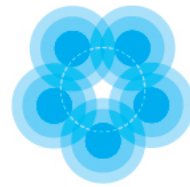


The Energy
Charter
**INDEPENDENT
ACCOUNTABILITY
PANEL**

Building Trust Together

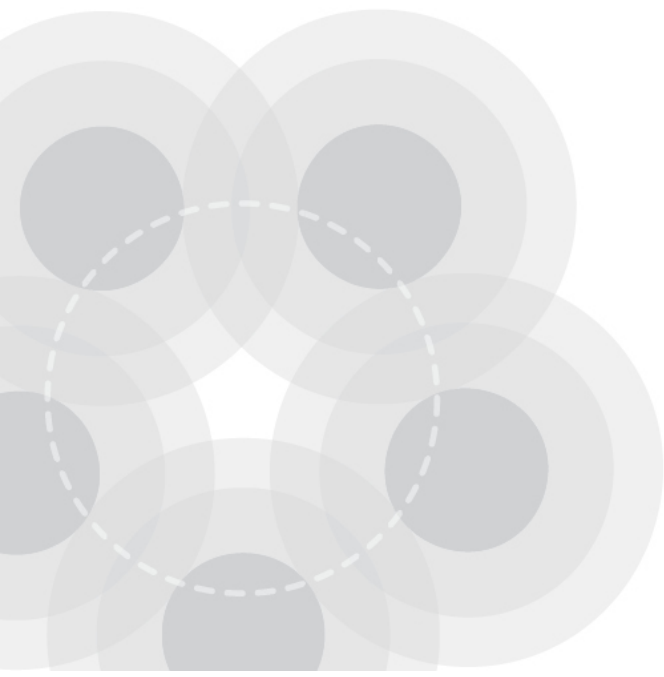
Evaluation Report November 2019
2019 Energy Charter Disclosures





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Foreword

This is the inaugural report from the Energy Charter Independent Accountability Panel (the ‘Report’).

It responds to the 18 Disclosures received from the Energy Charter Signatories in September 2019, based on their assessment of their performance against the Energy Charter Principles in the first half of 2019.

The Panel commends the Signatories – the founding organisations from across the energy value chain which have shown leadership in volunteering to join together in an initiative well above and beyond compliance and regulation.

They have committed to placing the customer at the centre of the industry and each Signatory business.

The vision of the Energy Charter is clear and ambitious:

‘Together, deliver energy for
a better Australia’.

The Panel recognises the Signatories’ substantial commitment to realise this vision, by bringing the Principles of the Energy Charter to fruition for customers. The Panel also recognises that, as a significant cultural change exercise, this will not happen overnight. Additional time, focus and resources will need to be committed by Signatories in the years to come. Signatories have demonstrated a strong commitment to the Energy Charter and its Principles.

The Panel has written the Report to be accessible to as many people as possible and believes it provides valuable information to both Signatories and customers alike. We hope it will provide a catalyst for increased communications between Signatory businesses and more customer involvement in future Energy Charter activities.

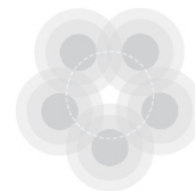
The Panel hopes the baseline from the 2019 Disclosures, interaction with stakeholders and the feedback from the Report, will encourage the Signatories to build rapidly towards greater alignment with the Principles in 2020.

As an industry-wide initiative, the Panel joins with the Signatories in encouraging the remaining energy businesses – like Horizon Power just this month – to join in this ambitious initiative towards building trust and delivering better outcomes for customers.

We wish them well in their future endeavours.

The Energy Charter Independent Accountability Panel

30 November 2019



Executive Summary

“You have to be living under a rock not to appreciate that customers want better service and lower prices.”

Catherine Tanna – Managing Director EnergyAustralia (The Australian 4 Nov 2019, p20)

Over the last decade, customers have been complaining loudly about significant increases in energy bills while paying those bills has become increasingly difficult for a growing number of people, especially people facing vulnerabilities. Other concerns include: the complexity of multiple energy plans, the challenge of getting complaints resolved, power outages, aggressive debt collectors and disconnections, the practice of discounts for paying bills on time, and a myriad of other issues. For businesses and other enterprises, increases in energy costs are either passed onto consumers or absorbed by the business, limiting their ability to grow or even maintain current levels of employment. For those businesses facing international competition, rising energy costs may severely threaten their viability. According to the Reputation Institute 2018 RepTrak¹, energy companies rank number 30 below banks (29) and just above tobacco (33), in the Australian industry reputations hierarchy.

