

INTRODUCTION

The Energy Users Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, food and materials processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and expect to see all parts of the energy supply chain making their contribution to the National Electricity Objective.

Our members are highly exposed to movements in both gas and electricity prices and have been under increasing stress due to escalating energy costs. These increased costs are either absorbed by the business, making it more difficult to maintain existing levels of employment or passed through to consumers in the form of increases in the prices paid for many everyday items.

We welcome the opportunity to respond to the Renewing AEMO's engagement model discussion options paper (options paper) and commend AEMO on recognising that their past approach to stakeholder engagement is no longer fit for purpose and that change is required.

SUBMISSION SUMMARY

This submission begins by giving our view of how AEMO is perceived by consumers who are aware of its role. It is clear that AEMO is a technically competent organisation that does a very good job in managing the grid and energy market in general - witness its work over 2019/20 summer with the bushfires and destruction of part of the Heywood interconnector.

Unfortunately, it does not appear as comfortable with having to explain and then justify what it does in a way that gives consumers comfort that the outcome of its decisions meet the NEO/NGO. This need to explain actions and outcomes has expanded greatly in recent years as the electricity system navigates the pathway to lower emission.

Our view is that AEMO has moved from a conventional system operator (with a planning role in Victoria) to a much more complex role of overall system planner, and at times market participant, where the outcome of its decisions can have large impacts on consumer costs.

We are heartened that AEMO recognises this requires a new approach to consumer engagement. To assist AEMO in its journey, in this submission we talk about key features of leading practice engagement that we have recently been directly involved in. A key theme is CEO and senior management involvement to drive the required cultural change.

Regarding the proposed models, our recommended approach is Option 3 – uplift and realign, with co-chaired strategic oversight. We support this option because we do not think a BAU type approach will adequately address the engagement challenges AEMO will have in the next decade.

We see our preferred approach involving many of the parts of Options 1 and 2 around existing forums e.g. group consolidation, improvement in consistency and effectiveness of engagement. We see the key to effective engagement being visible and extensive senior leadership involvement – central to Option 3.

In recent times our main focus of engagement with AEMO has been participation in the following groups – Consumer Forum, Forecasting Reference Group, Integrated System Plan, NEM Wholesale Consultative and the Wholesale Demand Response Consultative Group with occasional participation in a number of others. This has been partly due to availability of resources, partly to perception of whether we would be listened to and have an influence on the outcome.

We recognise that implementation of Option 3 will result in increased demand on consumer organisations and are prepared to provide the required resources for our members representation given our changed expectations on AEMO’s commitment to best practice engagement. We make some suggestions about how AEMO might support and facilitate this. We conclude by having some detailed comments on improved meeting management.

THE CHANGING ROLE OF AEMO

There is a view amongst many consumer advocates that AEMO are not a customer centric organisation. While the technical and engineering capabilities of AEMO are undoubtedly some of its greatest strengths it also tends to lead to some of its greatest weaknesses, namely being an internally focused body that sometimes gets caught up in its own technical bubble.

While the responsibility associated with “keeping the lights on” means that AEMO are a highly conservative organisation, which is not a bad characteristic for the market operator to have, it also leads to a perception that it is focused more on achieving technical excellence without due consideration of the cost to consumers.

Many also perceive that AEMO does not take criticism well and treats engagement with stakeholders as a debate that must be won rather than an exchange of views to gain a better mutual understanding. It is also viewed as being generally poor at communicating in a manner that is digestible for stakeholders or in a timeframe that is useful.

Traditionally, most of this may not have posed a significant issue but the changing role of AEMO brings these organisational characteristics and perceptions into the spotlight. Additionally, the advent of a more two-way market means that bringing consumers along the journey of the evolution of markets will bring enormous benefit to AEMO over time.

With the advent of the ISP and particularly the rules to make it actionable, AEMO have become the de-facto whole of system planner, the actions of which can result in significant investment decisions being made and costs being incurred, largely paid for by consumers. This also brings AEMO into far closer contact with stakeholders and requires them to manage a broad range of views, concerns and issues that it hasn’t always been exposed to.

In Victoria AEMO have held the dual role of market operator and system planner since the NEM was established. Again, this has never been a significant issue, largely because major energy related investments have not been required, until now.

Now that significant new investment in both ISP related and non-ISP related infrastructure is likely to occur in Victoria, this dual role of both independent market operator and market participant is raising concerns for consumers as the line between these dual roles becomes blurred.

