while taking care not to crowd out Community and volunteer services; and*
- *innovation in service provision should be stimulated, while ensuring minimum standards of quality and access in human services.”*

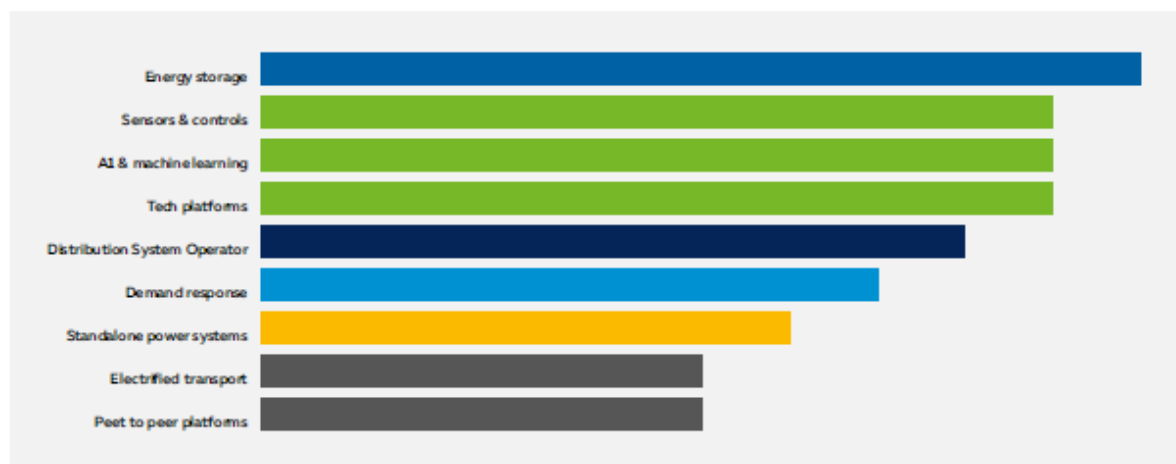
Application of the findings of this Review are evident in aged care, NDIS, mental health and a vast range of other traditional community service areas. An implication of this national push for human services to be subject to competition policy and to enable for-profit businesses to compete in service areas traditionally provided by not-for-profit organisations means that advocacy and engagement functions and collaboration more broadly, which traditionally been the hallmark of community-based not-for-profit organisations, are located in organisations increasingly required to be market focused and consequently fully costed. So the capacity of not for profit organisations to provide ‘free’ time to the range of energy engagement request is

⁷ <http://competitionpolicyreview.gov.au/final-report/>

severely limited. Consumer engagement and advocacy needs to be priced and provided at least on a cost recovery basis for many community organisations who have engaged in energy regulation and policy.

- **Capacity:** This is related to but somewhat distinct from adequacy. It refers to the skills and knowledge base that is needed for effective consumer engagement by consumer and community groups. The small number of people (on the consumer side) that have been involved for any length of time diminishes the capability of consumer groups and reduces the effectiveness of consumer input and advocacy. ECA has been able to add some capacity to support consumer engagement particularly for more technical issues as ECA has staff with deeper expertise than many consumer advocates (who are short-term and / or part-time). ECA also has the capacity to engage consultants and commission research to improve the depth of engagement by consumer bodies. However, ECA alone is unable to support the capacity needed by consumer advocates across the substantial range of issues debates and uncertainties that define contemporary energy markets. Capacity needs to include funding for “Sector breadth and diversity”
- **Continuity:** This is also related to capacity and adequacy and is about the ability of consumer advocates to stay engaged with the duration of a network regulatory proposal and other engagement processes. Given that the current expectation is that a regulatory process for specific network business, will last about three years from the initial engagement by network business on key and emerging issues through the lodgement of a revise revenue proposal after the AER’s draft decision. While there are some who are optimistic that future regulatory processes will mean that better early engagement means that initial proposals as lodged will be capable of acceptance, the expectation is that the regulator’s timeline as specified by the rules will remain in place for the foreseeable future.
- **Innovation and future market:** With global uncertainty about future energy markets, and Australia at the forefront of many of the challenges, distributed energy resources (DER) and integration of renewable energy into the grid as a current example, consumer groups and consumer interests need to be actively involved with the development of responses. This is critical so that consumer interests are part of understanding and developing future opportunities, while looking for risk to consumers or consumer segments in this period of rapid change and is crucial. Consumer groups also provide an important source of communication to their constituents and the broader public, enhancing socialisation of good new ideas. Innovation in future market issues relate to both newer and emerging technologies, DER, Hydrogen and virtual power plants for example, it also relates to co-designing and supporting new market design, policy and regulatory approaches. The recent comments from Ausgrid in their revised revenue proposal provide an example of sound intent for a network business and consumers to be engaging about innovation:

In order of importance, the following technologies were prioritised:



Stakeholder comments on prioritisation:

- Energy storage – funding should be focused on community solutions and providing access to all
- Sensors & controls, artificial intelligence & machine learning, technology platforms and distribution system operator (DSO) – investment should follow a data pathway from data acquisition via sensors, through technology platforms to aggregate data, AI to make optimised data based decisions and DSO to put decisions into action
- Demand response – focus on long term measures to reduce peak demand and tariff reform including peak time rebates trials
- Smart meters, rooftop solar PV and home energy management systems – were not prioritised on the basis that Ausgrid should not invest in specific customer technologies, but in unlocking the network for others.

Figure 16. Source Ausgrid, Revised Revenue Proposal 2019-24

- **Prioritisation and coordination:** This resourcing need is closely related to the following resourcing gap’ “linking/collaboration” which is predominantly focused on activity amongst the group that are engaged. Prioritisation and coordination are about the “demand” for consumer engagement in approaches intended to utilise scarce consumer engagement capacity more effectively, including the market bodies and government policy processes. Improved coordination across policymakers and market bodies may be possible through mechanisms to provide stronger signals for priorities where consumer input is deemed most important. For network businesses, the recent experience of Victorian electricity distribution businesses collaborating on engagement about tariff approaches is an excellent example of better prioritisation and coordination. Victorian gas businesses also undertook joint engagement activities prior to their last access arrangement proposals.
- **Linking / collaboration:** Linking and collaboration between consumer groups, community organisations, research and energy businesses is essential, in order to build trust and confidence in energy markets and energy businesses. Collaboration between consumer groups enhances their input to various engagement activities, helps to generate practical new ideas and also plays an important role in capacity building amongst consumer organisations.

Who could fund consumer engagement – Future Situation?

Funding options

We have identified a number of potential (not necessarily recommended or in priority order) additional sources of funding from the current base that address the gaps identified. Noting that any one funding idea may address more than one identified gap.

Adequacy

- a. Increase grant funding through Energy Consumers Australia, which allocates funding from an industry levy. (On average \$2m pa for grants from the Industry Levy used to fund ECA, \$8,824,042 in 2018 and \$6,321,972 in 2017.)
Currently this grant funding is project specific and open to groups that reflect the interests of household or small business customers.
- b. Commonwealth government can increase funding for energy consumer engagement through general revenue
- c. Similarly, jurisdictional governments can also provide resourcing to jurisdiction based consumer advocacy, through state revenue or from jurisdictional levies / licensing fees. We observe that for utilities, a majority of funding from state and territory governments is for water and sewerage related advocacy as these remain state regulatory responsibilities. Some jurisdictions provide resourcing for energy market consumer engagement as well. The skills and expertise for engaging on electricity, gas, water and wastewater essential services are similar.
- d. Jurisdictional regulators can (potentially) provide funding separate from jurisdictional governments, or in concert with them.
- e. Retailers can also be providers of funding (and resourcing) for consumer engagement. Current experience is that most retailer funding is for sitting fees and in partnerships with community service providers to support disadvantaged and hardship customers. The recently signed and announced “Energy Charter” may provide opportunities for broader energy business funding for consumer engagement. (This project’s analysis has not included the funding provided by retailers to community service organisations, mainly to support financial counselling services. As important as this contribution is, it is considered outside the scope of the consumer engagement focus of this project)
- f. A network levy for consumer engagement could be developed. This would need to be beyond the direct engagement with bill paying customers undertaken by individual networks, local issue forums and sitting fees.
- g. A retailer levy for consumer engagement could be developed
- h. Fines paid for breaches of national energy law and regulatory requirements could be hypothecated to a consumer engagement fund with allocations made for consumer engagement activities once the fund reaches a certain size.
- i. A one-off fundraising exercise could be undertaken to establish an “Energy Consumer Engagement Trust”, interest generated to be used to fund consumer engagement. Government, energy industry and philanthropists would all need to

make a contribution, an initial corpus would need to be large enough for the allocated funds to have ongoing impact. A Board could be established that comprised representatives from energy businesses, consumer interests, government and industry bodies.

Capacity

- j. National market bodies: the Australian Energy Regulator, the Australian Energy Market Commission and the Australian Energy Market Operator. Funding to consumer groups is generally for participation in processes specific to the relevant market body. We note that the Australian Energy Regulator has established a Consumer Challenge Panel whose role is to challenge the decision-making of the AER from a consumer perspective. We have not considered the CCP to be a consumer group as ultimate accountability is to the Australian Energy Regulator.
- k. Network service providers are also providing funding to consumer advocacy groups, often through sitting fees but other funding is possible. Note that resourcing for direct engagement with end-use customers is not considered through this project but is a significant aspect of network engagement.
- l. All market bodies and energy businesses seeking to engage with consumers could commit to paying sitting fees and meeting all associated participation costs.
- m. All funding options for consumer engagement could be open to consumer organisations from all Australian jurisdictions
- n. Philanthropy – similar to the fundraising exercise discussed above.

Continuity

- o. ECA grant funding and any other new funding arrangements to have options for funds for terms of a minimum of three years.

Innovation and future market

- p. Innovation briefings could be conducted for consumer groups, coordinated by the market bodies in collaboration with ENA, AEC and ECA. Innovation briefings to focus on new and emerging technology and opportunities and to include discussion about relevant ongoing engagement with consumer interests. Consumer representatives attending to have sitting fees and travel costs met.

Prioritisation and coordination

- q. Energy consumers roundtable funding could be enhanced to enable the regular (1-2 per year) hosting of a Network - Consumer Dialogue and a Consumer – Retailer Dialogue, we suggest twice a year aligned with energy consumer roundtable events, coordinated with the ENA and AEC.

- r. The ECA advocates calendar should be used more productively, including by market bodies to check timing of their planned engagement activities. Fortnightly update to be circulated by ECA to all registered consumer groups and advocates.

Linking and Collaboration

- s. ECA project funding could be prioritised to constituent based organisations to add breadth to consumer input

Other

Community organisations also make significant contributions to resourcing, mainly we suggest through in-kind support but some also apportion budgets for energy related engagement from revenues that they have collected through donations, fee-for-service, fundraising and other owned source revenue.

Internationally, the only substantial energy advocacy organisation that we have identified that is fully self-funded is The Utilities Reform Network (TURN) based in San Francisco who are funded from donations and membership fees. This sort of model for increased resourcing is not proposed for Australia due to the high effort and high cost in establishing an organisation of this type and noting that tax laws in the USA are much more encouraging of philanthropy / fundraising than those in Australia. The fact that TURN is not widely replicated in other US states suggests to us that this is a unique organisation based on exceptional staff and triggered by an exceptional event (Enron bankruptcy, filed December 2001) and so is not widely replicable.

Observations.

Current funding for consumer engagement through all national energy market processes is limited to engagement and advocacy at a national level and including the NEM jurisdictions, so there is limited access to this funding for consumer engagement in Western Australia and the Northern Territory.

This is an important geographical gap which has a reasonable historical basis, in that the National electricity grid did not cross the Nullarbor Plain or Simpsons Desert. As part of the Commonwealth however, consumers in WA and the Northern Territory experience similar issues to those in the NEM jurisdictions, while a part of a likely future for energy markets across Australia is for greater levels of local distribution and supply so the geographical gap is increasingly less pertinent.

Funding Levels and Who funds?

This paper has explored activity areas and the functions of consumer engagement and identified those that provide the best value from the perspective of consumer groups, network businesses retailers and market bodies, with a high degree of alignment of views.

The considerable gaps in processes and issues where adequate consumer engagement occurs have been identified and a broad range of potential funding sources identified.