In February 2019, 18 energy businesses spanning the energy supply chain voluntarily signed up to the Energy Charter, the focus of which is to “progress the culture and solutions required to deliver a more affordable, sustainable and reliable energy system for all Australians” moving beyond what is required under regulation. The Energy Charter has five Principles: putting the customer at the centre of the business, improving affordability, providing energy safely, sustainably and reliably, improving the customer experience, and supporting customers facing vulnerabilities. A major element of the Energy Charter requires Signatories to work collaboratively with each other and with customers, their advocacy groups and other stakeholders. As the Chair of the CEO Council for the Energy Charter, John Cleland, stated:

“No single industry participant is singularly responsible for the increase in prices or the reductions in reliability. And likewise, no single industry participant will resolve those two issues. Therefore co-operation and collaboration, which is implicit to the Energy Charter is critical to better managing the transition and achieving far better outcomes for customers going forward.”

John Cleland – CEO, Essential Energy and Chair, CEO Council (Panel meeting, October 2019)

Signatories prepared reports (Disclosures) summarising their activities, achievements and failures against the Energy Charter Principles for the period January to June 2019 and their plans for the coming years. Their disclosures were published in late September 2019.

An independent Panel appointed to assess these disclosures against the Energy Charter held meetings with the majority of Signatory CEOs, ran public stakeholder forums in Brisbane, Melbourne and Sydney and a webinar for regional stakeholders. Public submissions were also invited.

The 18 energy companies which are voluntary signatories² to the Energy Charter are to be congratulated for the leadership they have shown. While all acknowledge there is considerable progress to be made, the willingness of some energy companies to admit they had not treated all their customers well and offer apologies and in some cases redress, is a profoundly positive change in behaviour.

The Panel was greatly encouraged by the fact that in the Panel meetings with CEOs, they generally expressed a higher level of commitment to, and ambition for, putting the customer at the centre of their businesses than

¹ <https://www.reputationinstitute.com/sites/default/files/pdfs/2018-Australia-RepTrak.pdf>

² Recently increased to 19 with Horizon Power being welcomed this month.



the Disclosures revealed. While stakeholders were also encouraged by the strength of CEO statements, this needs to be translated right through the business. As Rose McGrath from QCOSS stated:

“You can have a CEO or board who is very keen on driving these Principles but they have to go right through to the call centre, to changing the meter and to all those touch points in terms of where the ordinary consumer actually interacts with the company. So hopefully that should be a focus in terms of the culture driving right across all of the organisations.”

Rose McGrath, QCOSS (Brisbane Forum)

In addition to the Panel’s assessment of Disclosures against the five Principles of the Energy Charter, the Panel identified some overarching themes that crossed the five Principles. These themes are presented in the initial section of the Report followed by the Panel’s assessment of the Disclosures against each Principle. Many examples of better practice and innovative measures are contained in the Report.

Six major themes emerged from the Panel’s assessment.

1. **Know Your Customers and Communities**

Who are your customers, what are their attributes and needs, and what are the targets, and timing of the strategies Signatories are implementing to meet those needs? This is particularly important where customers facing vulnerabilities are concerned, including the range of factors that lead to risks. Customers appeared to be regarded as largely homogenous and other than recognition of customers facing hardship, and business vs households, detailed analysis of customer groups and their needs was reported by only a small number of Signatories.

The Panel believes a more tightly focussed definition of ‘customer’ is needed, to distinguish them from communities and other stakeholders. Where there are proposed outcomes in relation to other stakeholders, these outcomes should be clearly framed to explain how they contribute towards better meeting the needs of end consumers. Community and stakeholder partnerships are important ways to develop action under the Energy Charter when they focus on improving customer outcomes, for example for those people facing vulnerabilities.

2. **Go Above and Beyond Compliance**

The Energy Charter is predicated upon going above and beyond compliance with legislation, rules or regulation. Examples of compliance promoted as an Energy Charter achievement abounded in the first round of disclosures for example, price declines as a result of a strict regulatory AER process (and which generally predate the Energy Charter), as a result of falling interest rates, or more effective regulation.

