

# THE ENERGY CHARTER: DRAFT FOR CONSULTATION

September 2018



The development of the Energy Charter has drawn on the experience and insight of many organisations, representative groups and individuals.

**We thank:** The Supporting CEOs who committed resources to develop the Energy Charter and provided guidance through the **Supporting CEO Steering Committee** and the representatives from each of the participating energy businesses who formed the **Industry Working Group** and committed significant time to developing and articulating the vision, principles and actions of the Energy Charter and who have worked together to define and draft the key elements.

**Energy Consumers Australia** who have played a role in the development of the Energy Charter, providing guidance based on consumer expectations of the initiative.

The consumer, business and community representatives who participated in the **End User Consultative Group** whose forthright and constructive feedback helped to maintain the essential consumer, small, medium and large business and community perspectives of the principles and actions in the Energy Charter.

The Draft has also benefited from the contributions of stakeholders from the energy sector, customer forums and representative bodies.

## PARTICIPATING BUSINESSES



# EXECUTIVE SUMMARY

Ensuring that the community has confidence in energy businesses is critical to making sure that Australia has the energy system it needs for the future. This requires the collective efforts of government, regulators and the energy industry, and the energy industry acknowledges the significant role it must play.

The purpose of the Energy Charter is to progress the culture and solutions required to deliver a more affordable, reliable and sustainable energy system for all Australians. It is focused on embedding a customer-centric culture and conduct in energy businesses to create tangible improvements in price and service delivery.

The objective of this Consultation Draft of the Energy Charter is to provide stakeholders with an overview of the Energy Charter and to seek their views on the key features identified in the document, including;

- 1. Introduction:** articulates the current environment for energy businesses, how the concept of the customer is treated in the Energy Charter and how the Energy Charter relates to the existing regulatory environment.
- 2. The Energy Charter Purpose, Vision and Principles:** identifies the Industry vision and provides context on the overarching structure of the Energy Charter.
- 3. The Energy Charter Principles and Principles in Action:** describes the five principles to advance the industry vision. Supporting each Principle is explanatory commentary and the *Principles in Action* describing how the principle can be measured by each part of the supply chain.
- 4. The Energy Charter in operation:** identifies the proposed approach to developing operational and governance matters, in particular reporting and accountability.
- 5. Practical implementation of the Principles in Action:** identifies existing activities being undertaken by the supporting businesses that reflect the Principles in Action

## Your feedback

The development of the Energy Charter has drawn on the experience and insight of many organisations, representative groups and individuals. Supporting businesses are now seeking your views on the details contained in this Consultation Draft of the Energy Charter.

Please send your feedback to [emma.watts@theenergycharter.com.au](mailto:emma.watts@theenergycharter.com.au) by 17 October 2018.

Feedback not marked as 'confidential' will be made publicly available on the Energy Charter website. Please indicate clearly if you would like your feedback, or any part of it, to be treated as confidential.

We welcome the opportunity to discuss the feedback with you directly. Please contact the Project Director, Emma Watts to arrange a direct briefing on the Energy Charter.

## Contact details

Contact us at [emma.watts@theenergycharter.com.au](mailto:emma.watts@theenergycharter.com.au) or find out more at [www.theenergycharter.com.au](http://www.theenergycharter.com.au)



# CONTENTS

|   |    |
|---|----|
| EXECUTIVE SUMMARY   | 1  |
| 1. INTRODUCTION   | 3  |
| 2. THE ENERGY CHARTER PURPOSE, VISION AND PRINCIPLES                            | 5  |
| Purpose   | 5  |
| Vision  | 5  |
| The Five Principles   | 5  |
| Principles in Action  | 6  |
| Relevant application of the Principles in Action                                | 6  |
| 3. THE ENERGY CHARTER PRINCIPLES AND PRINCIPLES IN ACTION                       | 7  |
| One: We will put customers at the centre of our business and the energy system. | 7  |
| Two: We will improve energy affordability for customers                         | 9  |
| Three: We will provide energy safely, reliably, and sustainably                 | 11 |
| Four: We will improve the customer experience                                   | 13 |
| Five: We will support customers in vulnerable circumstances                     | 15 |
| 4. THE ENERGY CHARTER IN OPERATION  | 17 |
| Governance and ownership of the Energy Charter                                  | 17 |
| Reporting   | 17 |
| Metrics and measures  | 19 |
| Maturity model  | 19 |
| Accountability Framework  | 19 |
| 5. PRACTICAL IMPLEMENTATION OF THE PRINCIPLES IN ACTION                         | 21 |
| Appendix One: The Australian Energy Supply Chain                                | 30 |



# INTRODUCTION

**Energy plays a vital role in all our lives. It lights our homes and drives our businesses. It is important that energy is available when customers need it, and at an affordable price.**

The energy system is at a pivotal point of transition as we move from a centralised system to a system that is increasingly decentralised. The evolution of the energy system depends on harnessing the significant natural advantages Australia has for both conventional and new energy and leveraging innovation in technology and service delivery.

Integral to the success of that transition is that the Australian community has trust and confidence in the energy system.

Over the past decade, electricity and gas costs have increased and confidence in the energy industry has eroded. The findings and recommendations of key reports have identified the complex reasons for energy bill increases. The ACCC has said that the energy market needs to be reset, and energy customers have identified affordability as a primary concern. The security and reliability of the system, the transition to cleaner energy sources and ensuring equitable access to energy for all Australians have also been identified as key priorities for the community.

Regaining the confidence of customers and the community is critical to ensuring that Australia has the energy system it needs for the future. While this will ultimately require the collective efforts of government, regulators and the energy industry, the energy industry acknowledges the significant role it must play.

In that context, fifteen CEOs from Australian energy businesses across the supply chain have committed to the development of a customer-focused charter to progress the industry culture and solutions required to deliver better energy services.

The Energy Charter recognises that better customer outcomes require a whole of industry approach and the energy businesses who have committed to the development of the Energy Charter understand that the community expects them to:

- do more on the cost of energy;
- provide confidence in supply;
- ensure that decisions are informed by customer choice;
- facilitate new energy solutions;
- ensure that the benefits of the energy system transformation can be shared by the entire community.

To ensure there is the right focus on the customer, the participating businesses have partnered with Energy Consumers Australia to play a role in the development of the Energy Charter. This national consumer advocate is closely monitoring progress and providing guidance based on customer and community expectations of the initiative.

The completion of this Consultation Draft is an important step for the development of the Energy Charter.



## The energy customer

The Energy Charter is focused on the ‘customer’ across the spectrum - from Australian households, small businesses, and medium to large enterprises. The Energy Charter commitments apply across the whole energy supply chain so who the ‘customer’ is will vary, depending on who the business making the commitments is.

However, the whole of energy sector approach of the Energy Charter recognises that the decisions of all energy businesses across the supply chain will ultimately impact the **end use customer** in some way. If each business across the supply chain delivers the Energy Charter commitments for their customers, this should lead to better outcomes for all.

## Going beyond energy law, rules and regulation

The Australian energy industry is subject to a comprehensive suite of legislative, regulatory and licensing requirements across each jurisdiction. In particular, three ‘energy objectives’<sup>1</sup> apply to the rules and regulation for energy businesses;

- the National Electricity Objective (NEO);
- the National Gas Objective (NGO); and
- the National Energy Retail Objective (NERO).