Elsewhere, progressively AEMO are intervening in the market in ways that incur costs on behalf of consumers. Some of these interventions use existing but rarely exercised tools such as the RERT and market directions that are becoming more common and therefore, costlier for consumers.

Similarly, new roles fulfilled by AEMO in establishing tighter reliability standards that triggers the RRO and the potential for a new strategic reserve all result in additional costs to be borne by consumers.

In this submission we will not opine on the need for these interventions but use them to highlights the very different role that AEMO now play, a role that now has them becoming more of a market participant who is procuring services and incurring costs on behalf of consumers more than it has ever done, once again blurring the line between market operator and market participant.

In any case, this requires AEMO to become a far more customer centric organisation who has a new set of responsibilities to energy users. Just as an energy retailer or network operator has a responsibility (or regulatory requirement) to clearly justify their costs to consumers, a responsibility to provide a high level of customer service and a requirement to be accountable to independent regulatory oversight, so too must AEMO accept these responsibilities.

It is in these areas that we hope that the revised engagement model begins a cultural and operational change within AEMO to transition the organisation from an inward looking organisation to one that is far more customer centric.

MOVING TO BEST PRACTICE

It is positive to see AEMO embarking on a dedicated program of improving their engagement model with the aim of increasing the level of collaboration. Many energy industry participants commenced a similar journey some years ago as they recognised that striving to achieve best practice stakeholder engagement actually resulted in vastly improved outcomes for their business.

For the most successful of these organisations this involved a significant culture change program that demanded the focus of the entire organisation including explicit sanction from investors and directors and leadership from the CEO and senior management team. The determination and focus of some to achieve better stakeholder engagement is similar to what you would see when organisations strive to embed a best practice workplace health and safety culture.

The evolution to best practice stakeholder engagement and a customer centric culture for these organisations was driven by many factors, not the least of which was a recognition that there exists a huge information asymmetry between the energy industry and consumers.

Those organisations leading best practice consumer engagement recognise that simply providing significant amounts of information is but one part of effective engagement. They recognise the benefits of deep and long-lasting engagement with consumers to improve their skills and understanding of the information provided.

This knowledge enables consumers to better understand the detail provided by these organisations and to see what parts are consistent with the National Electricity Objective. They recognise the critical assessment of their plans,

including the questioning of base assumptions or decisions made, is an important part of developing a robust business case or regulatory proposal.

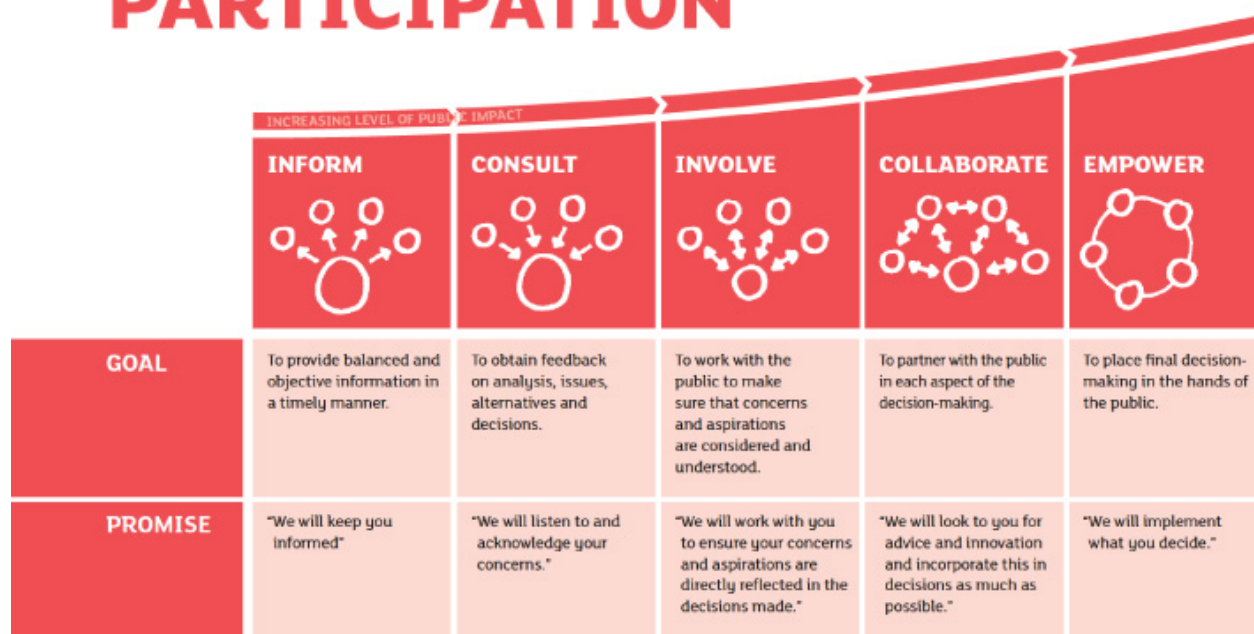
Rather than weaken their position, they understand this actually strengthens it. For example, in the case of a network service provider, this approach then leads to a greater chance that stakeholders will support any recommendation they make to the AER on whether the network’s proposals were capable of acceptance.

