

Media Release

29 October 2021

‘New Reg’ trial provides valuable insights

A trial process designed to better incorporate the views and preferences of energy customers in the Australian Energy Regulator’s (AER) revenue determinations has delivered benefits for consumers and opened up a new approach to consumer engagement for network businesses, an independent report has found.

‘New Reg’ was a joint initiative between the AER, Energy Networks Australia (ENA) and Energy Consumers Australia that sought to test an alternative way of developing an energy network’s revenue proposal through consumer engagement.

Cambridge Economic Policy Associates (CEPA) was commissioned to evaluate New Reg and its report has provided insights into how energy networks may better involve customers in the development of their regulatory proposals.

Background

Initiated in 2017, the goal of New Reg was to ensure that customers’ preferences drive energy network businesses proposals and regulatory outcomes.

The three organisations wanted to explore ways to improve engagement between energy networks and their customers and identify opportunities for regulatory innovation.

The New Reg approach was trialled by network company AusNet during the review process that ultimately set recoverable revenue for 2021-25.

How the trial worked

New Reg drew on forms of negotiated settlement such as those used overseas in determining revenue by other utilities. It aimed to:

- Improve speed and reduce the cost of the regulatory review process
- Enhance consumer confidence in the process
- Improve review process outcomes to promote the long-term interests of consumers.

A Customer Forum was assembled to represent consumer interests, becoming a key and early participant in the AusNet review process. The Forum had access to independent, expert advice and negotiated with AusNet on key areas where there was maximum opportunity to shape the outcome and maximum opportunity for consumers to benefit.

These key areas included infrastructure investment and the setting of service levels, with the Forum aiming to deliver affordability for consumers by ensuring that expenditure proposed by AusNet was reasonable. Following this Early Engagement Process, the Customer Forum submitted an Engagement Report setting out areas of agreement, disagreement, and supporting evidence. The AER then gave consideration to the report in making its final determination.

Report findings

Commentary by the AER, trial participants, and other stakeholders, demonstrated confidence that many of the positions agreed to by AusNet Services and the Customer Forum were in the long-term interest of consumers, the CEPA report found.

AusNet also reported that the trial profoundly influenced its broader company culture, leading to an increased awareness of the importance of effective consumer engagement.

The trial also achieved some success in its objective of enhancing consumer confidence in the regulatory review process, with the report indicating representatives of the Consumer Forum, AusNet and the AER had all expressed confidence in the outcome.

The learnings from the trial, as detailed in CEPA's report, are relevant for both consumers and networks in their future engagement. The trial has now closed.

What they said...

Energy Consumers Australia

"This trial represents an ambitious attempt to develop an alternate revenue setting process that includes and empowers consumers and works for their benefit," Energy Consumers Australia Chief Executive Officer Lynne Gallagher said. "The learnings it has produced will be extremely valuable."

"We are currently seeing many welcome advances in consumer engagement across network businesses, but this approach offered something different," she said. "As an official participant in the process, the Customer Forum had access to independent, expert advice. This gave the Forum a level of agency and influence that is an undeniable step forward for engagements of this type."

Energy Networks Australia

"New and accessible technologies such as solar and batteries mean customers want greater control over their energy usage and are more interested in the regulatory framework for the platforms that support future developments," Energy Networks Australia CEO Andrew Dillon said.

"The 'New Reg' trial developed a revenue proposal process that will help deliver the services and investment from networks that customers want and value."

Australian Energy Regulator

"New Reg has trialled an innovative approach for network businesses in developing well-justified revenue proposals," AER Chief Executive Officer Liz Develin said.

"It has provided valuable insights for networks in continuing to evolve their different approaches to consumer engagement.

"The learnings from the trial have also been an input into the development of our Better Resets Handbook, which will be launched later this year to assist network businesses in putting forward revenue proposals where high quality consumer engagement is central to their submission."

About Energy Consumers Australia

Energy Consumers Australia is the independent, national voice for residential and small business energy consumers. We enable residential and small business energy consumers to have their voices heard by the sector by working with other consumer groups to gather evidence-based research with a national perspective, distil it to key viewpoints, and feed it back to the market to influence outcomes.

Media Contact: Dan Silkstone, 0414622762