The purpose of each is the application and development of rules to achieve economic efficiency in the long-term interests of consumers.

Participants developing the Energy Charter regard compliance with legislation, rules and regulation to be a base line or minimum standard of doing business. The Energy Charter complements existing obligations and reviews by setting out direct commitments from energy businesses to their customers and the community, with the intent to go *above and beyond* what is required by law, and that are consistent with recommendations for improved outcomes.

The Energy Charter will be reviewed to maintain currency and to ensure it is reflective of industry and regulatory reviews.

If each business across the supply chain delivers the Energy Charter commitments for their customers, this should lead to better outcomes for all.

---

<sup>1</sup> National Energy Objectives [www.aemc.gov.au/regulation/national-energy-objectives](http://www.aemc.gov.au/regulation/national-energy-objectives)

# THE ENERGY CHARTER PURPOSE, VISION AND PRINCIPLES

## Purpose

The purpose of the Energy Charter is to progress the culture and solutions required to deliver a more affordable, reliable and sustainable energy system for all Australians. It is focused on embedding a customer-centric culture and conduct in energy businesses to create tangible improvements in price and service delivery.

It seeks to align the whole energy supply chain behind a common purpose - that of putting customers at the forefront and foster collective accountability for customer outcomes.

The Energy Charter is about improving business practices and delivering better outcomes for customers that are mutually beneficial for energy businesses. It recognises that energy businesses must be commercially strong and viable over the longer term, in order to deliver products and services for customers. Similarly, it recognises that energy businesses need to focus on customers and meeting their needs, in order to have strong and sustainable businesses.

## Vision

‘Together, deliver energy for a better Australia’.

Energy is essential to economic prosperity and quality of life. The businesses developing the Energy Charter recognise that no single part of the energy industry can deliver energy for the community on their own.

The vision for the energy industry that underpins the Energy Charter is of an energy industry that works together across the supply chain for better outcomes for the whole community.

‘Together’ emphasises the importance of energy businesses working effectively with one another, and with their customers and other stakeholders for a common aligned purpose - that of delivering an essential service to the Australian community. ‘Better’ is about an energy system that supports economic prosperity and social inclusion by placing customer and community needs at the centre of its focus.

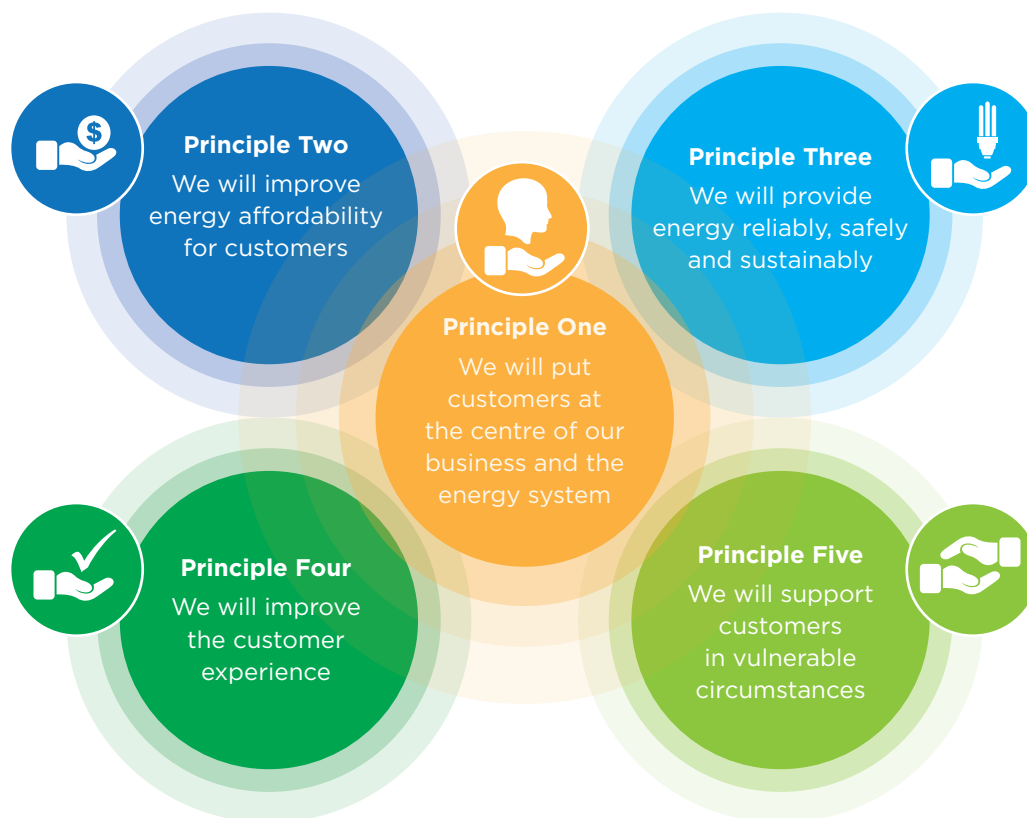
## The Five Principles

The Energy Charter sets out five principles to advance the industry vision. Supporting each Principle is commentary which explains its context and relevance to the overall vision.

The five principles do not exist in isolation of each other. At the heart of the principles is Principle One, which relates to the culture of energy businesses and the need to focus on good customer outcomes. This Principle underpins the mindset and behaviours required for delivery against the remaining four principles.



**Figure 1: The Five Principles**



## Principles in Action

The Energy Charter sets out a list of *Principles in Action*. These describe how the principle can be translated into a practical action capable of measurement by each part of the supply chain. They represent the practical initiatives that have a material and positive impact on the delivery or progression of that principle. They also provide the basis on which each participating energy company will report on its progress against the Energy Charter.

By signing up to the Energy Charter, each energy company will agree to assess and publicly disclose its performance against the Energy Charter principles, and its progress in implementing each of the principles in action.

## Relevant application of the Principles in Action

The Energy Charter has been drafted to allow for flexible application across the energy supply chain. Depending on where a business is positioned in the energy supply chain, it may focus more directly on Principles in Action that are more relevant to its business. These decisions will be shared by each business as part of its disclosures. The intent is that where a principle or action has not been reported on, the business will explain why. This is known as the 'If not, why not' approach.



# THE ENERGY CHARTER PRINCIPLES AND PRINCIPLES IN ACTION



## ONE:

### **We will put customers at the centre of our business and the energy system**

Having the right culture underpins the way we behave, the decisions we make and the outcomes we deliver. We recognise that getting the culture right for our customers is crucial not only to deliver on our customer commitments, but also to the long-term success of our businesses.

We will develop the culture within our businesses that puts the customer at the centre and will work together and with our stakeholders to deliver the safe, affordable, reliable and sustainable energy system the community expects.

For energy businesses to be successful over the long-term, and for the community to have confidence in the energy system, they need to place customers at the centre of their decisions and deliver what households and businesses need.

The boards and management of energy businesses must lead a customer focused culture and be held accountable to deliver it through their 'culture statements' including corporate purpose, codes of conduct, values, strategies and policies, and remuneration structures and ensuring remuneration frameworks are aligned with desired culture.<sup>2</sup>

The focus on what customers need must be embedded at every level of the business; applied to planning, investment, and operational decisions. Employees should be empowered and rewarded to act in the best interests of customers and for each decision, the business must ask, 'How will this benefit the customer?'.