Section 6: Recommendations

This section considers the current funding and resourcing arrangements and makes some recommendations to address the imbalance in current funding between consumer groups, industry interests and market bodies.

Recognising the areas of significant gaps, the following set of recommendations is to enable consumer representative groups to be able to effectively engage with both future network regulatory proposals and priority reviews and inquiries from market bodies, governments and state regulators.

The recommended funding actions have been narrowed from the extensive lists of “potential funding options” in the previous section, and discussed with interested stakeholders. The process for reducing the list to form recommendations has been through discussions with project stakeholders, reflection and debate and guided by a sense of what is practical and reasonable.

The project proposes the following is a pragmatic and desirable minimum resource base for the near future, recognising current resourcing and funding arrangements. For some recommendations we have identified further considerations that need to be addressed prior to implementation.

Recommendation 1: Funding for sustainable capacity and adequacy

Increase funding for existing (and potential) consumer advocate organisations to enable an ongoing, base level of energy consumer engagement and advocacy “Service” in each jurisdiction, commensurate with jurisdictional size and scope.

This is in response to the lack of adequacy of current funding for consumer energy advocacy, recognising that existing resourcing is well used and that there is considerable consumer benefit to be gained from additional funding.

The main tasks would be to:

- engage with jurisdiction based electricity, gas and water network businesses on an ongoing basis, to :
 - build trust
 - ensure energy prices are at the lowest efficient price for consumers reflecting the value / service proposition based on consumer preferences
 - ensure consumer interests are reflected in broader business strategies, decisions and operations.
- engage and foster links with and between with jurisdictional consumer and advocacy groups on matters relevant to essential service provision.
- provide input to market body, government and industry body reviews and processes
- collaborate with other consumer advocates, other jurisdictional consumer advocates and ECA on all relevant matters with reach beyond the jurisdiction.

- Inform community organisations and the broader public about current and emerging challenges and opportunities in the efficient provision of Essential Services.

Addressed Gaps: Adequacy, Continuity, Capacity

Further Detail

1. It is anticipated that funding for the base jurisdictional service would be a tendered service for five years (3 years as a minimum) to one of the existing community organisations engaging in energy policy and regulation

The implementation of this recommendation will not establish new organisations, rather it would leverage existing organisations to provide this service. This reduces the need for additional funding to be spent on establishment, so there would be management, governance and administrative systems in place so that these are offered at marginal cost, not establishment cost.

2. Core funding for the Services would be at two levels one for larger jurisdictions and one for smaller jurisdictions.
3. The Services would build on existing engagement and advocacy work, adding capacity for consumer engagement in general and working with existing groups. It is expected that the services would be members of the energy consumers Roundtable, if the host organisation is not already a member.
4. It is assumed that increased capacity will strengthen jurisdictional consumer group engagement with innovation and future market developments and considerations.
5. It is not envisaged that the boosting of the based level of consumer advocacy funding will create new organisations. Funding to established constituent based groups is proposed, rather than increased funding for AER's CCP or ECA funding in recognition of the functions that community based groups can provide that are not as readily provided elsewhere.
6. Note, By way of reference, this recommendation is loosely based on an understanding of the Public Interest Advocacy Centre's Energy and Water Consumers Advocacy Program (EWCAP)⁸ that "works to ensure all New South Wales households have access to affordable and sustainable energy and water services. The team engages with community organisations, consumer advocates, state and federal governments, rule-makers, regulators, ombudsmen and industry stakeholders, and receives policy input from a community-based reference group." EWCAP is funded by the NSW Government Department of Resources and Energy."

Further considerations

Potential funding sources and allocative models

⁸ <https://www.piac.asn.au/projects/energy-and-water/>

It is recognised that there are a number of ways that these capacity adding services could be funded and the funds allocated, the following considers three options to assist with further debate.

Option 1

Funding Source: Commonwealth and jurisdictional governments contributing on a share to be agreed, potentially through the COAG Energy Council

Allocation and accountability: this role could be undertaken by the Commonwealth or any jurisdictional government acting on behalf of the COAG Energy Council

Option 2

Funding Source: increase the existing levy collected by AEMO

Allocation and accountability: this could be undertaken by ECA, either in addition to the existing grants program, or through a separately appointed subcommittee of the Board of ECA

Option 3

Funding Source: 3. Each energy business pays a consumer engagement 'retainer' which are aggregated into an account, and potentially matched by the Commonwealth.

Allocation and accountability: potentially the Energy Charter companies could develop and manage a process for allocation and accountability

The discussion about this recommendation is conceptual rather than providing great detail with the understanding that with broad agreement about the concept, details can be resolved. In discussions with various stakeholders some additional considerations were raised that would need consideration and debate:

- the extent to which the Commonwealth is itself a jurisdiction and requirements for further breadth in consumer engagement and advocacy funding at the national level to complement the work undertaken by ECA. It is also recognised that ECA grants currently provide funding for some national level groups with a recent agreement to fund ACOSS for 3 years. This in part recognises that non-government member-based groups are able to advocate differently than ECA, for example.
- Whether specific allocations should also be made to the levels of funding proposed, beyond indicative amounts for staffing, for example to include rent, IT and other on costs.

Comments

There are many more options, but these 3 possibilities identify the range of opportunities. Option 1 is generally, but not universally, preferred by consumer groups in large part because it provides the simpler relationships. There is the list of potential conflict of interest

with government based funding allocation which is a role that governments play frequently and across many sectors. This option is considered in further detail in the next section.

Enhancing jurisdictional diversity will also be important in allocating this funding. Excessively concentrating consumer engagement expertise in any jurisdiction is to be avoided. There is a balance to be struck between maintaining diversity of consumer engagement capacity and concentrating expertise. Perhaps a tender document could specify or at least give preference to proposals that involved a second organisation as a (junior) partner?

Indicative total annual cost: \$3.4m potentially sourced from All Australian States and Territories (noting comments above). This is based on 5 x large jurisdictions (\$500k each), 3 x smaller jurisdictions (\$300k each).

Recommendation 2: Revise ECA Grant Guidelines to enhance continuity

Revise Guidelines for ECA Grants to enhance continuity of consumer advocacy.

Addressed Gaps: Continuity and Capacity

ECA grant guidelines should be revised to enable grants to be available for up to 3 years, particularly to enable engagement in network regulatory proposals over the three year life of their development and assessment.

ECA grant funding should also be prioritised to constituent based organisations that are able to add breadth to consumer input this would also include national consumer organisations such as ACOSS, EUAA and MEU.

Note that should recommendation 1 be accepted, the successful lead organisations should have a lower priority call on ECA grant funds than other consumer and community based groups. Though projects undertaken in partnership would not have a lower priority.

Recommendation 3: Payment of sitting fees

Ensure that market bodies, network businesses, retailers and governments pay sitting fees and participation costs for consumer engagement.

Addressed Gaps: Adequacy, Continuity.

All market bodies, energy businesses and government consultation processes should commit to funding sitting fees and participation costs for consumer representatives engaged with energy market processes. Maybe there will need to be a cap on the number of attendees, to keep costs moderate, possibly 10 consumer participants and 1 per organisation.

Further considerations

1. We appreciate that some small retailers will not be in a position to fund sitting fees, nor necessarily engage formally with energy market processes. This recommendation would only apply to retailers above a certain size.
2. There should be some form of standardised level(s) of sitting fee as well as approach to payment of any participation costs. This will avoid any potential distortions

arising from some organisations paying a different level of fee or participation costs than others.

3. Market bodies and consumer groups would need to be able to develop and negotiate an approach to determine who would attend relevant consultation processes so as to keep costs reasonable and to maintain focus on the issue at hand. This also avoids the need for market bodies to ‘arbitrarily pick’ which attendees receive payment of sitting fees and which do not.
4. Market bodies have expressed some concern that this recommendation could provide an additional financial burden on them, this could be resolved by a very modest increase in the levy collected by AEMO, or by establishing a transition period so that market body budgets could adjust to this requirement over a couple of years.

Recommendation 4: Improved co-ordination and prioritisation for consumer groups

Enable the Energy Consumers Roundtable to undertake coordination of prioritised input into policy and regulatory processes.

Addressed Gaps: Prioritisation and Coordination, Linking and Collaboration

To undertake a co-ordination and prioritisation function may require a largely dedicated centralised resource.

To enhance the ability of consumer groups to better coordinate their engagement with each other, market bodies and government processes, the Energy Consumers Roundtable should be funded to take a lead role in providing co-ordination and prioritisation capabilities.

At the moment the Energy Consumers Roundtable provides a linking and collaboration capability, with limited time and resource for a prioritisation and co-ordination function across consumer advocate groups.

Coordination is understood to include:

- processes for earlier identification of emerging issues for consumer input, for example from market bodies
- enabling consumer groups to agree who will respond to various consultations, individually or collectively.

Coordination is not meant to imply a role of the Roundtable to develop a single shared view or consensus on any issue amongst consumer groups. Although this could be an outcome in many instances.

The ECA “Advocates Calendar” should be circulated to all interested consumer groups on a fortnightly basis to be used as a basis for coordination of engagement with policy and review processes.

Recommendation 5: Increased dialogue between consumer groups and industry

Enable a regular Networks and Consumer Groups and separate Retailer and Consumer Groups dialogue.

Addressed Gaps: Linking and Collaboration, Coordination, Innovation

In association with the National Energy Consumers Roundtable held twice each year, a structured dialogue should be established with representatives of the ENA and potentially the AEC to meet with consumer organisation representatives to discuss areas of common interest, collaboration innovation and any other matter that was considered useful.

While some structure will be necessary, the less structure and the shorter the agendas the better. An initial goal will be to develop a shared understanding of current and emerging network threats risks and opportunities and to build trust. There would also be capacity to develop working groups for shared work by small numbers of people, between “Dialogue” meetings.

This recommendation should not be considered to infer that there is not dialogue happening at the moment, indeed there is considerable discussion between network businesses and consumer groups, although much of this is bilateral and content to be jurisdiction specific.

The ENA’s commitment to dialogue is recognised, for example with its leadership in the future network roadmap (with CSIRO) and current tariff reform Roundtable while the recent ARENA/AEMC Distributed Energy Integration Program’s (DEIP) Regulatory DEIP Dive held in Adelaide on 6 June is also an excellent example of the sort of dialogue envisaged.

The successful recent developments serve to strengthen the value of a semiregular, structured and ongoing dialogue to enable multilateral discussions to occur and to be able to efficiently focus on emerging issues and seeking shared agreement. The dialogue can also play an important role in building the capacity of participants from all perspectives

An alternative is that the Dialogue is conducted between consumer interests and the “Energy Charter”.

Recommendation 6: Improved understanding of innovation and development

A series of at least annual Innovation and Future Market briefings should be held for consumer groups and advocates to facilitate knowledge transfer.

Addressed Gaps: Innovation and Future Market

Establish an annual (as a minimum) briefing for market participants including consumer groups and consumer advocates to provide an update on current and emerging technologies, innovation and application to energy markets.

This could be conducted by the Commonwealth Department, maybe as a COAG Energy Council activity, ESB, or as a joint initiative of ENA, AEC and ECA. The briefing could be rotated around the jurisdictions so as to have some focus on innovation in that jurisdiction. Alternatively the briefing could be conducted in association with an existing event such as the ECA Foresighting Forum, ENA annual conference, ACCC/AER regulatory conference or even as part of the Energy Consumer Roundtable process.

Section 7: Funding the Recommendations

Recommendation 1.

Increased funding to enable a base level of energy consumer engagement and advocacy “Service” in each jurisdiction.

For the purposes of consideration, funding would be at two levels, level 1 larger jurisdictions, level 2 for smaller jurisdictions, that is fit for purpose by jurisdiction

Based on current resourcing for similar organisations the level 1 model would ~4 FTE, probably five people comprising

- team leader
- senior policy officer
- policy officer
- policy / communications officer

The level 2 model would be for ~2.5 FTE, probably three people comprising

- team leader
- policy officer
- 0.5 policy / communications officer

The model also means that the essential service engagement function is a unit within a large organisation so that executive and administration functions are a relatively minor cost for the essential service function, since this is undertaken by other parts of the host organisation.

Consequently we suggest that as funding is available for jurisdictional essential service advocacy /engagement unit, this could be tendered so that the work is undertaken within a larger organisation providing cost efficiencies compared to a new stand-alone organisation.