It is reasonable to say this is still a work in progress for all of these organisations and while there is still more of the journey to come, the clear objective of best practice stakeholder engagement and well defined trajectory provides consumers with a high level of confidence that the ultimate objective will be achieved.

As a starting point, the EUAA have suggested organisations use the International Association of Public Participation (IAP2) framework of stakeholder engagement. Using this framework as a foundation, organisations can adapt their approach over time. While there are other stakeholder engagement frameworks we have found the IAP2 framework to be a solid foundation from which to build a more customer centric organisation and is a good guide for AEMO to use when developing their engagement model.

While “empower” is the ultimate goal of the IAP2 spectrum it does not necessarily mean that all stakeholder engagement approaches end up there.

IAP2 SPECTRUM OF PUBLIC PARTICIPATION



AEMO have a stated objective of improving collaboration, which is laudable. Collaboration as defined in the well-recognised IAP2 engagement model is:

‘to partner with the public on each aspect of decision including the development of alternatives and the identification of preferred solution’

While the AEMO promise is:

‘We will look to you for advice and innovation in formulating solutions and incorporate your advice and recommendations into the decisions to the maximum extent possible.’

This is a high goal and welcomed as it implies a sharing of power to create shared ideas and solutions. However, there is nothing specific in the options paper that describes the process of how collaboration will improve. The document only details structural options. The ‘how’ is an area that could be developed further to give clarity to stakeholders.

We understand that AEMO have many stakeholders but we do have concerns that consumers appear to be “outnumbered” by market participants. We feel strongly that consumers should be at the centre of the AEMO engagement strategy as energy and the complex apparatus that surrounds it, including AEMO, primarily exist to serve their needs.

If we were to assess where AEMO currently sits on the IAP2 spectrum of public participation it would be somewhere between “inform” and “consult”.

And as well as a collaboration and transparency focus, improved communication is also a critical issue for energy consumers and should be an improved outcome from this review. Communication is particularly important when it relates to changes in NEM operation that will result in extra costs, such as RERT and FCAS (such as when SA was islanded).

Improving engagement outcomes that include better communication with energy consumers is critical in time sensitive/real time scenarios so that consumers can have a say in what solutions are considered, and they can opt out if they believe it is a better financial outcome for their businesses.

The EUAA are extensively involved with many energy industry participants and have seen a range of approaches to stakeholder engagement. Here are some key features of the best practice we have observed – noting that it has been in the context of network resets which has some differences to AEMO consultation.

It was led from the top by the CEO

In our experience, organisations that have implemented the most successful stakeholder engagement programs have senior management buy-in and are led by the CEO.

These organisations have all managed to ensure a whole of organisation implementation, that includes KPIs for senior managers rather than just a few select staff in engagement or communication roles, while the whole process is led from the top down. CEO ownership and involvement in the process is a critical theme to ensure success.

At a direct engagement level, the CEO or a direct report attends every stakeholder engagement meeting on a network price reset. They answer all participants questions directly and honestly with an excellent, consistent narrative and are able to express it in a language that varied by the audience.

They never leave a question unanswered or fail to follow up when additional information is required or requested.

At a strategic level, the CEO/direct report actively engage in robust discussions about the company's medium to long term strategy and how that fitted into the wider industry. They seek to lead the industry wide debate on particular issues. Engaging in such a way means both the company and consumers advocates learn a lot in the process.

Critically, none of this is seen as a point scoring exercise, but a genuine desire to better understand each other's positions.