Energy businesses must seek customer insights, and act on these to deliver better customer outcomes. There must be clear processes to determine what energy customers need, their preferences and how this is included in business decisions. Energy businesses must be prepared to be accountable, and to explain the reasons behind their actions, particularly when expectations are not met.

With extensive customer insights now available and the scale of individual and collaborative research taking place, the opportunity to use this to improve customer outcomes is significant. Sharing insights with government, institutions and across the energy supply chain will also improve the energy system for better customer outcomes.

Energy businesses must seek appropriate ways to collaborate within and across the supply chain to advocate collectively on policy issues and develop better customer service solutions.

---

<sup>2</sup> In line with Principle 1.1 of the ASX Corporate Governance Principles and Recommendations 4th edition Consultation draft

### Principle in action

To fulfil this principle energy businesses should:

- 1.1** Have a Board that actively oversees the business' culture so as to be aligned with Energy Charter Principles.
- 1.2** Have management operationally accountable for embedding a 'customer at the centre' culture.
- 1.3** Ensure employees are engaged and rewarded to be focused on positive customer outcomes.
- 1.4** Have robust processes to determine customer and community needs and be accountable on how feedback has been considered and incorporated into decision making.
- 1.5** Demonstrate a culture of innovation and collaboration for positive customer outcomes, including through sharing insights with government, research institutions and across the supply chain and joint advocacy on regulatory, policy and operational issues.



# THE ENERGY CHARTER PRINCIPLES AND PRINCIPLES IN ACTION



## **TWO: We will improve energy affordability for customers**

We recognise that affordable energy is essential for Australian households and businesses.

We will do what we can to make energy more affordable, by running our businesses efficiently so customers benefit, by offering customers energy deals that best meet their needs, helping them manage their energy use, and by working together to put downward pressure on price, as well as innovating for cost effective solutions that meet residential and business customer needs.

Energy costs are a clear concern for Australian households and businesses. Price increases have meant that energy is not affordable for some, and led many to question the reasons for the increases and the value of the services they receive. There are also concerns that one of Australia's historic economic advantages (ie. low energy prices) is being diminished, impacting the international competitiveness of Australian business.

Energy businesses must be commercially strong and viable over the longer term, in order to efficiently deliver products and services for customers. Equally, they need to focus on customers and meeting their needs, in order to have strong and sustainable businesses. Energy businesses have a responsibility to ensure that their businesses operate cost effectively and that investment, commercial and operational decisions are efficient and provide clear customer benefits. Those benefits may be in the form of improved product and service offerings and/or reduced cost.

Energy businesses should explore alternatives to building new infrastructure unless there is a clear benefit to customers and seek opportunities to maximise the use of existing infrastructure to meet community needs. Energy businesses must be prepared to explain their decisions and how they have benefited customers.

Energy customers have diverse needs. Improving affordability for low-income households is an important feature of an equitable energy system. Pricing arrangements that support customers in vulnerable circumstances should be put in place and explained to customers.

Parallel to this, some energy customers will place a higher value on some services and will ask for products and services packages that reflect those preferences. Energy businesses should offer options based on customer insights and needs, with clear communication that allows customers to make informed choices about the value of options available.

This includes identifying energy deals for customers that best meet their needs and helping them manage their energy use and costs by making tools and information available that suits their circumstances.

There are opportunities for the energy sector to work collaboratively to put downward pressure on prices, such as increasing energy supply, and be innovative in delivering competitive energy solutions for business and residential customers.

### Principle in action

To fulfil this principle energy businesses should:

- 2.1** Ensure that investment, commercial and operational decisions are cost efficient, and explain how customers benefit.
- 2.2** Offer customers energy deals that best meet their needs, supported by effective tools and incentives for customers to manage their energy use and cost.
- 2.3** Work cooperatively across the supply chain and with other stakeholders to put downward pressure on price over the short and long term.
- 2.4** Innovate to deliver competitive energy solutions for business and residential customers
- 2.5** Advocate on behalf of customers to improve energy affordability through engagement in regulatory and policy processes.



# THE ENERGY CHARTER PRINCIPLES AND PRINCIPLES IN ACTION



## **THREE: We will provide energy safely, reliably, and sustainably**

We recognise the essential nature of energy, the value it brings to the community and the potential consequences and impacts for customers when they cannot access it.

We will provide energy safely, reliably and sustainably and will listen to customer preferences and demonstrate how they inform decisions and outcomes.

Energy is essential for every Australian home and business. Delivering energy safely, without harm to people, the community or the environment, is not only a regulatory obligation but is, and will continue to be, a priority in the way energy businesses approach operations and make decisions.

Achieving safe, reliable and sustainable energy supply cost efficiently is a responsibility that must be effectively shared across the energy supply chain. While each part of the chain has a role to play, the best outcomes will come when those parts work together. That means planning for the future, supporting each other and the community during emergencies and preparing for known summer and winter needs.

New connections and reconnections must be timely and efficient, and disconnection must always be regarded as serious and a last resort. Known maintenance disruptions must be well planned and appropriately communicated to affected customers. Unplanned disruptions must be resolved as quickly as possible with communications to affected customers being timely and proactive.

Innovative approaches to solving supply and reliability issues should be developed by working together with the community, and across the supply chain, with customer preferences guiding investment decisions.

‘Sustainability’ has three dimensions: the social, economic and environmental.<sup>2</sup>

Delivering energy sustainably recognises includes:

- recognising that equitable access to energy is core to social inclusion and quality of life;
- meeting the energy needs of the community now, without compromising the ability of future generations to meet their own needs;
- recognising that the communities in which energy businesses operate need to benefit;
- recognising that energy businesses need to be financially sustainable in order to meet the needs of customers now and in the future.

Energy delivery must consider the environment and facilitate new opportunities and the transition to a cleaner energy mix, while continuing to deliver conventional services.

<sup>2</sup> GRI Standards Glossary 2018

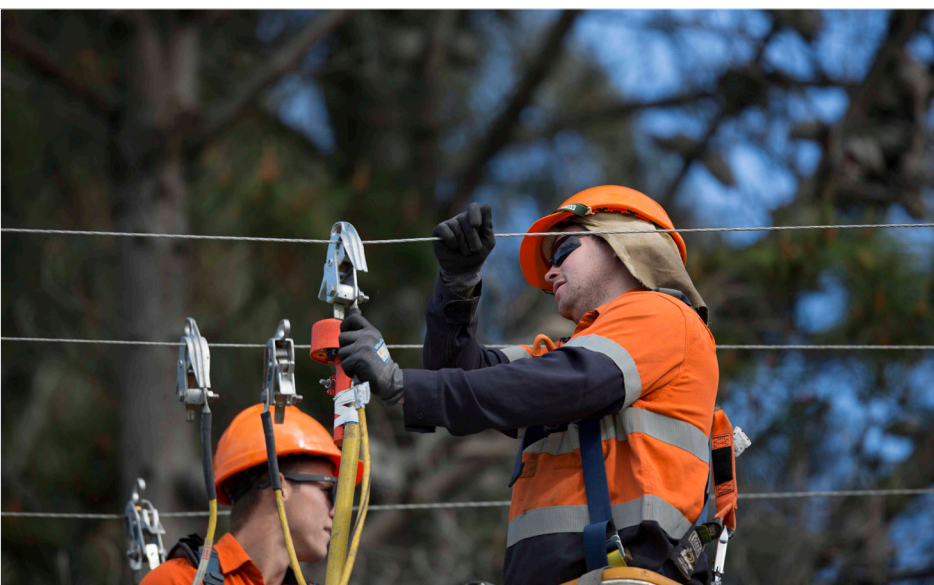


### Principle in action

To fulfil this principle energy businesses should:

- 3.1** Maintain the highest standards of safety for people, the community and the environment.
- 3.2** Implement solutions across the supply chain:
  - a. that support energy connection, service and reliability that meets customers' needs.
  - b. to resolve service issues that impact customers and the community.
- 3.3** Engage with customers and communities to support and implement new investments, deliver innovative energy solutions and manage operations in line with their expectations.
- 3.4** Facilitate new opportunities and technologies that support cleaner energy solutions.