Cost estimate: \$500, 000 for level 1 organisation

\$300,000 for level 2 organisation

Total annual cost: All Australian States and Territories, 5 level 1, 3 level 2: \$3.4 Million

(This figure includes some current state funding so the incremental, additional cost is less than \$3.4m.)

Funding Source

It has been noted above that there are a number of potential funding sources for this recommendation and in the previous section those identified were:

- Commonwealth and jurisdictional governments contributing on a share to be agreed, potentially through the COAG Energy Council
- Increase the existing levy collected by AEMO

- Each energy business pays a consumer engagement 'retainer' which are aggregated into an account, and potentially matched by the Commonwealth.

From the list above we have identified the preferred option as a shared Commonwealth and jurisdictional government funding arrangement, this will need to be further discussed between the Commonwealth, jurisdictions and consumer groups as resourcing and funding considerations further develop.

Notwithstanding the sensitivities associated with shared Commonwealth - State funding responsibilities, and recognising that states are currently contributing differing amounts, this approach only requires a modest contribution from each of the governments.

We observe that NSW, Queensland and SA Governments are currently contributing in the order of \$1m per annum, in aggregate, to energy and water advocacy

The West Australian government has recently announced that it has allocated \$900,000 over three years to support energy consumer advocacy. WA Energy Minister, Bill Johnston, said "The \$900,000 of funding allocated in the 2019-20 State Budget will create consumer representation focused on the needs of Western Australian energy consumers.

The McGowan Government's Energy Transformation Strategy will help minimise the costs of the transition to renewable energy technologies; the Distributed Energy Resources Roadmap will be released by the end of 2019⁹."

Consequently jurisdictional governments are already contributing about \$1.3 million per annum of the estimated \$3.4 million required. The remaining, estimated \$2.1 million could be contributed by Commonwealth, Victorian, Tasmanian, ACT and NT Governments.

Recommendation 2

Revise Guidelines for ECA Grants to enhance continuity of consumer advocacy.

This recommendation centres on providing priority and focus to certain projects and applicants and does not require any additional funding.

Total Annual Cost: \$0

Funding Source: ECA

Recommendation 3

Ensure that market bodies, network businesses, retailers and governments pay sitting fees and participation costs for consumer engagement.

It is difficult to estimate the total cost of this recommendation given that the number of processes that it would apply to are unknown.

⁹ <https://www.energymagazine.com.au/wa-allocates-900000-for-energy-consumer-advocacy/>

As a guide (and noting our recommendation of limiting the payment of sitting fees and costs to 10 attendees) it is suggested that each market body would undertake at least one significant engagement project per year at a cost of \$10,000 per project (review, Inquiry, Rule Change) with two additional (and smaller) projects per market body each year, costing maybe \$5,000 for each project. It is also suggested that the COAG Energy Council would also have one major and two additional projects per year, where consumer engagement would be funded.

This guide suggests \$80,000 pa (rounded) would be the cost for the market bodies plus COAG Energy Council.

For network and retail businesses, it is understood that many already pay sitting fees and associated meeting costs and will have much smaller travel costs requirements than national bodies, consequently this is not regarded as a significant additional cost. If we assume an incremental \$20,000 pa across the networks and retailer to fund this cost

Total Annual Cost: \$100,000 * indicative only at this stage

Funding Source, AEMC, AEMO, AER, COAG Energy Council, networks and retailers

As discussed previously further consideration will be required for the appropriate threshold for small retailers.

Recommendation 4

Enable Energy Consumers Roundtable to undertake coordination of prioritised input into policy and regulatory processes.

This would involve a part-time dedicated employee who would work with the roundtable host organisation to encourage and facilitate priority setting and engagement coordination from consumer groups

Total Annual Cost: \$50,000 * indicative only at this stage

Funding Source: Increasing the ECA grant levy by \$50,000 pa would be a cost-effective approach.

Recommendation 5

Enable a regular Networks and Consumer Groups and Retailer and Consumer Groups dialogue.

Total Annual Cost: \$20,000 * indicative only at this stage.

Based on assumption that timing would be to coincide with Energy Consumers Roundtable and so marginal costs would be potentially some additional time for a meeting room, and additional night's or two accommodation for some consumer representatives and the cost for ENA and AEC to travel to the Dialogue

Possible funding / enabling Sources: Energy Charter, ENA and AEC

Recommendation 6

A series of at least annual Innovation and Future Market briefings should be held for consumer groups and advocates to facilitate knowledge transfer.

For this to be cost effective, the Briefing would ideally be aligned with another event where majority of the target audience were already gathered. There would be some meeting room and catering cost along with travel and coordination costs.

Total Annual Cost: \$50,000 * indicative only at this stage

Funding Source: Commonwealth Government / SCO (if Briefing rotated amongst the jurisdictions.)

(The Energy Charter businesses could be an alternative funding source / host)

Summary and testing the recommendations

The total annual cost, including current funding, for the recommended funding elements is \$3.6million (indicative only at this stage) also incremental cost (rounded), with contributions shared across key stakeholders capable of providing funding. As discussed earlier, an estimated \$1.3 million of the costs are already being incurred by parties, so the incremental cost may be closer to \$2.3 million per annum.

The project has sought to test the reasonableness of the new funding recommendations and has had some difficulty in identifying comparable consumer engagement funding arrangements.

One useful benchmark though relates to the widely discussed Scottish Water Customer Forum whereby a group of nine people with an independent chair are appointed to negotiate the development of a regulatory proposal by Scottish Water. We note that the Customer Forum has been recently reappointed to engage on the development of the 2021-27 Scottish Water regulatory proposal. A part of the memorandum of understanding states:

“the parties envisaged that the forum will seek to agree with Scottish water a business plan for delivery by Scottish water in 2021 – 27 which is fully consistent with the ministerial objectives, statement of policy and the commission decisions (a business plan agreed on such a basis being known as an “agreed business plan)”

An amount of £250,000 per year has been allocated to the Customer Forum, except for 2018-19 when £375,000 has been allocated. This funding is generated through the Water Industry Commission of Scotland’s annual levy. Technical assistance is provided to the Forum by Scottish Water.

In early June 2019, £250,000 equated to AU\$460,000.

The population of Scotland is about 5.4 million people.

For Australian jurisdictions, water issues account for less than about 20% of essential service engagement by consumer groups.

We observe that the allocation for Scottish Water Customer Forum is comparable with the \$500,000 that is proposed for the level I ESCEA jurisdictional units.

We also estimate this to be reasonably consistent with the cost incurred by AusNet Services for its Customer Forum.

The \$3.6 (plus ECA \$2.0m grants program) million recommended increase for all additional consumer engagement funding is a bit over half of our estimated annual consumer engagement spending, (less staff) by Australian energy network businesses, in total.

These two indicative benchmarks suggest that the increased funding proposals recommended are reasonable.

Section 8: Quantifying Indicative Benefits

This section considers indicative benefits of implementing the recommendations from the previous section. This is not a Cost - Benefit Analysis (CBA) it is indicative of a general level of benefit from consumer engagement with networks by community-based groups.

The first three considerations of indicative benefit focus on the potential savings that would flow directly to consumers through reduced bills primarily through implementing recommendation 1. They build on comparatively recent experiences in Australian energy markets, from which some perspectives of indicative benefit can be:

1. the role of consumers in remaking the remitted decisions for New South Wales (electricity and gas) and ACT distribution businesses.
2. indicative dollar benefits from consumer engagement in the recently finalised New South Wales electricity distribution revenue determinations for 2019-24.
3. consideration of the achievable savings for customers identified by the ACCC in their Retail Electricity Pricing Inquiry final report released June 2018.

Taking very conservative assumptions the indicative benefits to cost ratio for each approach taken is very positive a range of indicative benefits to cost being 3:1 - 80:1.

The fourth consideration of indicative benefits focuses on other possible savings. Whilst the fifth consideration focuses on the non-quantifiable benefits including the role of consumer engagement to improve trust and to build on the social licence to operate for energy businesses.

The indicative benefits in the fourth and fifth considerations apply to implementation of all recommendations.

Indicative Benefits 1: Savings in dollars for customers - NSW & ACT remitted decisions New South Wales and ACT regulatory determinations

Arguably the best, and recent example of the benefits from consumer engagement in reducing prices paid by customers for the energy, is summarised in this Media release from AER, 28th February 2019. The media release was issued on the finalisation of the last of five New South Wales and ACT network decisions that had been remitted back to the AER, for aspects to be remade. This being an outcome of appeals by network businesses to the limited merits review and subsequent appeal of some of these decisions by the Australian Energy Regulator.

There was extensive and detailed discussion between key consumer organisations, the relevant network businesses and the AER in reaching decisions summarised in this media release. This final decision related to Jemena Gas Networks. The proceeding remitted decisions were for the New South Wales and ACT electricity distribution businesses - Ausgrid, Essential Energy, Endeavour Energy and Evoenergy (ACT).

The 28th February media release included:

“Households and businesses are the big winners from the Australian Energy Regulator’s (AER) remade final decision on Jemena Gas Networks’ (JGN) 2015-20 access arrangement.

The final decision is consistent with the AER’s January 2019 draft decision allowing JGN to recover \$2,246.6 million (\$ nominal) from consumers in the access arrangement period.

“We are satisfied this decision is in the long-term interests of consumers and will promote price stability at a time when energy affordability is a key concern for many consumers,” said AER Chair Paula Conboy.

In 2015 JGN proposed to recover \$2,605.2 million from consumers over the 2015-20 access arrangement period, but the AER found that the company could operate safely and reliably with \$2,229 million. Legal action followed, resulting in the AER’s 2015 final decision being set aside by the Australian Competition Tribunal.

This final remade decision is \$17.6 million above the AER’s set aside 2015 final decision, meaning JGN will return \$169 million (\$2019-20) to its customers from the commencement of the 2020-25 access arrangement period.

“This outcome is a great example of how businesses engaging with consumers in a revenue setting process can benefit everyone, and it’s a process that has been applied successfully in facilitating resolutions in each of our 2015 remitted decisions, which I am pleased to say have now all been resolved.

“In total, consumers in NSW and ACT will save nearly \$6.4 billion as a result of these remade decisions than what the businesses sought to recover in their 2015 final proposals. To their credit, the businesses have transformed their organisations and responded to the revenues largely in line with what we set for them in 2015,” said Ms. Conboy”

The following table summarises the \$6.4 billion savings to customers that were agreed through direct consumer group engagement between the five network businesses key consumer groups.

(\$, nominal)	Revised proposal	Final decision	Remittal decision	Difference to RP
Ausgrid (Dx+Tx)	11,962.8	8,785.3	9,126.3	-2,836.5
Essential Energy	6,837.4	5,117.8	5,102.6	-1,734.8
Endeavour Energy	5,390.8	4,132.3	4,143.4	-1,247.4
EvoEnergy (Dx+Tx)	1,036.1	764.1	815.7	-220.4
JGN	2,605.2	2,229.0	2,246.6	-358.6
Total	27,832.3	21,028.5	21,434.6	-6,397.7

Figure 17. Source, compiled from AER Decisions regarding the remitted decisions

Consumer groups and the AER’s CCP 10 were important elements of the process and played a significant contribution to the outcome through direct engagement. These savings were also achieved through the AER’s analysis on return on capital and on benchmarking made in the 2014-19 final decisions, tribunal process, and in the remittal process. The scrutiny of consumer interests was significant in maintaining an impetus for network cost reductions. It is almost impossible to allocate shares of savings generated through the remittal processes, however, this paper suggests that the combination of direct and indirect consumer engagement was significant as a driver for all of the cost savings achieved, notwithstanding the significant roles played by the network businesses themselves and the AER.

As a reference estimate of the potential costs for the consumer engagement to contribute to this outcome, the indicative jurisdictional cost of recommendation 1 is \$500,000 per year. Understanding that the \$6.4 b saving should be allocated over a five-year regulatory period, meaning a \$1.08b saving per year, this is still a substantial net consumer benefit ratio compared to recommendation 1 indicative cost.

A benefit to cost ratio of about 13,000:1

While it is recognised that the New South Wales remitted decisions provided a unique set of circumstances, the substantial contribution that consumer engagement made to achieving a \$6.4 billion saving, over five years, for New South Wales consumers is a very clear indication of the dollar value from effective, outcome focussed consumer engagement.