The CEO's vision permeates the culture of the whole organisation

This is seen in a couple of ways:

(i) Detailed engagement planning:

The company clearly set out their detailed engagement plan 18 months ahead of when their price reset proposal is to be lodged. Each stage of this plan builds on the previous stage and is very clearly focused on lodging a proposal that was capable of acceptance by the AER that also has a high level of acceptance of stakeholders. There are clear timeframes, a clear purpose for each stage and each stage identifies key deliverables. We have noted the clear linkage to the level of consultation to the IAP2 spectrum with a lot of consult/involve/collaborate.

(ii) Approach by both engagement staff and SMEs:

There is a genuine commitment to engagement. It is not a 'tick the box' exercise. No question is considered unimportant. When contrary views are expressed they are listened to and many changes made to the company's initial position. When a company representative does not know an answer, they said so rather than obfuscate and promise to get back with a full answer – they did, quickly.

This led to consumer/advocate commitment to the engagement process

This approach to engagement has been going on for some years with many companies we deal with. Typically, many members of their Reference Group have been engaging with the company over a number of years and built up a knowledge that makes engagement much more productive. It also means they get 25 people turning up at an engagement session in a regional community, not just because they get a payment to attend and some sandwiches, but because they genuinely want to make a contribution.

Engagement on the network reset was part of BAU engagement

A good foundation for the success of engagement on a major topic like a revenue reset is good quality BAU engagement. BAU engagement sets up a knowledge base to draw on in the reset process. It sets up expectations around the quality of the engagement in the reset process.

It also builds relationships across the group which then assists with building trust and understanding. It also leads to less communication errors where important information may be "lost in translation". The AEMO equivalent would be ISP/ESOO/GSOO engagement working off a base of quality BAU engagement.

Developing the engagement process for the particular issue was the result of joint co-design process between the company and their stakeholders

This approach enables a 'fit for purpose' engagement model to be developed and increases stakeholder ownership or, and support for the process.

Publishing a comprehensive stakeholder engagement document that set out the detailed engagement framework

This showed how the company listens to the various stakeholders and provides a base documents to assess the company's performance over the duration of the engagement process.

Energy Charter

As part of the transition to a more customer centric organisation we encourage AEMO to consider joining the Energy Charter. A large number of market participants from all points in the energy value chain have joined this industry initiative designed to improve outcomes for energy users.

The EUAA have been involved in this initiative from the start and have observed real and measurable improvements in both corporate culture of signatories and outcomes for consumers. Like cultural change the Energy Charter is a long-term plan to move the energy industry towards customer service and stakeholder engagement best practice.

OUR PREFERRED MODEL

We are presented with three options to consider:

- Option 1: Uplift business as usual
- Option 2: Uplift and realign business as usual
- Option 3: Uplift and realign, with co-chaired strategic oversight.

Our view of option 1 and 2 is that they don't go far enough, especially of a shift in corporate culture is a desired outcome. We also can't see how either of these options would achieve the collaboration goal that AEMO has set for itself.

We think that it would be insufficient for AEMO to take small steps in improving stakeholder engagement when giant leaps are required if consumers are to see a material difference in a timeframe that will deliver measurable benefits.

Therefore, option 3 would be our preferred as it represents the biggest shift away from BAU and moves AEMO much closer to achieving its collaboration objective. We must recognise that while multiple layers of engagement is a positive thing, consumer stakeholders sometimes lack the time and financial resources to participate fully. We discuss how this can be alleviated in the "Supporting Consumer Participation" section at the end of this submission.

Regarding each of the engagement layers, we would make the following comments and suggestions to enhance the consumer role within this structure.

The CEO Roundtable

This looks to be a re-launch of the previous CEO round-table established then discontinued after about 12 months.

In our view, the issues that had a negative impact on this previous version include:

- It had too many members (so it became quite unwieldy)
- The agenda was perhaps too ambitious (or the issues were too technically complex) and didn't always align with key issues
- It tended to be positioned somewhere between inform and consult on the IAP2 spectrum meaning it was not always seen as a good use of CEO time
- Despite this, it seemed to call on participants to make decisions (which many were reluctant to do)
- It didn't have a clear, mutually agreed terms of reference
- It lacked a clear process for issues to be progressed
- It lacked a feedback loop

It would be useful to understand the ToR that AEMO envisage for this group. It will need to be well-balanced so as to encourage CEO level participation at a strategic level and provide a clear pathway as to how issues discussed at this forum progress through the Executive Advisory Panels and Working Groups. Similarly, a clear feedback loop must be in place so that CEO participants can see how issues are being progressed.