Innovative approaches to solving supply and reliability issues should be developed by working together with the community, and across the supply chain, with customer preferences guiding investment decisions.



# THE ENERGY CHARTER PRINCIPLES AND PRINCIPLES IN ACTION



## **FOUR:** **We will improve the customer experience**

We recognise that it must be easy for customers to make informed decisions about their energy, that outcomes should be transparent, and all customers should benefit from the transformation of the energy system. The customer experience with energy businesses should be respectful, efficient and seamless, particularly if things go wrong.

We will make it easy for everyone to get the best product or service for them regardless of their ability to engage, or interest in, the energy market. We will continually improve our processes and communication and will work together to provide better services across the supply chain to meet customer needs.

Customers should not need to be energy experts to choose the right product or service for them. Regardless of a customer's interest in, or ability to engage with, the energy market, all customers must be able to easily access products and services that are fair and transparent.

What households and businesses value most highly from their energy service will vary. Customer preferences must be incorporated into planning and decisions, incorporating best practice approaches and principles of universal access and design to develop tailored products, communication platforms and tools.

For customers to make informed choices about energy, they need ready access to insightful and useful information and tools that are clear and easy to use, not only to get the best deals for them but also manage their energy use. This must be free from jargon, confusing or misleading language, and be comparable and focused on customer priorities like price, service quality and terms and conditions. This includes streamlining access to, and the portability of, a customer's energy data to better inform and enable customer choice.

Those customers who choose to engage more must be able to do so and should be rewarded for their behaviour. However, customers who do not engage, for any reason, should have access to products and services that meet their needs on fair terms.

Customers expect their contact with their energy business to be respectful and efficient. This requires appropriately trained frontline staff who can meet the needs and expectations of customers. There must be effective customer issue resolution processes, so that issues can be resolved quickly and completely.

For those energy services or issues where customers need to interact with more than one part of the energy supply chain, there should be proactive cooperation between businesses to support seamless customer experience.

### Principle in action

To fulfil this principle energy businesses should:

- 4.1** Enable customers to get fair outcomes regardless of their ability or desire to participate in the energy market.
- 4.2** Empower customers by:
  - a. making sure all communication is clear, in plain terms, accessible and understandable,
  - b. providing insightful and useful information and accessible tools, and
  - c. streamlining access to, and portability of, customer energy data.
- 4.3** Ensure that innovation and design in products and services, as well as communication platforms and tools are driven by customers' needs and preferences.
- 4.4** Have effective and accessible dispute resolution processes, co-ordinated across the supply chain to resolve customer issues and implement process improvements in response.



# THE ENERGY CHARTER PRINCIPLES AND PRINCIPLES IN ACTION



## **FIVE:**

### **We will support customers in vulnerable circumstances**

We recognise that some customers may experience vulnerability that requires support from energy providers, which may require collaboration with governments and community service organisations. Not all experiences of vulnerability will be the same and providing support require solutions tailored for different circumstances.

We will support customers to navigate periods of vulnerability and collaborate with the community and government to assist those who need it most.

The individual circumstances of customers are different and may include situations that require additional support from energy businesses, in collaboration with governments and community service organisations.

Vulnerability can come in varying forms for households and businesses. It may manifest itself in financial hardship, making it difficult for customers to pay their energy bills. It could also relate to other factors including disability, language or cultural background, which provides barriers to engagement with the energy system. For business it may arise from changes in economic conditions or transitional circumstances (e.g. natural disasters or traffic works outside a local shopping strip). For some customers the need for extra support may be temporary, and others may require longer term assistance.

Identification and early engagement with customers at risk of vulnerability can help to avoid longer term issues. This may include proactively ensuring that customers are accessing the best products for them, advice to help customers manage and reduce their energy consumption and encouraging early contact when assistance is required.

The most sustainable outcomes may be where customers are partners in developing the solution. Frontline staff who are the first point of contact for customers must be trained and empathetic about the varied and underlying causes of vulnerability, and skilled in facilitating the right conversations with customers.

Energy businesses cannot solve the underlying issues impacting the circumstances customers experience, but they are an important point of contact to help customers access the support services they need. Forging strong relationships with community service organisations and government will assist in connecting customers quickly to the right support services.

These relationships should be leveraged for advocacy and collaboration, to develop consistency and best practice across support programs and to support policies that will be in the best interests of customers.

### Principle in action

To fulfil this principle energy businesses should:

- 5.1** Have processes to enable early identification of customers at risk of vulnerability, coupled with intervention measures that can prevent customers falling into hardship.
- 5.2** Provide products and services that are tailored to customers in vulnerable circumstances and support them in getting back on track.
- 5.3** Provide flexible solutions that are easy to access and are provided by specially trained frontline staff with expertise in supporting those customers who face additional barriers to engaging with the energy market.
- 5.4** Take a collaborative approach, partnering across the energy supply chain, and with government and community service organisations to implement innovative solutions that improve outcomes (cost or experience) for customers in vulnerable circumstances.

Forging strong relationships with community service organisations and government will assist in connecting customers quickly to the right support services.



# THE ENERGY CHARTER IN OPERATION

**The Energy Charter articulates the energy industry's vision and the high-level principles energy businesses should adhere to in order to deliver on that vision.**

The Energy Charter can be applied to all businesses across the gas and electricity supply chains, recognised in **Appendix One**. Adoption of the Energy Charter will be voluntary, and all energy businesses will be invited to adopt the Energy Charter. This applies equally to conventional and new energy businesses.

Those who adopt the Energy Charter will agree to publicly account for how they are delivering against the Energy Charter principles to provide improved outcomes for customers, with the performance to be assessed and evaluated by an independent panel.

## Governance and ownership of the Energy Charter

The energy industry ownership and governance arrangements of the Energy Charter are now being considered to provide efficient ongoing management and promotion of the initiative, to ensure that learnings and insights are shared, and the Energy Charter develops over time.

It is expected that as part of a maturing approach to disclosure and assessments, the Energy Charter will need to be periodically reviewed and improved. In addition, one of the key attributes of the Energy Charter is its whole of sector approach to addressing customer expectations, and there are likely to be benefits in sharing experience through an industry forum.

Ownership of the Energy Charter may comprise a small committee of representative CEOs, with responsibility for:

- promoting the Energy Charter with the energy sector and stakeholders;
- consulting with signatories, end-user representatives and other stakeholders;
- determining the process for the review and amendment of the Energy Charter over time; and
- managing collective resourcing and administering membership and fees.

## Reporting

Energy businesses who commit to the Energy Charter will be required to publicly report against the Principles and Principles in Actions, outlining how they are meeting or making progress towards the Charter commitments. This public disclosure will enable all signatory businesses to be effectively evaluated by an independent panel (discussed below) and stakeholders more broadly.