The remitted decisions engagement provided an extraordinarily high cost to benefit outcome and is unlikely to be replicated again in the foreseeable future, this example does provide an indication of the extraordinarily high benefits for consumers that can be achieved from a very modest cost.

[Indicative Benefits 2: Savings in dollars for customers - NSW & Act Regulatory Proposals 2019-24](#)

The New South Wales and ACT regulatory decisions provide the most recent completed processes and so provide some examples of demonstrable impact from consumer engagement. The following examples of the impact of engagement relate to the revised revenue proposals for each of the three NSW electricity distribution businesses.

Endeavour Energy

Endeavour Energy's revised revenue proposal for 2019-24¹⁰ summarises their approach to consumer engagement with the following:

"Our goal over the past two years has been to substantially improve engagement and build on the extensive engagement we have undertaken since 2012.

We have spent more time consulting and listening and less time informing. We agreed on a principle of 'no surprises' and focused conversations on tough issues in our expenditure proposals, explaining risks and trade-offs and teasing out realistic alternatives where possible. This helped to build genuine respect and understanding, and narrow the gap where opinions differed. We also sought expert advice, broadened the involvement of our executive team and increased resources.

Finally, we tried some new engagement processes that had not been used by network businesses before. We responded to feedback from the AER's Consumer Challenge Panel and ran a series of 'deep dive workshops' which were co-designed to examine expenditure plans in greater detail with our regulator, shareholders, customer representatives, retailers, state and local government representatives, developer associations and Endeavour Energy's senior management team."

¹⁰ <https://www.aer.gov.au/system/files/Endeavour%20Energy%20-%20Revised%20Proposal%20-%200.01%20Revised%20Proposal%20-%20January%202019.pdf>

Their revised revenue Proposal includes the following table (excerpt) that summarises many of the tangible revenue proposal adjustments that came about through Endeavour's enhanced consumer engagement.

What we heard

Customers and stakeholders have asked us to concentrate on:

- providing an affordable, safe and reliable electricity supply
- containing investment to support new customer connections and economic growth
- enabling customers' future energy choices
- frank, respectful engagement with key stakeholders providing a clear understanding of risks and trade-offs.

What we did in our initial proposal

- Made affordability, safety, and reliability our key deliverables for all customers.
- Submitted plans that will build on a \$75 reduction in network charges since 2012-13 and decrease by a further \$25 for an average residential customer by 2024 in today's dollars.
- Focused on maintaining reliability across the existing network and limit reliability improvements to the poorest performing areas, consistent with licence conditions.
- Planned battery storage trials so that reliability is not compromised as we connect and utilise new generation and storage technologies in accordance with the *CSIRO/ENA Electricity Network Transformation Roadmap*.
- Proposed an overall real reduction in public lighting charges in the order of 8 percent followed by annual CPI increases until end of period.
- Proposed a pricing differential between LED and non-LED of 15 percent to reflect expected maintenance savings from increased density of LED lighting.
- Reduced our proposed capital expenditure plans by almost \$90 million (real, 2018-19).

Figure 18. Source Endeavour Energy revised regulatory proposal

This table is noteworthy for a number of reasons, firstly because it states that consumer engagement, both in the lead up to the first regulatory proposal and through the revised revenue proposal has generated, on average, a reduction in energy bills for Endeavour energy customers of \$100 per year by 2024. The reduction in public lighting costs is also recognised as this had previously been a fraught issue.

The table itself is laudable in both demonstrating the network businesses improved commitment to responding to their consumer engagement, it is also a transparent statement clearly documenting what had been heard, and most importantly what was implemented, from consumer engagement.

Ausgrid¹¹

Consumer groups were generally disappointed with Ausgrid's initial engagement relating to their regulatory proposal for 2019-24, but considerable trust was built through the remitted decision and through engagement leading up to the revised proposal. Ausgrid also published a table that documents their responses to the issues that had been raised with them through their consumer engagement. The following table shows, for example, that **consumer engagement has led to a reduction of \$31 million in capital support costs for the**

¹¹ <https://www.aer.gov.au/system/files/Ausgrid%20-%20Revised%20Proposal%20-%20Revised%20Regulatory%20Proposal%20-%20January%202019.pdf>

regulatory period. Ausgrid also showed leadership being an early adopter of applying an operating costs productivity dividend to their regulatory proposal, again in significant part due to their commitment to making the consumer engagement effective.

Prudent and efficient	<ul style="list-style-type: none"> • Subjected a large proportion of our capex proposal to quantitative risk assessment and cost benefit analysis in order to ensure that our total capex forecast is prudent and efficient. • Better explained the benefits and costs of our ADMS project.
Capital expenditure	<ul style="list-style-type: none"> • We have looked for additional ways to defer or adopt non-network solutions, where these savings can be achieved without compromising customer outcomes. • We have included productivity improvements in our network capex forecasts, in response to our customers' feedback that we should commit to driving future efficiency improvements. • As a result of this further analysis, reprioritisations and updated input assumptions, we have identified savings compared to our Initial Proposal.
Capital review processes	<ul style="list-style-type: none"> • We have made immediate changes and continue to improve the internal review and challenge of our capex program. We are committed to making further improvements which are discussed further in Chapter 5.
Capital support costs	<ul style="list-style-type: none"> • We have reduced our capital support costs from \$621 million in our Initial Proposal to \$590 million. Benchmarking was also undertaken, which revealed that Ausgrid has among the lowest overhead costs per customer in the NEM
Opex	<ul style="list-style-type: none"> • We have accepted the AER's decision to disallow additional expenditure to support pricing reform and have not included this opex step change in our Revised Proposal. • We have provided further information in relation to emergency recoverable works and reviewed our proposed demand management programs. • We have included a productivity forecast in our Revised Proposal from FY21.
Demand tariffs	<ul style="list-style-type: none"> • We have included a set of demand tariffs for residential and small business customers in our revised TSS. • We are working collaboratively with customers, retailers and other stakeholders to introduce new tariffs. This includes: co-design of research on the impact of more cost reflective tariffs, the development of complementary measures and communications materials.
Continued consumer engagement	<ul style="list-style-type: none"> • We engaged intensively with customers prior to lodging our Revised Proposal and will engage with customers on an ongoing basis.

Figure 19. Source Ausgrid revised regulatory proposal

Essential Energy

Essential Energy was recognised in 2018 for the consumer engagement, as winner of the ENA / ECA consumer engagement award, which in part recognised leadership work undertaken by this network business in engaging with regional communities, particularly through a program of repeat “deliberate forums.” The outcomes of their engagement were reflected in initial regulatory proposal that was close to being “capable of acceptance.”

The AER in their final decision said:

“Our final decision, which largely accepts Essential Energy’s revised proposal and is consistent with our draft decision, reflects not only the considerable efficiency gains Essential Energy has achieved over the current period, but also the strategies and initiatives it now proposes to deliver further efficiencies in expenditure and improvements in productivity over the 2019–24 period. This includes incorporating an operating expenditure productivity growth component of around three times

greater than our standard approach for electricity distribution businesses. These savings are now locked in for consumers. Essential Energy has set a high watermark level for its approach to consumer engagement. It consulted extensively with customers and consumer representatives and put forward initial and revised regulatory proposals which were both understood and accepted by stakeholders, despite increased costs. Essential Energy's stewardship of its regulatory proposal is a clear example of the value to a network service provider from a comprehensively designed and well implemented consumer engagement program, in terms of successful passage through the regulatory determination process with strong stakeholder support."

The Essential revised revenue proposal was \$76m lower than the AER's draft decision. This was largely achieved through consumer engagement which is acknowledged by the AER.

The main concern with Essential Energy's initial proposal was the ongoing growth in its Regulated Asset Base that was pushing prices up despite expenditure reductions in other areas of the business. Essential Energy was prepared to engage with consumer groups in considerable depth, so that all would better understand their RAB growth dilemma and to explore opportunities for resolution. The following extract taken from their revised revenue proposal provides some flavour of the commitment made by Essential Energy to both listen to consumers on a difficult topic and to engage meaningfully with them to seek solutions.

2. Factors that led to true RAB growth¹²

Network output growth

Capital expenditure in network growth (from customer demand and connections) is responsible for 72 per cent of the RAB increase.

Unrealised demand

A substantial driver of investment in our network is the need to meet expected future load growth (demand) forecasts. There has been a small amount of network investment on the expectation of demand growth that did not eventuate. Removing capital expenditure related to unrealised demand from the RAB would reduce RAB growth by five per cent.

N-1 projects and reliability capital expenditure

Between December 2007 and July 2014, the NSW Government mandated N-1 and reliability standards for electricity networks. If the expenditure incurred on N-1 projects was removed from the RAB, it would reduce RAB growth by 30 per cent. The analysis specifically investigated capital expenditure for reliability improvements over the 2009–14 regulatory period. Removing the expenditure incurred on reliability projects during that time would reduce RAB growth by nine per cent.

3. Items that have inflated the RAB

Unit rate increases

Modelling for the effect of real increases in unit capital expenditure costs showed a material impact on RAB growth of 26 per cent.

Depreciation

Essential Energy adopts depreciation rates that fall between the lower end of privately-owned distributors and the upper end of publicly-owned distributors. If higher (more

¹² <https://www.aer.gov.au/system/files/Essential%20Energy%20-%20Revised%20Proposal%20-%20December%202018.pdf>

aggressive) regulatory depreciation rates were applied, the RAB growth would potentially be reduced by 42 per cent. “

The RAB engagement undertaken by Essential Energy is noteworthy because it reflects ongoing engagement, beyond the regulatory process, that will most likely lead to improved consumer outcomes. A reduction in RAB growth of 42% would be of benefit to consumers, while advocacy by consumer groups based on their engagement can play a pivotal role in encouraging the owner of Essential Energy, the NSW Government to write down some of the RAB value, which would also be of benefit to end consumers, but an outcome less likely without consumer group advocacy.

Quantifying the savings reported by the businesses suggests that indicative savings from consumer engagement and situation related to the 2019 to 24 New South Wales written two proposals use the following benefits to consumers:

- Endeavour energy capital costs: \$100 per year by 2024. Which translates to \$100pa x 984,230 customers = \$98m savings over 5 years
- Ausgrid; \$31 in capital support costs
- Essential Energy: \$76m

Indicative savings achieved by consumer engagement over the 3 distribution networks is \$205m or \$41m per year over a 5 year regulatory period. Again assuming the direct costs for consumer groups to contribute to this outcome is \$500,000 per annum, which is the indicative cost for a jurisdiction of recommendation 1

Results in an indicative benefit to cost ratio of 80:1

[Indicative Benefits 3: Savings in dollars for customers - Achieving ACCC Recommendations](#)

The ACCC review of Australian electricity prices released on 11 January 2018 include the following table showing achievable average annual residential bill savings within three years of the report's release forward regions within the national electricity market and for each main 'block' of a retail electricity bill.

Table A: Achievable average annual residential bill savings by 2020-21

Achievable savings (\$ per annum)								
Region	2017-18 Bill	Networks	Wholesale	Enviro	Retail	Reduction	2020-21 Bill	% Reduction
Victoria	1457	39	192	34	26	291	1166	20
NSW	1697	174	155	43	37	409	1288	24
South east Queensland	1703	147	192	18	62	419	1284	25
South Australia	1727	13	227	89	42	371	1356	21
Tasmania	1979	113	226	75	—	414	1490	21

For small business customers, similar savings can be made. However, as a larger proportion of small businesses are on standing offers, the recommendation to abolish the standing offer and implement the lower-priced default tariff will have a proportionately greater benefit to small business customers.

The ACCC estimates that small businesses can achieve savings of 24 per cent on 2017-18 prices if ACCC recommendations are adopted (see figure H).³

Figure 20, Source ACCC review of Australian energy Prices 2018

The following table converts these achievable per annum per customer savings to jurisdiction wide aggregate, annual achievable savings for each block of the electricity supply chain. Note that customer numbers per jurisdiction are taken from the AER's state of the energy market report, 2017-18.