Co-Chaired Executive Advisory Panels

These appear to be very useful groups and we agree that the four categories of operations, planning and network, markets and WA are appropriate. We are also supportive of the co-chairing approach which aligns with the co-design approach we highlighted earlier in this submission. This alone begins to move the engagement model towards the involve stage of the IAP2 spectrum.

Our main concern about these groups is that just one consumer representative would be included in each group. If, as the NEO clearly states we are here to:

*“promote efficient investment in, and efficient operation and use of, electricity services for the long term **interests of consumers**”*

then it might be beneficial to have a larger and potentially broader selection of consumers represented on each of the four Executive Advisory Panels.

Therefore, we would suggest that at least 25% of the advisory panel membership is comprised of consumers ensuring there is a balance between those who can represent residential, small business and large customer interests. Each of these groups will have different issues, experiences and perspectives to bring and the diversity and “real world” insights would greatly enrich these panels.

We also note that in many cases investors and industry/company representatives can essentially represent the same or similar stakeholder group. AEMO should be wary of this to ensure there is a true diversity of membership and perspectives.

We will not comment on selection of advisory panel membership by industry associations (i.e. AEC, ENA, CEC) other than to advise that AEMO maintain a right of veto if they think a diversity of membership is not being achieved or conflicts of interest may arise.

Working Groups

Working groups follow along similar lines of the existing AEMO approach and therefore tend to follow a BAU approach.

It is not clear what is meant by reviewing the membership of working groups according to the listed criteria (p. 11). We would not want that to mean AEMO can control membership. We think that consumer representatives should be encouraged to participate even if they are unable to, at least initially, bring detailed input to the forum. An important function of the Working Groups is to provide an opportunity for consumer representatives to learn about a particular topic to increase consumer advocate capability.

We would add that a specific and permanent “Communications Working Group” be established to assist AEMO in developing timely, plain English communications that are both meaningful and easily consumable by consumers. We see this as one of the main issues AEMO face in moving to be a more customer centric organisation. This permanent working group should have direct two-way feedback loop with each of the Executive Advisory panels to ensure consistency of communications approach.

Member and Stakeholder Information Updates

Once again, something of a BAU approach. To enhance this, we would suggest that these updates link up into the proposed “Communications Working Group” to once again ensure consistency of approach, message content, tone etc.

Supporting Consumer Participation

We recognise that implementation of Option 3 will result in increased demand on consumer organisations. However, the EUAA is prepared to commit the required resources to help make it work. This is because we consider a well-designed Option 3 will provide the benefits that justify that resources commitment.

There are two ways that AEMO can support and facilitate the increased consumer engagement with Option 3:

- (i) Extend the ISP Customer Panel to cover say ESOO and GSOO which are the next tier down from the ISP
- (ii) Consider paying sitting fees to consumers reps – this is commonplace for network BAU Customer Forums – this would need to be combined with a process for selection of consumer reps so there is not a free for all just to get a sitting fee.

Finally, some matters of detail to support the operation of the forums, working groups and consultation process:

- (i) Build consultation process prior to issuing a first stage Issues/Consultation Paper

While AEMO may say it is open to all points of view, putting out a first stage Issues paper prior to much consultation may limit the scope of responses. Consider the approach of the ESB in the post 2025 process where they have undertaken extensive consultation prior to the issue of the Workstreams Options paper in early September.

(ii) Meeting logistics – particularly in the current environment of online meetings

- There are advantages in taping engagement sessions and then putting the recording on the website - not only the obvious benefit for those who were unable to join the call, but also it provides those on the call with the ability to reflect on the Q&A and ask follow-up questions
- On the relevant issue page on AEMO's website, provide:
 - a list of all the questions, and answers, for all those questions on slido/webinar chat function that did not get answered during the webinar
 - any follow-up questions and answers that come in on the general ISP email after the webinar finished
- Provide comprehensive meeting minutes where it's clear what positions were proposed and what commitments AEMO made e.g. to revert on answers to particular questions

We hope this submission helps AEMO develop an engagement model that is more fit for purpose for the challenges it faces in the years to come. The EUAA stands ready to assist in any way we can.

Sincerely,



Andrew Richards
Chief Executive Officer