When reporting against the Charter commitments, energy businesses will be required to use measures and metrics where possible to evidence the statements made in their disclosure.

## Reporting timetable

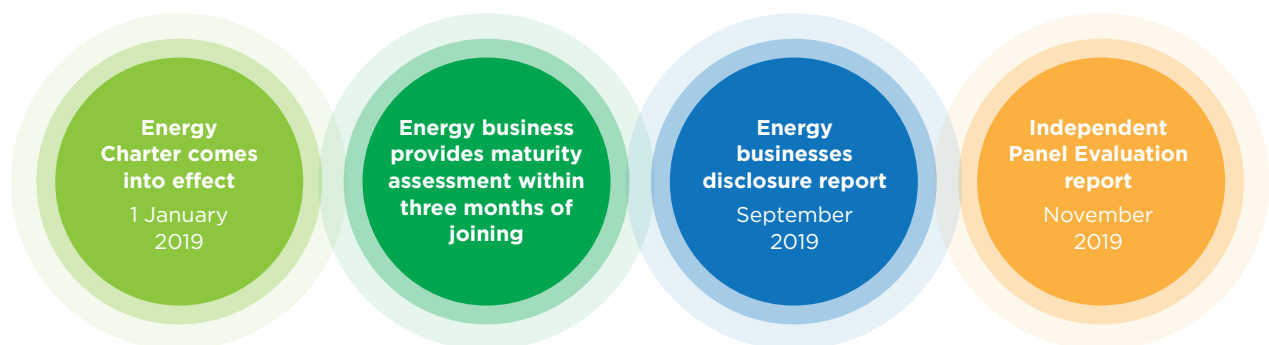
The first version of the Energy Charter will take effect from **1 January 2019** and any business is welcome to adopt the Energy Charter. Within three months of signing up all participating businesses will be required to provide a maturity assessment as identified later in this section.

While the annual reporting period of the Energy Charter will be **1 July to 30 June**, in the first year the minimum reporting period will be **1 January 2019 to 30 June 2019**. Where possible, disclosure arrangements will align with other business reporting activities such as Annual Reports.

Participating businesses will be required to publish and lodge their first-year disclosure report by **30 September 2019**, as well as a maturity assessment against the Energy Charter Principles.

These company reports will provide the foundation for the preparation of the independent assessment report, which is expected to be prepared between October and November, with a final report published on **30 November**.

**Figure 2: Reporting Timetable**





## Measures and metrics

Energy businesses will be required to provide metrics and measures to evidence progress against the Principles and Principles in Action, and how they translate as improved customer outcomes. These measures can include a mix of lead and lag indicators and may be qualitative or quantitative in nature.

There are a range of publicly available, whole of sector metrics, that indicate performance against the Energy Charter Principles. For example, Energy Consumers Australia, the AEMC, the AER and state ombudsman publish data on customer satisfaction, price movements, reliability, value for money and complaints.

Energy businesses in Australia collect data and information and report a range of performance measures. Parallel to the current consultation process, supporting businesses are now collating the measures and metrics they now use, to determine how they can be used to report against each Principle in Action and that demonstrate how individual business performance is contributing to better energy sector performance and customer outcomes as a whole. Opportunities for commonality either across the supply chain or within a supply chain level, are being considered to enhance comparability of reports.

The first year of reporting will be important to inform the ongoing progress and implementation of the Energy Charter, and the quality and nature of reports will naturally evolve over time. Measures and metrics for the 2020 reporting period will be informed by learnings, evaluations and recommendations coming out of 2019 reporting experience.

In order to implement the most efficient and comparable approach to reporting against Energy Charter Principles in Action, it is expected that disclosure templates will be developed.

## Maturity model

Energy company signatories will be at different stages of maturity in relation to the principles articulated in the Energy Charter.

Energy Charter participants see value in developing a maturity model so that energy businesses can assess their maturity against the Energy Charter principles at the time of commitment by reference to articulated criteria (including possible measures and metrics), as well as indicating where on the maturity scale they intend to progress to, over what period and how.

Energy businesses will be invited to sign up to the final Energy Charter at any time and will be required to publish a maturity assessment within three months of their commitment.

## Accountability Framework

It is critical that energy businesses are transparent and accountable for their statements and commitments. Accountability refers to how energy businesses who commit to the Energy Charter will be evaluated for their progress against the principles and actions set out in the Energy Charter.

To ensure the appropriate degree of independence in the design of the evaluation model, independent expert advice on how the Accountability Framework might best be structured and administered was sought by Energy Consumers Australia from Phil Khoury of Cameron, Ralph and Khoury (CRK). The views of the Industry Working Group and End User Consultative Group were sought in shaping the proposed model identified below.

Based on an assessment of potential models and design criteria identified by CRK, the recommended model for evaluating disclosures and supporting the objective of continuous improvement within the energy supply chain is an Independent Panel. The Independent Panel will have an important role to play in constructively evaluating performance of energy businesses and the energy sector as a whole over time. It should add value to customers and energy businesses by identifying good performance and providing guidance on opportunities for improvement, rather than focus on 'box ticking' compliance.

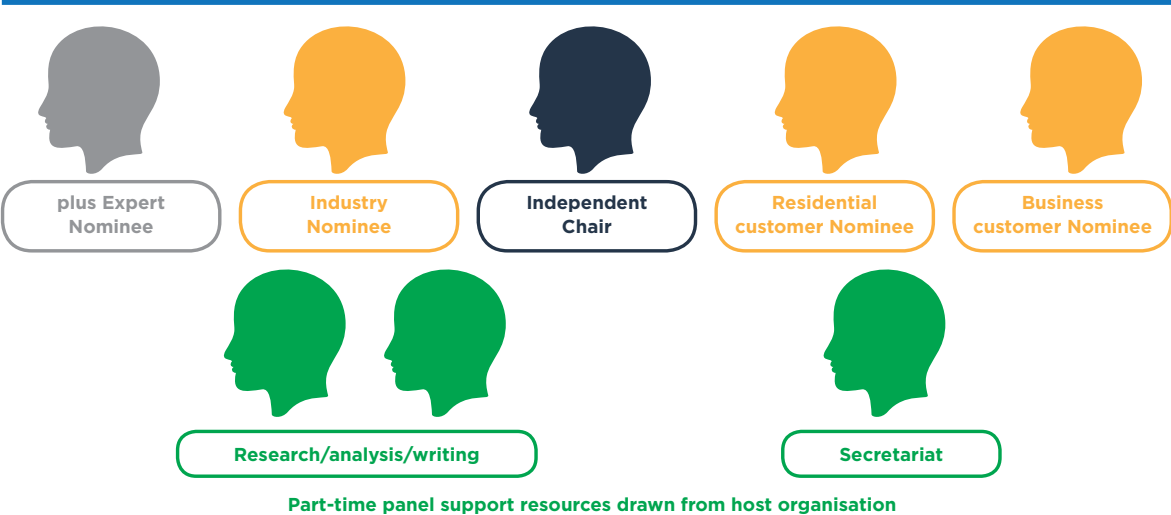
To this extent, the panel will be forward focused by considering what actions have been taken over the prior reporting period, opportunities for the energy business to improve by reference to feedback from customers, appropriate industry 'best practice', and the priorities and objectives the business has identified as part of its own Energy Charter Principles maturity assessment. The Independent Panel's findings and recommendations will be an important part of facilitating the continuous improvement of businesses and the industry as a whole against the Charter Principles, as well as the Energy Charter itself. The Independent Panel's report will be published.