Jurisdiction	Customer no	Network savings (\$/ cust)	Network Saving (\$m)	Wholesale Savings (\$/ cust)	Wholesale Savings \$m	Retail Savings (\$/cust)	Retail Savings \$m	Enviro Savings (\$/cust)	Enviro Savings (\$m)
NSW	3,583,078	174	623.45	155	555.38	37	132.57	43	154.07
ACT	191,482		33.32	155	29.68	37	7.08	43	8.23
Victoria	2,902,040	39	113.18	192	557.19	26	75.45	34	98.67
QLD	2,193,748	147	322.48	192	421.2	62	136.01	18	39.49
SA	878,300	13	11.42	227	199.37	42	36.89	89	78.17
Tas	287,652	113	32.5	226	65	0		75	21.57
Total	10,036,300		1,136.35		1,827.82		388		400.2

Figure 23. Source, ACCC and AER, compiled by Uniting Communities

The table shows that Australia wide, the total achievable savings through network costs is \$1,136m with savings of \$1,827m from wholesale cost savings, \$388m from retail cost savings and \$400m from savings to customers from environment related costs added to electricity bills.

Note that the table applies the same savings rates to the ACT as to New South Wales because these two jurisdictions were aggregated in the ACCC report while “Queensland” refers to south-east Queensland region.

We suggest that it is intuitively reasonable to propose that the extra engagement and advocacy that would be brought to bear by implementation of recommendation 1 would result in a saving of, say up to 5%, (this is an intuitive estimate by the authors, not a statistically based measure) of the achievable network savings indicated by the ACCC enquiry. This equates to a minimum saving of \$57m that would be the direct result of the extra capacity added to consumer engagement and advocacy with networks.

Considering that if all jurisdictions were involved with achieving this result, the cost of implementing recommendation 1 would be \$3.4m. This gives a benefit to cost ratio of 16:1. Taking a more conservative view and anticipating a saving of half this level, still yields a benefit to cost ratio of 8:1.

As an indicative level of benefit, consider a point estimate for the benefit to be in the range 8:1 - 16:1. For simplicity, it is reasonable to suggest a benefit to cost ratio of 10:1.

A reasonable, indicative estimate for network only savings from the ACCC achievable saving yields a benefit to cost ratio of 10:1

We note that the dollar value of savings through engagement with network businesses would vary across the NEM jurisdictions because as ACCC data indicates, there are very different ranges for achievable savings across the jurisdictions so a similar amount of effort in engagement and advocacy in a jurisdiction identified as having less efficient network businesses would most likely yield a much more significant saving to customers in engagement advocacy in a jurisdiction or region with more efficient network businesses. This does not diminish the value of engagement and efficacy in the more efficient regions to seek more modest savings as well as maintaining pressure to maintain the effectiveness of these more efficient network businesses.

The ACCC report also indicates that further savings are achievable:

- \$1,827m from wholesale cost savings,
- \$388m from retail cost savings and
- \$400 million from savings to customers from environment related costs

This is a total of \$2,615 million. Applying a 1% contribution for achievement of savings from enhanced consumer engagement and advocacy capacity, this yields additional savings to customers of the order of \$26m per year. The majority of the ACCC achievable savings, outside of network costs are from wholesale cost savings which is the area of energy bills that have historically seen the least consumer engagement, so it is difficult to predict

whether enhanced consumer engagement and advocacy capacity will lead to more savings for customers from reduced wholesale costs or whether wholesale costs are less able to be influenced by consumer input.

The considerations above all show substantial, indicative benefit to cost ratios for net benefit for consumers from investment in recommendation 1.

Assessing the benefit ratios

In a recent OECD publication, the OECD observes that for costs to benefit ratios, this is quoted by the Disability Advocacy Network Australia¹³

- “A ratio below 1 is considered poor,
- a ratio between 1 and 2 medium and
- a ratio above 3, high.

For comparison, the following benefit to cost ratios were quoted by Disability Advocacy Network Australia. They said that due to the uncertainty around funding for independent advocacy and recognising the importance of knowing if resources are being used on economically, they decided to commission an independent Cost Benefit Analysis to assess the range of economic costs and benefits associated with the work of independent advocates. They report the following cost – benefit ratios:

- the World Bank (2011:4) estimated benefit cost ratios for Indonesian urban sanitation projects of 1.1 to 2.4 : 1
- The Australian Productivity Commission (2013) estimate the benefit cost ratio of smart meters for Australian energy markets of 2.7 : 1
- The South Australian Centre for Economic Studies (2010) estimated a benefit cost ratio for the introduction of Opal fuel into remote locations of 3.7 : 1

Against these comparators, the likely benefits to cost ratios of this report’s recommendation 1 are substantial, even allowing for their “indicative only” nature.

For simplicity and conservatism, it is suggested that the lowest of these estimates is used. That is an indicative estimate for a conservative range in savings from implementing recommendation 1 is a benefit to cost ratio of 10:1

Indicative Benefits 4: Other Cost Savings

As well as the cost savings from enhanced consumer engagement capacity estimated above that would flow directly to consumers, there are a number of other cost savings that may also flow through to bill paying customers from greater consumer engagement.

Other cost savings from consumer engagement include:

- Reduced transaction costs
- Reduced regulatory and compliance costs
- Potential for better subcontracting, particularly for major capex
- Less litigation

¹³ https://www.pc.gov.au/__data/assets/pdf_file/0015/222135/subpp0371-ndis-costs.pdf

Reduced Transactions Costs

For end consumers, search costs and time spent making complaints are reduced were energy businesses are better able to provide information that consumers need, when they need it and with clear information about what effective action can be taken, where consumers have the option of taking action. Opaque energy businesses and confusing information increases costs for customers and reduces trust in energy markets.

For network businesses, the transaction costs that can be saved include; reduced consultant fees from better targeted consultant advice being sought with consumer input helping to scope consultancies.

A greater shared understanding of what consumers need can reduce business to business costs between retailers and network businesses from greater clarity about consumer needs and check commitment to be responding directly to those needs.

For retailers, transactions costs that can be saved include:

- not offering contracts that may not interest consumers; and
- provision of timely and relevant information for consumers rather than spending time and money providing information that is not useful.

Reduced regulatory and compliance costs

The Australian Energy Regulator has provided clear advice to network businesses, in particular, that they expect a clear demonstration of consumer engagement in the development of regulatory proposals and for consumer engagement to become a part of business as usual across the business.

The greater attention to consumer engagement has occurred and continues to occur within network businesses should flow through to greater levels of trust that businesses are doing the right thing and consequently reduced compliance and enforcement costs being imposed.

Potential for better subcontracting, particularly for major capex

It is reasonable to expect that future regulation of network businesses will provide opportunity for some cost savings as a direct result of consumer engagement. These cost savings could include some reduction in compliments costs as consumer interests become happier with network activity. Western Power distribution in the United Kingdom have reported cost savings resulting from regulatory “fast tracking” that was introduced to UK energy regulation as part of RIIO.¹⁴ It is possible that fast tracking of regulatory proposals will occur in Australia in the future. Even now, greater certainty in planning from consumer engagement can potentially provide network businesses with more time to engage

¹⁴ this is discussed in Mark Henley’s report of visit to UK in 2017.
<https://noshockenergy.org/report-study-visit-united-kingdom-hows-consumer-engagement/>

subcontractors leading to better prices by having the flexibility to subcontract the work at an optimal time and price.

Reduced litigation costs

energy businesses that regularly engage with consumers and are responsive to consumer and consumer group input are less likely to feel an obligation (to shareholders) to engage in litigation and so reduce the, sometimes substantial, costs of litigation and associated legal fees.

As a counterfactual to cost savings from consumer engagement, over the period 2014-17 a number of energy network businesses challenged regulator decisions to regulatory proposals and access arrangements through the limited merits review (LMR) process. Some of the decisions of the LMR was subsequently challenged by the AER. Access to LMR for Australian energy network businesses was withdrawn by the Australian Government during 2017 (Competition and Consumer Amendment (Abolition of Limited Merits Review) Bill 2017). The full costs borne by consumers over the final 4 to 5 year period of LMR are unknown, but estimates exceeding \$4 billion (in aggregate) have been whispered. Effective consumer engagement is a much cheaper alternative for considering disputes and differences than litigation.

Indicative Benefits 5: Non-quantifiable benefits

There is also a set of benefits from consumer engagement that translate into reduced costs for consumers that are very difficult to quantify into dollars saved, in a formal cost – benefit analysis.

The non-quantifiable benefits identified by consumer engagement and the enhanced capacity through recommendation 1 include:

- Trust building
- Social license to operate
- Impetus for change
- Policy Development
- Lobby and advocacy
- Research and Dissemination including providing a “sense of reality” from consumers
- Raising Awareness
- Community Organising
- Grassroots Mobilisation
- Building Capacity

Arguably the most important of these is “trust building”

The Australian Energy Market Commission's (AEMC) 2018 National Retail Energy Competition Review reported low levels of trust in energy markets by Australian consumers. The AEMC's media release¹⁵ said:

“Higher prices combined with complex and confusing energy offers have driven consumer confidence to new lows.

Only one in four consumers now say energy retailers are working in their long-term interests, down 10 per cent from last year.

Satisfaction with value for money in energy is lower than banking, water, broadband and mobile sectors. Energy is the only sector to have had decreased satisfaction over the past year.

Trust in the energy sector has dropped from 50 per cent in 2017 to 39 per cent in 2018.”

Probably the most valuable non-quantifiable benefits provided by effective consumer engagement particularly with community-based and community service organisations is the capacity to build trust between energy businesses, their customers, policymakers and regulators.

Trust is central to the notion of a business having “a social licence to operate,” Australian energy businesses do not enjoy high levels of trust from communities, as reported by the AEMC, which has cost implications for example by governments and regulators requiring higher levels of reporting and compliance and would be the case in a higher trust environment.

Additional money spent on consultant reports, legal checks and related functions which are often grouped under the term of “red tape” can be saved when consumers and hence governments and regulators are satisfied that energy businesses are doing the right thing, that is they have earned and value the maintenance of their social licence to operate and continually strive to build the trust that affirms this.

In its publication *Investing in Change: Why Supporting Advocacy Makes Sense for Foundations* (May 2008), Atlantic Philanthropies outlines a variety of constructive activities which fall within funding for policy advocacy, a part of the consumer engagement undertaken by community based groups. Atlantic Philanthropies adopts funding for policy advocacy as one of its key strategies, the benefit of funding advocacy that they have identified are:

- **“Research and Dissemination:** Credible research is an excellent tool for raising the profile of a problem and explaining the ongoing impact of a policy or condition on individuals, communities and nations.” This includes providing a “sense of reality”

¹⁵ <https://www.aemc.gov.au/news-centre/media-releases/consumer-confidence-energy-retailers-drops-new-lows>

from groups of consumers who are not the average customers sometimes perceived by policy makers and some businesses.

- **“Raising Awareness:** Increasing public consciousness is important to advance action on an issue, because important constituencies are often not fully aware of the problem or its dimensions. These efforts can take many forms, including communication through the media, advertising, speeches to influential audiences and giving parliamentary testimony.
- **Community Organising:** Supporting communities that organise on their own behalf is a critical component of funding policy advocacy, enabling those most affected to voice their concerns and promote their interests with government officials and powerful private entities.
- **Grassroots Mobilisation:** Demonstrating broad-based public support for policy change is crucial to success. Mobilising coalitions to visit elected representatives or to generate greater public awareness of an issue can be highly powerful in bringing about policy change.
- **Building Capacity:** Supporting staff, infrastructure and membership development of policy advocacy organisations is another important way to enable long-term change.
- **Policy Development:** Developing policy options can aid change by providing advocates, elected representatives, policy makers, and others with credible suggestions for solving problems and supporters with a goal to rally around.
- **Lobbying:** Linked with policy development, some funders may support advocacy organisations to directly engage with elected representatives and policy makers, to directly influence the outcome of policy debates.
- **Litigation:** Taking legal action to achieve desired changes or fight undesired policies and practices is a tool that advocates have long used effectively.”

They also observe that “different advocacy approaches will be suited to different circumstances and issues. Some, such as litigation, often deal with urgent issues, others such as research and dissemination will focus on building a longer-term evidence base for change. A variety of approaches is often used to address an issue at different stages of a campaign.”

These actions correlate well with the functions for consumer engagement in Australian energy markets identified earlier in this paper with a couple of exceptions. It is to be hoped that with the ending of limited merit review that “litigation” will not be a future function of consumer advocates as part of their engagement with energy businesses and the market at large.

An important function that consumer advocates play particularly through the advocacy, not specifically included in the list above, that has been raised by consumer groups and some market bodies during the course of this project is that consumer groups also provide “an impetus for change.” This paper argues that impetus for change generated by consumer engagement is not just for ever lower prices rather it is about encouraging governments, market bodies and businesses to seek more efficient and effective solutions including exploring non-traditional non-engineering solutions.

The impetus for change comes from different perspectives being applied to energy provision and includes perspectives such as regional, industry specific, disadvantaged customers and

many other perspectives that when responded to can provide benefits to a much broader range of consumers than those initially providing the different perspective. Consumers, we argue, can play a crucial role in driving an impetus for change in response to changing markets changing technologies, policy and systems inertia and the current challenges being faced by energy providers.

Summary of recommendations: addressed gaps, indicative costs and indicative benefits

The following table summarises the recommendations, the addressed gaps, indicative costs and indicative benefits.

Recommendation	Addressed Gaps	Indicative Cost (pa)	Indicative savings for consumers	Other indicative savings	Non-quantifiable benefits
1. Increase funding for existing (and potential) consumer advocate organisations to enable an ongoing, base level of energy consumer engagement and advocacy “Service” in each jurisdiction, commensurate with jurisdictional size and scope.	<ul style="list-style-type: none"> • Continuity • Adequacy • Capacity 	\$3.4m <u>Potential funding provider(s):</u> Commonwealth and Jurisdictional governments	A 10:1 indicative estimate of benefit to cost ratio. Note: A ratio of 3 or more is considered to be of high benefit.	<ul style="list-style-type: none"> • Reduced transaction costs. • Reduced regulatory and compliance costs. • Potential for better subcontracting, by networks, particularly for major capex. • Less litigation 	<ul style="list-style-type: none"> • Trust building • Social license to operate • Impetus for change • Policy Development • Lobby and advocacy • Raising Awareness • Community Organising • Grassroots Mobilisation • Building Capacity
2. Revise Guidelines for ECA Grants to enhance continuity of consumer advocacy	<ul style="list-style-type: none"> • Continuity 	Nil	<i>Not quantified, included in recommendation 1.</i>		<ul style="list-style-type: none"> • Impetus for change • Policy Development • Lobby and advocacy • Raising Awareness • Community Organising • Grassroots Mobilisation • Building Capacity
3. Market bodies, network businesses,	<ul style="list-style-type: none"> • Adequacy of funding, 	\$100,000	<i>Not quantified, included in recommendation 1.</i>	<ul style="list-style-type: none"> • Reduced transaction costs. 	<ul style="list-style-type: none"> • Trust building

Recommendation	Addressed Gaps	Indicative Cost (pa)	Indicative savings for consumers	Other indicative savings	Non-quantifiable benefits
retailers and governments pay sitting fees and participation costs for consumer engagement	<ul style="list-style-type: none"> Capacity 	<u>Potential funding provider(s):</u> AEMC, AEMO, AER, COAG Energy Council, networks and retailers		<ul style="list-style-type: none"> Reduced regulatory and compliance costs. 	<ul style="list-style-type: none"> Social license to operate Impetus for change Policy Development Raising Awareness Building Capacity
4. Energy Consumers Roundtable to undertake coordination of prioritised input into policy and regulatory processes.	<ul style="list-style-type: none"> Prioritisation and Planning Coordination Linking and Collaboration 	\$50,000. Source: Increasing the ECA grant levy by \$50,000 pa	<i>Not quantified, included in recommendation 1.</i>	<ul style="list-style-type: none"> Reduced transaction costs. Reduced regulatory and compliance costs. 	<ul style="list-style-type: none"> Trust building Social license to operate Impetus for change Policy Development Lobby and advocacy Building Capacity
5. Separate Network and Retailer and Consumer Dialogues	<ul style="list-style-type: none"> Prioritisation and Planning Coordination Innovation / Future Network Linking and Collaboration 	\$20,000, potential sources, ENA, AEC, Energy Charter	<i>Not quantified, included in recommendation 1.</i>	<ul style="list-style-type: none"> Reduced transaction costs. Reduced regulatory and compliance costs. Potential for better subcontracting, by networks, particularly for major capex. Less litigation 	<ul style="list-style-type: none"> Trust building Social license to operate Impetus for change Policy Development Raising Awareness
6. Innovation and Future Market briefings should be held for consumer groups	<ul style="list-style-type: none"> Innovation / Future Network 	\$50,000. Potential funding Source: Commonwealth	<i>Not quantified, included in recommendation 1.</i>	<ul style="list-style-type: none"> Reduced transaction costs. Reduced regulatory and compliance costs. 	<ul style="list-style-type: none"> Trust building Social license to operate Impetus for change

Recommendation	Addressed Gaps	Indicative Cost (pa)	Indicative savings for consumers	Other indicative savings	Non-quantifiable benefits
		Government / SCO		<ul style="list-style-type: none"> Potential for better subcontracting, by networks, particularly for major capex. 	<ul style="list-style-type: none"> Policy Development Lobby and advocacy Raising Awareness Building Capacity
7. Energy Charter (possible)	<ul style="list-style-type: none"> Prioritisation and Planning Coordination Innovation / Future Network Linking and Collaboration 	N/A	To be determined as Energy Charter gains momentum and further explores opportunities with consumer groups		
8. ACCC report implementation, particularly recommendation 38. (possible)	<ul style="list-style-type: none"> Adequacy Capacity 	N/A	<p>About 3% achievement of the identified ACCC savings would yield a \$37m benefit to consumers.</p> <p>This is related to the 10:1 indicative cost benefit ratio from recommendation 1.</p>		

Recommendation	Addressed Gaps	Indicative Cost (pa)	Indicative savings for consumers	Other indicative savings	Non-quantifiable benefits
9. AER develops a minimum set of conditions should some form of negotiated agreement apply in the future (possible)	<ul style="list-style-type: none"> • Capacity • Prioritisation and Planning • Coordination 	<i>N/A?</i>		1) Reduced transaction costs. 2) Reduced regulatory and compliance costs. 3) Potential for better subcontracting, by networks, particularly for major capex.	

Section 9: Consumer Engagement and Future Regulatory Frameworks

One of the continuing considerations in network regulation over the last 4 to 5 years in Australia has related to the question of the applicability of a “negotiated” agreement that could be struck between accepted consumer interests and a regulated network business. (Note that we have not used the term “negotiated settlement,” even though this term is sometimes used, because this project considers that this language applies to North American context we reckon processes are different than Australia).

There have been trials and pilots heading in the direction of negotiated agreements for example through the NewReg project and some water entities including in Victoria and South Australia.

The project was asked “what is needed to achieve negotiated regulatory outcomes in Australia?” Implicit in this question is that enhanced and adequately resourced consumer engagement would have to be central to achieving any accepted negotiated regulatory proposal.

So, to be bold, this project suggests the following as minimum conditions that would need to apply should the political and regulatory processes decide that some form of negotiated agreement was a worthwhile goal.

1. The AER need to state publicly its commitment to provide some tangible benefit to a network business that could demonstrate to the AER, an appropriate range of consumer representative and consumer interest groups and the AER CCP that regulatory proposal as lodged was the best interests of consumers and met the NEO. Potential benefit could include fast tracking (as was the case with Ofgem and their RIIO approach in the UK), lighter touch regulation and statements of public commendation from significant decision-makers about the merits of the negotiated proposal.
2. Designated consumer advocacy group or other groups (accepted for the negotiation role by peers) would need to be resourced adequately to be part of the negotiation process for the approximately three years from early engagement to define decision.
3. An independent probity auditor (or potentially CCP) would be appointed by the AER, agreed by the network business required to observe the fairness and reasonableness of the process undertaken.
4. The form of documentation and the extent of agreement would need to be accepted in principle by the network business and those negotiating consumer interests in the early stages of the negotiation process.

During the course of the project, the perspective has been put that consumer representative groups become less relevant in emerging market models, we suggest that

this relates to a thought that emerging market models would be akin to sort of negotiated outcome that is reached between Scottish water and the associated Customer Forum. That is, a negotiation model reduces the value of input from consumer representative groups and consumer advocates.

This question will be considered as part of the final round of discussions associated with this project.

At this point of time, project analysis suggests:

1. That the disaggregated list of consumer engagement functions includes a number, somewhere between 30 and 40% of functions, that are either unique to consumer representative organisations or where these groups add particular additional benefit.
2. The Scottish water approach, which is being widely considered, relies very heavily on consumer representative groups consumer advocacy continuing to inform both Scottish water and customer forum. Citizens Advice Scotland plays a significant role in sporting community research and engaging with a range of community interests and providing input to Scottish water, customer forum and the regulator. This suggests that a future market model Australia based somewhat on the Scottish water experience would not lead to a diminution of input from consumer represented organisations.

Next steps

The question of the role and extent of consumer engagement in emerging energy market model Australia?

Recommendation 7

That the AER develops with consumer groups and network businesses, a minimum set of conditions that would need to apply should the political and regulatory processes decide that some form of negotiated agreement was a worthwhile goal for future regulatory processes. The minimum conditions would be based on the experiences of the NewReg trial and other recent, relevant developments.

Appendices

Appendix 1: Stakeholders consulted

Stakeholders providing input to this project

Reference Group

- David Markham, Australian Energy Council
- Darren Gladman, Clean Energy Council
- David Northcott, Dept Environment and Energy
- Chris Alexander, ECA
- Garth Crawford, ENA
- Amanda Kennedy, ENA
- Kristen Pellew, AGIG
- Karyn Looby, Essential Energy
- Robyn Robinson, COTA, Consumer Group
- Craig Memery, PIAC, Consumer Group.

Forum Participants:

PIAC x2

Ethnic communities Council

Essential Energy

JGN x 2

Brotherhood of St Laurence

AGIG x 2

CP/PC/UE

ENA

ECA

AER x 3

AEMC

AEMO x 2

EWOV

EUAA

VCOSS

JEN

Consumer Action.

AGL

Momentum Energy

Meetings with Groups

- EMPTP (SCO forum hosted by Commonwealth Department of Environment and Energy)
- Dept Environment and Energy
- ENA x 2

- Consumers Roundtable x 2

One to One discussions

- AEMC x2
- AER x 2
- AEMO X 2
- ACOSS
- ECA (Chris Alexander) x 2
- AEC
- SAPN

Appendix 2: Full (revised) list of consumer engagement tasks and functions

This is the full revised list of consumer engagement functions as identified by the project listed under five activity area groupings.

Consumer engagement activity areas and functions, consolidated listing.