It is expected that the Panel arrangements would consist of the following features,

1. The panel would be a standing part-time panel of between three and five independent panelists, including;
  - Chair of high standing and relevant expertise;
  - business and residential customer nominees;
  - energy industry expert;
  - optional independent expert nominee.
2. The terms of reference for the panel will reflect its assessment/evaluation role recognising that its findings and recommendations will be important in facilitating continuous improvement.
3. The panel would be hosted by an existing independent organisation such as Energy Consumers Australia, with administrative and analysis support drawn from the host organisation.
4. The accountability regime will be funded by those energy businesses committing to the Charter.

The panel selection process, its Terms of Reference and the funding and resourcing arrangements will be developed in consultation with the End-User Consultative Group and the Industry Working Group to the finalisation of the Energy Charter.

**Figure 3: Independent Panel**



# PRACTICAL IMPLEMENTATION OF THE PRINCIPLES IN ACTION

There are a number of activities now being undertaken by the supporting businesses that reflect the Principles and give an indication of measures that may be reported in future disclosures.

## Australia's first customer-centred price setting

### PRINCIPLE IN ACTION 1.4 AND 1.5

The Australian Energy Regulator (AER), Energy Consumers Australia and Energy Networks Australia are collaborating on *NewReg*, an alternative regulatory approach being trialled with Victorian distribution network AusNet Services.

AusNet Services has established a Customer Forum, led by ex-Minister for Consumer Affairs in Victoria, Tony Robinson, to represent the network's residential, small business, commercial and industrial customers.



The Customer Forum will engage with AusNet Services to ensure its plans deliver the services that its customers most value. Its goal is to reach agreement on AusNet Services' plans for the years 2021 to 2025 before they are lodged for formal assessment by the AER under the Electricity Distribution Price Review (EDPR) process.

The arrangements for the Customer Forum have been developed in consultation with the AER and Energy Consumers Australia.

In addition to its monthly meeting with AusNet Services, since March 2018 the Customer Forum has been engaging with a range of other stakeholders. This is to ensure the Customer Forum's negotiations with AusNet Services are informed by the concerns, preferences and priorities of the broad range of stakeholders to the process, including customers, consumer advocates and community groups.

This engagement is supplementary to the customer research program being undertaken by AusNet Services. This research program, which the Customer Forum has helped to shape and will have regard to during negotiations with AusNet Services, includes one-on-one interviews with residential and large customers, quantitative surveys and Focus Groups.

Once the revenue proposal is submitted, the AER will still make a determination in the long-term interests of consumers, within the existing rules.



## Australian Gas Infrastructure Group: Defining and measuring leadership

### PRINCIPLE IN ACTION: 1.2, 1.3 AND 1.4

Australian Gas Infrastructure Group (AGIG) owns natural gas infrastructure in Victoria, New South Wales, South Australia, Queensland, Western Australia and the Northern Territory.

The AGIG Vision is to be the leading gas infrastructure business in Australia. Its Vision sets out the following three key objectives:

- **Delivering for Customers** – ensuring public safety, the provision of high levels of reliability and customer service;
- **A Good Employer** – ensuring the safety of employees (including contractors), ensuring employees are motivated to achieve the Vision and receive appropriate training; and
- **Sustainably Cost-Efficient** – delivering profitable growth while being environmentally and socially responsible.

AGIG measures its progress against the Vision by setting targets for the vision objectives that it believes represents a top quartile performance, and publicly reports on that performance, most recently in its 2017 Annual Review. Customer outcomes reported in 2017 include

- The final decisions for their two Victorian networks (January 2018 to December 2022) were issued in November 2017 and delivered distribution tariff reductions of 7% for Australian Gas Network customers and 3% for MultiNet Gas Network customers from 1 January 2018.
- In 2017, the percentage of public leak reports responded to within two hours averaged 99% across Victoria, South Australia, Queensland and New South Wales.
- Response time to customer calls in 2017 was above target: responding to 85% of customer calls within 30 seconds, In AGN networks 92% of emergency calls were responded to within 10 seconds.



## Essential Energy consumer engagement: Outside in, always on

### PRINCIPLE IN ACTION: 1.1 AND 1.5

Every five years regulated energy networks submit a proposal to the Australian Energy Regulator (AER) on plans for operating the electricity network and proposed network charges.

Essential Energy developed a tailored, comprehensive engagement program to share information and seek feedback about their 2019-24 Regulatory Proposal. They conducted extensive customer and stakeholder engagement to gather information, insights, and feedback to inform and shape their proposal. This consultation catered for diverse groups of customers and stakeholders and recognised that customers have varying levels of interest and knowledge about the energy sector.

A whole of business approach was identified as being critical with senior executive and Board buy-in accompanied by constant review and adjustment of the approach. These perspectives were then continuously tested with external stakeholders and customer advocacy groups.

During January to June 2017, Essential Energy consulted with over 1,500 customers on the end-users' key values of importance, to ensure that throughout the consultation and regulatory submission process, customer's expectations were carefully considered and addressed. This was followed with further phases of customer workshops, deliberative forums, online research and surveys resulting in over 1,500 further customer engagements in the final months preceding the business' 2019-24 proposal being submitted to the regulator in April 2018.

As a direct result of proactively listening to and engaging with its customers, Essential Energy' 2019-24 proposal includes:

- investment in technology to improve efficiency and lower operating and capital expenditure. Operating costs in 2024 will be at their lowest in 20 years and capital expenditure will be at the lowest in 19 years;
- application of the AER's Rate of Return Guideline;
- partnering with community based organisations to support vulnerable customers;
- increases in reliability in worst performing areas of the network by 25%; and
- continued investment in new technology trials such as microgrids and small-scale renewables, to improve efficiency and lower network expenses.

Over 80% of residential and business customers were satisfied with Essential Energy's engagement activities and the approach received positive feedback from customer advocates.

The Essential Energy Board and Executive team supports ongoing customer and stakeholder engagement and today it is embedded into strategic planning, ensuring customer and stakeholder research and analysis informs future values, projects and activities.

The AER's Chair recently acknowledged Essential Energy's overall consumer engagement approach leading to direct benefits for consumers.

"This outcome is an excellent example of how engaging with consumers in a revenue setting process can benefit everyone," Ms Conboy said.

"This is the type of approach the AER is keen to model with network businesses to drive a more efficient reset process across the National Energy Market." (The Australian, 15 March 2018)

## Energy Savvy Families

### PRINCIPLE IN ACTION: 2.2 AND 2.4

Ergon Energy Retail sought to make energy more affordable for low-income households in regional Queensland through the Energy Savvy Families program.

Many of the 5500 families who participated in the first round were able to reduce their bills by up to \$200 in a year.

With the combination of a free digital meter and the Home Smart online energy management system, families are able to monitor their electricity use, set a budget and set alarms for when they are reaching their limit. Making the switch from quarterly to monthly bills has assisted with household budgeting.

The families also have access to an energy use champion, who advises them on how to reduce their costs and take advantage of concessions. Children are encouraged to learn energy efficiency tips through games on the *ReduceYourJuice* app.