1. engagement with network businesses specifically regarding regulatory proposals
 - a. participate in regulatory proposal development committees / reference groups - generally ongoing for the life of development of a regulatory proposal and quite often the revised revenue proposal as well.
 - b. participate in regulatory proposal consultation / engagement activities - generally one-off activities or a short series of activities
 - c. challenge the network businesses regulatory proposal, including through deep dives and increasingly through response to a draft plan / proposal issued by the network business prior to lodging their formal proposal
 - d. provide submissions and comments to the AER / state regulators regarding the content of a regulatory proposal and increasingly commentary on engagement undertaken in developing the proposal.
- 2 other engagement with network businesses
 - a. participation in network customer councils / consultative committees
 - b. identify issues and possibilities of relevance to the network business, from consumers
 - c. provide policy advice both on internal policies and within the broader energy policy space
 - d. assist in disseminating information from network businesses to specific consumer interest groups / members
 - e. encourage and support the development of links between network businesses and relevant consumer groups, retailers, regulators, economic and regional development boards and authorities, other relevant stakeholders.
 - f. Assist with deliberation on innovation opportunities for the network business, recent examples include application of distributed energy resources (DER) and hydrogen strategies for gas businesses.
 - g. Support referrals between network businesses and relevant community organisations as well as other stakeholders. Particularly good example of this has been Western Power distribution in England, who in conversations with their vulnerable customers have identified other social and health support services that are needed, so WPD's known consumer advisory groups were able to assist with referral to other organisations that were able to provide support and assistance beyond energy issues.
 - h. Support research partnerships and projects to better understand the needs of vulnerable consumers as well as exploring responses to rapidly changing energy markets and supporting customers through the various changes

- i. consumer groups also assist as “translators” sometimes literally to assist energy businesses to engage with people who speak languages other than English and also to enable communication to customers from businesses and from customers to businesses to be clear, unambiguous and in “plain English”
 - j. provide a sense of “reality” to consumer network senior staff and boards. We observe that energy businesses and regulators pay their staff well which can lead to difficulty in understanding the day-to-day financial struggles of households near or below median income. NGO community organisations are well-placed to be able to provide a sense of reality to what the “just for the cost of a cup of coffee a week...” approaches that are common.
- 3 engagement with regulators, government and other stakeholders.
- a. Provide input to formal processes undertaken by regulators, COAG, state-level Parliamentary enquiries and rule change proposals. This occurs through participating in forums, reference groups and by making written submissions. It can also include informal discussions
 - b. provide policy advice through both formal and informal processes
 - c. provide “consumer intelligence” about the issues being experienced by “ordinary” households and small businesses
 - d. assist in disseminating relevant information from regulators and decision-makers to members / clients. This can include through media comment.
 - e. Advocacy on matters of importance to the members and clients of consumer organisations
 - f. assist in translating technical and technical language issues to more understandable language for consumers, including from non-English-speaking backgrounds.
 - g. provide a sense of “reality” to regulators and decision-makers. We observe that government decision-makers and regulators are well paid which can lead to difficulty in understanding the day-to-day financial struggles of households near or below median income. NGO community organisations are well-placed to be able to provide a sense of reality to what the “just for the cost of a cup of coffee a week...” approaches that are common.
 - h. Assist regulators in providing balance to the interests of networks and other energy businesses in debates where information and knowledge is highly asymmetric.
- 4 Engagement with Constituents
- a. `meetings / discussions with constituents about specific external processes, eg from network businesses, market bodies. This includes:
 - Delivering energy literacy awareness and education programs (when funding is available) & taking feedback,
 - Hosting and attending community forums and events (including events such as ‘Have Your Say’ forums, ‘Bring Your Bills’ days, ‘Age-Friendly workshops’ etc – but not necessarily confined to energy

matters. It's amazing how often the topic of energy is raised in a general forum)

- Investigating & responding to constituent concerns about energy matters (eg via a telephone-based information & referral service)
 - Coordinating internal energy networks
- b. Presentations at 'internal' events
 - c. Engagement with peers / other advocate organisations (including Roundtable)
 - d. Gathering case studies re a specific process (eg hardship, debt, regional reliability)
 - e. Conducting surveys
 - f. Writing copy for (internal) newsletters / social media platforms
 - g. Media comment / engagement.

5 Linking

- a. taking requests
- b. follow-up on requests submissions and proposals
- c. undertaking "warm referrals"
- d. advice about who network businesses can and should talk to
- e. building long-term relationships
- f. sharing some technical expertise e.g. with CALD communities about "do not disconnect" customers.
- g. "X factor" activities that don't quite fit anywhere else (eg PIAC working with Essential Energy to help set up indigenous groups community energy)

Appendix 3: Stakeholder feedback – further detail

Other gaps identified in Forums

This appendix lists the ‘gaps’ in consumer engagement opportunities that were identified by participants in workshops conducted in Melbourne and Sydney during May 2019. This input, along with perspectives given in one to one discussions throughout the project have been consolidated into the main ‘gaps’ discussed in the body of the report.

- Continuity, ie engaging early regarding network regulatory proposals. This is particularly the case for consumer advocacy organisations who have limited capacity to engage early, whereas networks are much more eager to start early (e.g. two years before a regulatory proposal is due to be lodged). We note that there are different levels and intensities of engagement at different stages of the entire duration of the regulatory process, from initial scoping of engagement by network business through to a final decision by the AER.
- Embedding consumer engagement is a gap. No consumer groups are resourced for ongoing engagement. Getting the balance right between embedding consumer engagement in the gap in capacity over time
- the network businesses achieving a good breadth of consumer input, some of this is specific to individual network and specific locations / communities / industries
- Cumulative workload, capacity. The lack of capacity for any turnover strategy. Consumer group staff / advocates have a high staff turnover because funding is largely project based. expertise is more individual based than organisational based therefore capacity based funding is crucial.
- ECA indicated that there is no capacity for them to be part of every networks consumer committee so they have shifted away from an earlier focus on consultative committees
- national issues versus jurisdictional issues. There is a blurring of lines between national and jurisdictional network specific issues in any particular reset. DER for example is a substantial issue for the current SAPN and EQ regulatory processes, but it is obviously an issue that goes beyond those two jurisdictions.
- Interrelationship between issues and processes also makes consumer engagement more difficult. On the DER issue for example, the AEMO ISP discussion is substantial and important and overlaps with jurisdictional specific resets while AEMC and ESB are also dealing with these issues.
- Diversity of stakeholders: both in terms of gaining a diversity of views, the importance of dairy farmers voice in the current Victorian EDPR engagement for example. Seeking input from a diversity of consumers is another challenge, the recent Jemena engagement in Arabic language being a significant development.
- When is coordination helpful to align processes but not limit the diversity of input? Victorian distribution businesses coordination on tariffs was cited as an excellent example of coordination that made efficient use of consumer advocate time and provided helpful input for all distribution businesses

- Where can coordination increase efficiency (and effectiveness) of consumer engagement
- Innovation. To achieve forward-looking engagement there needs to be increased focus on capacity on building the knowledge base / education for consumers and consumer advocates in particular.
- What is the role of retailers?
- “There are high expectations on some consumer groups.”
- “Doing things without being compensated”
- How best to strike the balance between VCU/teleconference engagement versus face-to-face engagement for consumer input, there is a trade-off between burden and effectiveness
- Funding timing doesn’t give scope for resourcing for many newer and emerging topics for example for ECA funding there is a 4 to 6 month timeframe to lodge a project proposal then another month or so for accepted projects to have agreement signed and finalised.
- Organisational capacity is crucial for example NCOSS, uniting communities and others, the capacities with the individual
- Sustainability at organisational level or industry level
- Where is the consumer equivalent of the regulatory teams that network service providers have? Regulatory teams bring deep insight into a business consumer advocate groups don’t have equivalent capacity
- Consumer advocate representatives are one deep
- Consumer groups help drive reforms, including rule changes

Appendix 4: Survey Questions

Consumer engagement with network businesses



Instructions

I am asking you to assist with a project that we have spoken to you about, by completing the following survey.

The project is about resourcing for consumer engagement particularly in energy network processes and we are seeking to establish current resourcing arrangements and perceptions about effectiveness of various engagement approaches. We are seeking views from consumer groups, network businesses and retailers.

We will be keeping all answers confidential, we will simply aggregate results for presentation in our report.

The survey is in an Excel spreadsheet with five separate tabs, basically a question for each tab. Questions are in red and responses are requested for the yellow highlighted areas. All questions are answered by clicking on a yellow cell, most cells have drop-down boxes so it is just a matter of clicking on your preferred answer. Note that for questions 3 and 4 there are a number of cells to be completed. However not all rows need an answer, skip those rows / cells that are not relevant to your organisation's experience or are immaterial.

Almost all questions are answered through a drop-down box so there is a limited number of options and we are asking for generally subjective responses, so go with your first instinct on these.

To return your answers please save the spreadsheet with your answers in it and email it back to me, on MarkH@unitingcommunities.org.

Note that if you prefer to send me your responses in a couple of parts, that is fine.

You are able to save the spreadsheet as you go along and answer the survey in more than one sitting.

I will be most grateful if you can get your responses to me by **18th April** if possible.

Should you have any questions about the survey please contact either Peter Eben, 0411 207 505. Or myself, 0404 067 011.

Regards

Mark Henley

Question 1: Introduction

To assist in analysing your responses we would like to know some basic information about your organisation.

Question 1: (a) What category from the drop down list best describes your type of organisation. If you choose other please describe in the adjacent column.

Organisational category	Comment (if other is chosen as category)

Question 1: (b) If your organisation is a network business we would like to understand which fuel and if it is distribution or transmission. Please choose yes or no for the appropriate options that best reflect your business, noting that more than one can apply for some businesses.

	Electricity	Gas
Distribution		
Transmission		

Question 1: (c) We would like to understand which jurisdictions you predominantly cover in relation to consumer engagement with network businesses? Choose yes or no for each jurisdiction

Relevant jurisdictions	Yes / No
NSW	
Vic	
SA	
QLD	
ACT	
Tas	

Question 2: Introduction

One of the key bases of the project is to develop as comprehensive list as possible of the tasks and functions of consumer engagement, from the perspectives of consumers, energy network businesses, retailers and policy makers / regulators. The project has identified the following consumer engagement functions, which we've listed under four headings:

1. engagement with network businesses specifically regarding regulatory proposals
2. other engagement with network businesses
3. engagement with regulators, government and other stakeholders.
4. engagement with constituents

Question 2: (a) Please review the list below and if there are any tasks / functions you feel are missing please insert them in the yellow highlighted rows under the relevant heading
(b) For each task can you also choose from the drop down box your view of the relative priority of the task, is it a high or a low priority from a 1 - 5 scale

	(1 = low, 5 = high)
1. Engagement with network businesses specifically regarding regulatory proposals	Priority
a. participate in regulatory proposal development committees / reference groups - generally ongoing for the life of development of a regulatory proposal and quite often the revised revenue proposal as well.	
b. participate in regulatory proposal consultation / engagement activities -generally one-off activities or a short series of activities	
c. challenge the network businesses regulatory proposal, including through deep dives and increasingly through response to a draft plan / proposal issued by the network business prior to lodging their formal proposal	
d. provide submissions and comments to the AER / state regulators regarding the content of a regulatory proposal and increasingly commentary on engagement undertaken in developing the proposal.	
2. Other engagement with network businesses	Priority
a. participation in network customer councils / consultative committees	
b. identify issues and possibilities of relevance to the network business, from consumers	
c. provide policy advice both on internal policies and within the broader energy policy space	
d. assist in disseminating information from network businesses to specific consumer interest groups / members	
e. encourage and support the development of links between network businesses and relevant consumer groups, retailers, regulators, economic and regional development boards and authorities, other relevant stakeholders.	
f. Assist with deliberation on innovation opportunities for the network business, recent examples include application of distributed energy resources (DER) and hydrogen strategies for gas businesses.	
g. Support referrals between network businesses and relevant community organisations as well as other stakeholders. Particularly good example of this has been Western Power distribution in England, who in conversations with their vulnerable customers have identified other social and health support services that are needed, so WPD's known consumer advisory groups were able to assist with referral to other organisations that were able to provide support and assistance beyond energy issues.	
h. Support research partnerships and projects to better understand the needs of vulnerable consumers as well as exploring responses to rapidly changing energy markets and supporting customers through the various changes	
i. consumer groups also assist as "translators" sometimes literally to assist energy businesses to engage with people who speak languages other than English and also to enable communication to customers from businesses and from customers to businesses to be clear, unambiguous and in "plain English"	

j. provide a sense of “reality” to consumer network senior staff and boards. We observe that energy businesses and regulators pay their staff well which can lead to difficulty in understanding the day-to-day financial struggles of households near or below median income. NGO community organisations are well-placed to be able to provide a sense of reality to what the “just for the cost of a cup of coffee a week...” approaches that are common.

3. Engagement with regulators, government and other stakeholders. (for regulatory proposal and non-regulatory specific processes)

- a. Provide input to formal processes undertaken by regulators, COAG, state-level Parliamentary enquiries and rule change proposals. This occurs through participating in forums, reference groups and by making written submissions. It can also include informal discussions
- b. provide policy advice through both formal and informal processes
- c. provide “consumer intelligence” about the issues being experienced by “ordinary” households and small businesses
- d. assist in disseminating relevant information from regulators and decision-makers to members / clients. This can include through media comment.
- e. Advocacy on matters of importance to the members and clients of consumer orgs.
- f. assist in translating technical and technical language issues to more understandable language for consumers, including from non-English-speaking backgrounds.
- g. provide a sense of “reality” to regulators and decision-makers. We observe that government decision-makers and regulators are well paid which can lead to difficulty in understanding the day-to-day financial struggles of households near or below median income. NGO community organisations are well-placed to be able to provide a sense of reality to what the “just for the cost of a cup of coffee a week...” approaches that are common.
- h. Assist regulators in providing balance to the interests of networks and other energy businesses in debates where information and knowledge is highly asymmetric.

4. Engagement with Constituents

- a. meetings / discussions with constituents about specific external processes, eg from network businesses, market bodies. This includes:
 - Delivering energy literacy awareness and education programs (when funding is available) & taking feedback,
 - Hosting and attending community forums and events (including events such as ‘Have Your Say’ forums, ‘Bring Your Bills’ days, ‘Age-Friendly workshops’ etc – but not necessarily confined to energy matters. It’s amazing how often the topic of energy is raised in a general forum)
 - Investigating & responding to constituent concerns about energy matters (eg via a telephone-based information & referral service)
 - Coordinating internal energy networks
- b. Presentations at ‘internal’ events
- c. Engagement with peers / other advocate organisations (including Roundtable)
- d. Gathering case studies re a specific process (eg hardship, debt, regional reliability)
- e. Conducting surveys
- f. Writing copy for (internal) newsletters

End of task list

Priority
Priority
End of task list

Question 4: Introduction

We are now seeking views on broad time commitments and value / influence of the various engagement functions at a high qualitative level. We are also seeking views on broad costs of undertaking the activities / tasks in high level cost ranges.

Question 4: For each task below using the drop down box options as required please fill in your view of

(a) time (on a per instance of activity and annual level). Note time includes preparation time and time post the activity where relevant

(b) value (both on an IAP 2 spectrum) and value (as a measure of influencing business decision making)

(c) Cost on an annual level (assuming the most recent year or two at most as a guide). This should be total cost

to

undertake activity per annum

Note: You can skip rows that are blank

1. Engagement with network businesses specifically regarding regulatory proposals	
a.	participate in regulatory proposal development committees / reference groups - generally ongoing for the life of development of a regulatory proposal and quite often the revised revenue proposal as well.
b.	participate in regulatory proposal consultation / engagement activities -generally one-off activities or a short series of activities
c.	challenge the network businesses regulatory proposal, including through deep dives and increasingly through response to a draft plan / proposal issued by the network business prior to lodging their formal proposal
d.	provide submissions and comments to the AER / state regulators regarding the content of a regulatory proposal and increasingly commentary on engagement undertaken in developing the proposal.
2. Other engagement with network businesses	
a.	participation in network customer councils / consultative committees
b.	identify issues and possibilities of relevance to the network business, from consumers
c.	provide policy advice both on internal policies and within the broader energy policy space
d.	assist in disseminating information from network businesses to specific consumer interest groups / members
e.	encourage and support the development of links between network businesses and relevant consumer groups, retailers, regulators, economic and regional development boards and authorities, other relevant stakeholders.
f.	Assist with deliberation on innovation opportunities for the network business, recent examples include application of distributed energy resources (DER) and hydrogen strategies for gas businesses.
g.	Support referrals between network businesses and relevant community organisations as well as other stakeholders. Particularly good example of this has been Western Power distribution in England, who in conversations with their vulnerable customers have identified other social and health support services that are needed, so WPD's known consumer advisory groups were able to assist with referral to other organisations that were able to provide support and assistance beyond energy issues.
h.	Support research partnerships and projects to better understand the needs of vulnerable consumers as well as exploring responses to rapidly changing energy markets and supporting customers through the various changes
i.	consumer groups also assist as "translators" sometimes literally to assist energy businesses to engage with people who speak languages other than English and also to enable communication to customers from businesses and from customers to businesses to be clear, unambiguous and in "plain English"

Choose closest option	Choose closest option	Choose closest option	(1 = low, 5 = high)	Choose closest option
Time (per instance of activity)	Time (per annum)	Value (IAP2 spectrum)	Value (influencing business decisions)	Cost (total per annum)
Time (per instance of activity)	Time (per annum)	Value (IAP2 spectrum)	Value (influencing business decisions)	Cost (total per annum)

Question 5: Introduction

This question is for consumer advocates only

We are seeking views on the sources of funding received, the approximate level of funding and the level of effort (qualitatively) required to obtain and access the funding.

Question 5: For each source of funding identified please provide:

- (a) Approximate level of funding received in the last year (\$ per annum)
- (b) The level of effort to receive / access the funding

Note: You can leave blank any sources of funds that are not relevant to your organisation

Sources of funds

- ECA
- National Market Bodies (AER / AEMC)
- Commonwealth Govt
- State Govt
- State Regulator
- Network Businesses (incl sitting fees)
- Retailers
- Philanthropy
- Own source (incl fee for service)
- In kind
- Other

Choose closest option (1 = low, 5 = high)	
Level of annual funding	Level of effort

Appendix 5: Recapping Consumer Engagement Considerations.

For about 4 years, Uniting Communities (initially with UnitingCare) have proposed changing the dynamics of network (and other) regulation to processes based on deliberation, negotiation, and agreement (DNA).

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.

“Consumer interests” is a broad term intended to include any bill paying consumer from a household or business, as well as community based consumer interest groups, advocates and industry associations, including primary producers. So we understand “consumer interests” to be an inclusive term.

During 2018 Uniting Communities received ECA funding for a project that asked “what are the essential characteristics of consumer engagement?” and observed that whilst several essential characteristics of consumer engagement were identified, it became evident that there is no ‘best way’ to undertake consumer engagement. The following italicised extract is from that report. Include reference to the report

“For consumer engagement to be truly successful it must be ‘fit for purpose’, bespoke and tailored to each individual network business’s strategy, capabilities, culture and circumstances otherwise it will not become business as usual. Better consumer engagement strategies involve a diversity of engagement approaches.

The following table summarises the key characteristics of effective consumer engagement.

Characteristic	Description
Transparent	<i>Engagement processes (inputs and decisions) must be transparent not only to those participating in the process but the broader stakeholder base.</i>
Embedded	<i>It must be embedded within business as usual practices and form part of a business's ongoing activity.</i>
Representative	<i>Participants in engagement processes must be seen to be able to represent the interests of relevant consumer groups or consumers at large.</i>
Accountable	<i>Network businesses must be accountable for how they use or do not use any insights and input from consumer engagement processes.</i>
Tailored	<i>Engagement processes must be fit for purpose for each business and tailored to meet specific business needs and circumstances.</i>
Independent	<i>Consumers and consumer representatives who are participants in engagement processes must be independent from the network business.</i>
Evidence based	<i>Where possible information and decisions must be evidence based and objective.</i>
Well resourced	<i>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.</i>
Two-way	<i>Engagement processes must be centred on honest and transparent two-way dialogue.</i>
Makes an impact	<i>Consumer input must be seen to make an impact and influence business decision making.</i>
Continuous improvement	<i>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.</i>

Figure 1. Source: Uniting Communities Project 2018

In addition to the specific characteristics identified above, the previous project also made the following observations:

- **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'.*

When further exploring community engagement there needs to be consideration of the definition of a community or communities. Any community engagement should ensure that appropriate balance is given to what may benefit a specific community or constituency but potentially at the cost of others. There can be tensions between a community objective and the best interests of individual consumers. If having a community focus leads to ‘consumer vs consumer’ conflict, this is unhelpful.

It is crucial that network businesses seek relative consumer consensus over how businesses operate. But it is unhelpful if consumer engagement ends up being a fight over a particular local project. If there is not a reasonably clear consumer consensus, then it may be better for the Regulator to decide.

The 2018 project also asked “how might consumer engagement be resourced / supported?”

We observed that “many networks are making significant investments in consumer engagement and this is expected to continue. However there was clear acknowledgement that the consumer side of any engagement must also be appropriately resourced and supported to achieve the desired objectives. This support and resourcing can come in part from networks but also from other sources such as Government (State and Commonwealth).

There is always a risk of ‘gold plating’ of consumer engagement, however there are reasonably straightforward approaches to manage this risk. There is a greater risk of underfunding and under resourcing consumer engagement with the consequence being a failure to achieve the best outcomes for consumers.

Resourcing for Consumer Engagement – initial observations from Previous Report

Currently resourcing (meaning funding) consumer engagement by consumer advocates has at least two parts:

- 1. The levy that funds projects for consumer advocates through the ECA. Some parties wonder if this levy can be made to work better*
- 2. Resourcing which individual networks put into their own engagement processes.*

For consumer engagement to be sustainable and an ongoing part of business as usual it needs to be seen to be making an impact. This requires clear outcomes of consumer benefit being presented by network businesses. This will help support any business case for consumer engagement and fair resourcing. It is unreasonable to expect consumers or consumer advocates to maintain engagement with no transparency of the impact of their efforts.

Whilst resourcing consumer engagement tends to be seen at national level, there is some jurisdiction based funding for some combined engagement across electricity, gas and water. Under this resourcing, jurisdictional governments contribute to consumer engagement for essential services for that jurisdiction. The risks with this approach include:

- *“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.*
- *It will almost certainly lead to consumer detriment particularly in smaller jurisdictions where jurisdictional governments would be unlikely to put much at all into consumer resourcing.*
- *Jurisdictional based resourcing can also be tenuous with a change in Minister or a change in government reducing or removing funding altogether.*

Advantages of a national approach to engagement resourcing and support is that people with expertise from outside of any jurisdiction can provide informed critique of aspects of proposal for that particular jurisdiction, while common issues across more than one jurisdiction are considered in more cost effective ways.

There are also questions of whether resourcing for consumer advocacy should come from a levy like the ECA funding or from the tax base? A clearly hypothecated levy on energy payments is more likely to be sustainable over time with less capacity for political interference.”

This project returns to the question of effective resourcing for consumer engagement in network regulatory and related processes. It is a question being asked by the COAG Energy Council, regulators, energy businesses and consumer groups.”

Appendix 6: Glossary

Glossary / definitions

Consumer Engagement: “end consumers and network businesses working collaboratively, through inspired action and learning, to create and realize bold visions for their common future”

- a. Stakeholder Engagement: all relevant parties and network businesses working collaboratively, through inspired action and learning, to create and realize bold visions for their common future.

Customer Forum. A group of people appointed to work alongside a business to seek agreement about a regulatory proposal. There are various models of Customer Forum, current focus in Australia is with the AusNet Services Customer Forum that is part of the NewReg trial.

Deep dive. Detailed consideration of a more complex or contentious issue that is part of a regulatory proposal, by small groups of people with relevant expertise, from different perspectives. Ideally the regulator is a participant

Deliberative forum: a gathering of at least 50 people from a range of consumer perspectives were guided through a process of open questions and discussion for at least four hours. These forums are not as intense or time consuming as a full deliberative process, but provide for more thought / discussion by participants than a focus group.

Deliberation, Negotiation and Agreement

- b. Deliberation: a process spanning over at least a couple of weeks where a group of people from a range of consumer perspectives are brought together at least twice and take in to facilitate a process, not from the network business, to consider an important topic of some complexity. Citizen juries are one form of such deliberative processes
- c. Negotiated agreement: documentation about the negotiation undertaken to reach areas of agreement, between the network business and relevant stakeholders
- d. Agreement: some form of documentation of areas of agreement between accepted consumer interests and network business that is presented to the regulator with lodgement of a regulatory proposal

Funding vs Resourcing

- e. Consumer Resourcing: refers to the groups that undertake the various consumer engagement and any associated advocacy activities and functions, in short, resourcing is about who does the engagement (and how the engagement is undertaken)?
- f. Consumer Funding: refers to the source of the funding and encapsulates both funding source and allocative approaches. In short, who pays for the engagement?

Market Bodies. This refers to the 3 organisations with responsibility for Australian energy markets, the Australian Energy Market Commission (AEMC), Australian Energy Regulator (AER) and Australian Energy Market Operator (AEMO)

NewReg. A regulatory and engagement innovative project jointly supported by the Australian Energy regulator, Energy Networks Australia and Energy Consumers Australia and based with AusNet Services.

No surprises proposal: regulatory proposal lodged under the rules where no stakeholder, including the Regulator, finds any aspect that they were not expecting. Note that 'no surprises' does not mean agreement, it means that where there are points of disagreement between any parties, these have been identified and fully explored

Roundtable: The national energy consumers Roundtable that brings together energy consumer advocates with community and environmental perspectives.