The Queensland Council of Social Services (QCOSS) welcomed the focus on improving energy literacy to assist potentially vulnerable customers.

## Working with APA's customers ~ a short-term solution for Incitec Pivot

### PRINCIPLE IN ACTION: 2.4

On 25 June 2018, APA announced a one-year gas transportation contract with Incitec Pivot (IPL) to deliver gas from the Northern Territory to IPL's Gibson Island fertiliser plant near Brisbane. IPL is a long-term customer of APA and the importance of this contract was to assist IPL in keeping its Gibson Island plant operations running for another year whilst other options are explored for future economically viable gas supply, given the East Coast's tight gas supply market.

"An affordable and reliable gas supply is critical to securing the sustainable future of Incitec Pivot's Gibson Island fertiliser manufacturing plant. The Gibson Island site employs around 450 people and produces 550,000 tonnes of fertiliser per year, which is then used within Australia and globally to support farming communities that grow food to feed millions of people.

It was very satisfying to see the whole of the gas industry supply-chain working together with us to develop an interim gas solution that will allow our Gibson Island plant in Queensland to operate for another year.

Despite a gas supply being almost on our doorstep, the current local gas price required us to source a more affordable gas supply from over 3,300 kms away. The one-year interim solution has demonstrated that the industry working together can make a huge difference. APA, along with our other project partners has worked with Incitec Pivot to make that long journey viable."

Jeanne Johns, Managing Director and CEO, Incitec Pivot Limited



## Origin launches its first Virtual Power Plant in Victoria

### PRINCIPLE IN ACTION: 3.3

There is an increasing amount of decentralised energy in Australia – think rooftop solar – and Origin is looking at how it can better use this energy and help customers get involved and save on their energy bills. Origin and the Victorian Government will partner to develop a Virtual Power Plant (VPP), bringing together up to 650 residential and business customers to form a 5MW power plant which can be dispatched to the grid much like a traditional, large centralised power station.

The VPP will combine rooftop solar and storage and cloud-based demand management software to generate and store energy on site, with Origin's Brisbane-based Monitoring and Support Centre to despatch excess power into the National Electricity Market when the system needs it.

Households and business participating in the trial will be able to recoup their investment in solar and storage sooner, as well as lowering their energy bills.

The development of the virtual power plant follows successful trials of high-tech demand management platforms which are helping to lower costs and improve network stability.

Supported by a \$4.5 million Victorian Government grant, the aim of the project is to learn how greater energy savings and reliability can be delivered across the network.

## Yurika: Lockhart River Solar Project

### PRINCIPLE IN ACTION: 3.2, 3.3 AND 3.4

The Yurika The Lockhart River Solar Project was delivered in partnership with the Department of Natural Resources, Mines and Energy and the Department of Housing and Public Works and Ergon Energy Retail. It recently won the 2018 Clean Energy Council Innovation Award. The Yurika team was responsible for development and delivery of the customer side solution, including the solar PV systems, Battery Energy Storage System and control systems at the four sites.

The customer side control solution integrates with the Ergon power station controller and communications system, resulting in a higher penetration of solar photovoltaic into the network. As a result, further customer owned unmanaged solar can still enter the network. The development of the communications and control solution is an important step towards enabling greater amounts of customer solar PV in isolated networks.

The Lockhart River Solar Project is a new model that provides renewable energy benefits to public housing tenants in remote Indigenous communities. It involved the design, supply, installation and commissioning of 200 kW of solar photovoltaic (PV) systems along with an innovative control system at four separate sites.

Yurika Lockhart River PV systems will deliver the following benefits:

- Installing the solar arrays directly onto existing rooftops reduces the amount of community land needed for infrastructure.
- Diesel fuel savings of 1,629 kilolitres.
- A reduction in greenhouse gas emissions of 4,395 tCO<sub>2</sub>e.
- A \$278,000 reduction in electricity costs for the Lockhart River community.
- The project is also expected to reduce the Government subsidy required to supply affordable electricity to isolated communities.



## Stanwell Flexible Plant Trials

### PRINCIPLE IN ACTION: 3.2 AND 3.4

Historically, household electricity demand has been relatively stable with peaks in the morning and evening. However, with more variable renewable generation coming online, day-time electricity demand can often be filled by rooftop solar. This means power stations need to produce less energy during the day but are still required to ramp up to full capacity in the early mornings and evening to meet peak demand.

In the future, power stations will need to be even more flexible, reducing generation to as low as possible in the middle of the day, while still being online in order to respond to sudden changes in demand or renewable generation capability, and increase to meet evening peak demand.

To operate more flexibly, some hardware modifications are required for power stations, and extensive changes are needed for operational practices.

Stanwell's solution is delivering its Flexible Plant Program - with strategic modifications, proactive inspections, operational changes and training programs to enable it to reduce its minimum load, while also minimising any damage and costs associated with operating plant more flexibly.

The Flexible Plant Program is designed to ensure generation is flexible enough to meet changing market demands and to help optimise plant, fuel and water costs so they can continue to put downward pressure on energy generation costs, while delivering a reliable and secure supply of power.

In early 2018, Stanwell ran their first controlled tests at Tarong and Stanwell power stations to trial the plants' ability to operate below their designed minimum load of 140MW. During the trials Stanwell collected data to validate the modelling completed by Hitachi.

This data is now being used to determine the impacts on the boiler and turbines at the power stations, to identify what modifications are required to allow them to operate at extra low loads for extended periods.

Stanwell are working towards being able to regularly ramp from full load to extra low load, so they can meet lower future demand expectations in the middle of the day, while still being able to respond to changes in demand, and ensure security of supply, during the evening peaks.





## Power Changers Initiative – Jemena Demand Response Trial, Summer 2017/18

### PRINCIPLE IN ACTION: 4.2 AND 4.3

Jemena's demand response trial, Power Changers, in partnership with the Victorian Government, encouraging customers in the Jemena Electricity Network, across Melbourne's north, to change the way they think about electricity.

More than 600 customers participated in the four-month trial over the 2017/18 summer. Using smart meter data and a new app, Jemena encouraged customers to reduce their electricity usage in the context of decreasing network demand.

The initiative identified how small behavioural changes could have a big impact on household energy consumption at peak times on very hot days. Utilising near real-time live-data feeds, customers were given energy saving tips for example when and how to adjust their air conditioner and use the fan mode, advice on closing curtains and pulling blinds or turning off non-essential appliances.

At the end of the trial, 87% of participants were satisfied/very satisfied with the program. 94% of participants said they would take part again and 92% want Jemena to engage with them on energy consumption.



## AGL Self Service Meter Read

### PRINCIPLE IN ACTION: 4.2 AND 4.3

In April 2017 AGL launched a service to address customer concerns about estimated reads for gas and basic electricity meters.

The Self-Service Meter Read functionality allows customers to provide their own meter read to AGL at any stage of their billing cycle using the AGL app or My Account.

Customers are able to immediately adjust an incorrect bill, provide a read to be used for billing, or receive feedback on costs incurred to date and projected billing. This has received a very positive response by customers and has led to a significant reduction in network special meter reads.

In the 12 months to June 2018 AGL received around 345,000 self-service meter reads, and the number of special meter reads they have had to request from networks has dropped by nearly 33%, delivering vastly improved control into the hands of AGL customers

## EnergyAustralia's Clean Slate Waiver

### PRINCIPLE IN ACTION: 5.1

EnergyAustralia's new initiative, the Clean Slate Waiver, is helping customers facing difficult circumstances establish more manageable payment arrangements by waiving historical debts. EnergyAustralia seeks to work with customers to help them graduate from the program and exit hardship sustainably.

For example, Kevin\* is an 88-year-old customer receiving an aged pension who, as a result of not speaking English, had his daughter-in-law authorised on his account who he believed was paying his bills.

Due to economic abuse from his son and daughter-in-law, which saw them jailed for fraud, Kevin was left with an outstanding balance of \$25,000 on his electricity and gas accounts. Kevin worked with EnergyAustralia to both reduce his usage and regularly paid an agreed amount as he committed to one day pay off his account.

The company was pleased that Kevin was self-sufficient and helped him by waiving the remaining \$17,000 of debt – which would have taken him another nine years to pay off.

*\*Name changed for privacy purposes*

## Aurora Energy's Your Energy Support (YES) Program

### PRINCIPLE IN ACTION: 5.1, 5.2, 5.3 AND 5.4

As Tasmania's only residential electricity retailer, Aurora Energy supports vulnerable Tasmanians through its Your Energy Support (YES) Program, which actively identifies and supports residential customers who are experiencing difficulties paying their bill and helps them to remain connected.

Around 3,300 customers are supported by the program which provides a framework to identify vulnerable customers and provide them with the ability to take control of their energy usage and bill. The YES program helps customers remain connected with energy-saving tips and tools, budgeting advice and tailored, flexible and affordable payment plans for immediate and long-term relief.

The program includes home visits by a YES Team Energy Advisor and an Anglicare Financial Counsellor to help customers find ways to reduce their electricity usage. In-home energy audits together with a review of the customer's broader financial position ensure an individual approach and practical steps can be tailored for each customer considering their specific circumstances. Aurora Energy has also partnered with the No-Interest Loan Scheme (NILS) Tasmania to offer concession customers a 50 per cent subsidy for the purchase of energy efficient household appliances and a no-interest loan for the balance of the purchase amount.

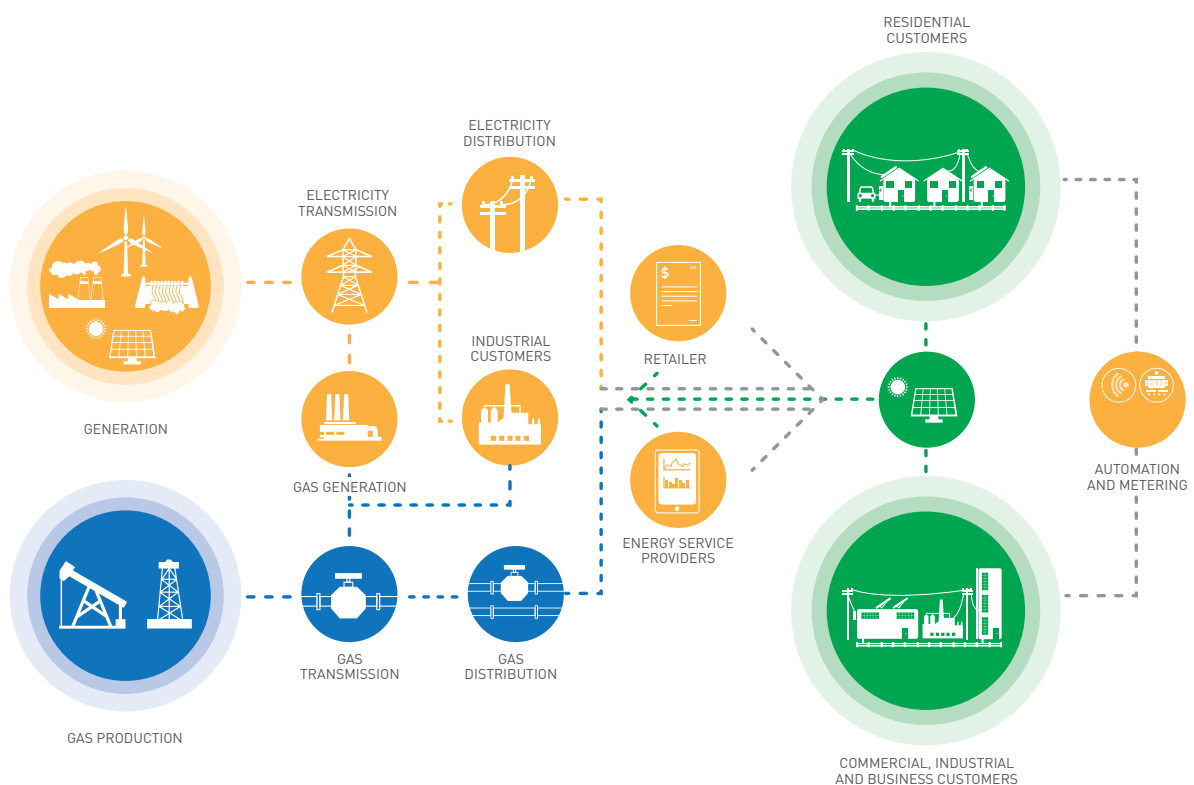
The initiatives with the YES Program have all acted to assist customers in making practical and sustainable changes to in their energy use. Since its inception in November 2014, Aurora Energy has assisted more than 7,600 customers through the YES Program, with 2,905 customers successfully completing the program and taking control of their energy usage and bills. A continued focus on expanding the reach and impact of the YES program enabled 919 customers to successfully complete the program at a rate of 52.7 per cent in 2017-18.



# APPENDIX ONE: THE AUSTRALIAN ENERGY SUPPLY CHAIN

The Australian energy system is made up of gas producers, pipelines, generators, transmission and distribution networks, retailers and a range of new energy technology and service providers.

**Figure 4: The Australian Energy Supply Chain**





## Electricity

Australia's National Electricity Market (NEM) physically connects all States and Territories (except for Western Australia and the Northern Territory, which have their own electricity systems and separate regulatory arrangements) and provides a market for electricity to be generated, used in each region and traded across regions. Wholesale generation is transported via high voltage transmission lines from generators to large industrial energy users and to local electricity distributors in each region, which deliver it to homes and businesses, with the energy retailer managing the final bill received by customers.

The transport of electricity from generators to consumers is facilitated through a 'pool', or spot market. The pool is managed by AEMO and the market is designed to tell generators how much energy to produce each five minutes, to match production with consumer requirements and from there, calculate the energy price.

Financial markets operate parallel to the wholesale market, with retailers and generators entering into contracts to buy and sell electricity at an agreed price, allowing retailers to manage the risk of volatile wholesale prices for their customers.

## Gas

Australia's domestic gas market consists of the Eastern, Western and Northern gas regions, separated on the basis of the gas basins and pipelines that supply them – with the gas transported via gas transmission and distribution pipelines. The National Gas Law establishes the obligations for the gas businesses operating within three types of wholesale gas markets:

- gas supply hubs (located in Wallumbilla, Queensland and Moomba, South Australia)
- short term trading market hubs (at Brisbane, Sydney and Adelaide)
- the declared wholesale gas market in Victoria.

As with electricity, gas distributors in each region deliver gas to homes and businesses, and the energy retailer manages the final bill received by customers.







[www.theenergycharter.com.au](http://www.theenergycharter.com.au)