Another key recommendation of the Panel is that to meet the requirements of the Energy Charter, Signatories must demonstrate additional behaviour and proactive initiatives that deliver better customer outcomes, for example ensuring customers have access to the rebates and concessions to which they are entitled, or that they are on the best offer for their particular needs, or financially acknowledging customer loyalty. While some Signatories have moved to improve their approach to energy debts, Signatories should work together to agree the highest standard to prevent customer disconnections and bankruptcies.

3. **Leverage High-Impact Points for Change Together**

It is likely undertaking actions which lead to changes delivering the greatest impact on customer outcomes will often be the result of energy businesses working with others and working together (exemplified by the development of the Energy Charter itself), and the associated ‘Better Together’ initiatives among the energy businesses and their customer advocacy groups. The impact of the Energy Charter could be further strengthened by Signatories influencing their peers to join with them in working together on high impact projects which will accelerate better customer outcomes - for example, tariff design which acknowledges capacity to pay, along with cost, as part of affordability, particularly for customers facing vulnerabilities.



Other examples include seeking consensus on desired changes in government policy, energy efficiency, and seeking to collaborate with energy intensive businesses to reduce their exposure to persistently high energy costs.

4. **Develop Metrics and Report on Progress**

It has been difficult to objectively compare performance across Signatories due to the lack of a consistent set of measures and metrics. Therefore, agreeing on a limited number of important measures of performance (metrics) relevant to Energy Charter commitments which will allow comparisons across Signatories and against international best practice is recommended. Reporting on progress against specific plans, with outcome-based targets, and timetables, will be important to show an improvement for customers.

While many Signatories foreshadowed they would ‘improve’ in a particular aspect in coming years, fewer were specific about precisely the kind of improvement, the level of achievement at which they were aiming, or the timetable. Many Signatories provided a number of metrics to demonstrate the level of their achievement, but it was not possible to compare Signatories, either with each other, or internationally. For future years, the agreement of common metrics would be of great value to consumers (and the Energy Charter process) for example, in complaints, customer experience, treatment of customers facing vulnerabilities and energy efficiency activities.

5. **Close the Loop on Initiatives**

Many Signatories provided examples of activities (often innovative) which were promoted as a solution to a problem without evidence of the end result being a confirmed improvement in customer outcomes. For example, the provision of an app to enable customers to monitor and reduce their power use is only beneficial if there is evidence that customers find that this really does assist them to reduce their power use, and gives them information that they want and need. While a number of the examples provided were in their pilot phase, in future years it will be more meaningful for Signatories to provide evidence of the improvement in customer outcomes that results from these initiatives. As a demonstration of the commitment of Signatories to this end, evidence of a quantified plan, with clear targets and timetables would be essential.

6. **Elevate and Optimise Dispute Resolution**

Inserting “complaints” and “complaints policy” into the search function of the eleven retail and distribution Signatories’ home pages to determine: how easy it is to make a complaint; how easy is it to find the complaints policy; if the Australian Standard for complaints is mentioned; and whether there is a reference to a higher complaints resolution organisation like the State Energy and Water Ombudsman, revealed that all four items are easily found for only just over half of them. The information may be there, but it needs to be more easily found.

Reactive complaints data are a key source of information for improvements while recognising that customers facing more vulnerabilities may not even feature. Reactive complaints data needs to be complemented by proactive outreach and community engagement. Research is also required to identify problems for customers who either cannot or will not complain, due for example, to lack of access to online complaints, literacy, or medical vulnerabilities. Complaints capture, management, and measurement needs to be elevated to a strategic level to diagnose internal process failures as well as to better understand customer needs and preferences.

State Ombudsmen have provided the Panel a package of valuable advice including that energy suppliers should: provide greater incentives for staff to record and recognise customer complaints; increase focus on first call resolution and escalation; undertake first an internal, and several years later an external, audit of their complaints handling against the Australian Standard; and report against standardised metrics. An effective dispute resolution procedure also needs to be established for business customers who cannot access Ombudsman services.



The Panel's assessment of the Principles provided some further observations.

Principle 1 “Putting customers at the centre of our business and energy system”

This Principle requires recognition that the customer voice should be represented throughout the business. CEO and Board statements at the beginning of Disclosures and examples of frank self-appraisal and redress of past poor treatment of customers were seen by the Panel and stakeholders as extremely positive signs of leadership and commitment. The Panel believes that embedding the voice and experience of the customer at the governance and strategic level of the business is fundamental to the achievement of the Energy Charter's vision, and while many Signatories have established customer councils, customer advocates and chief customer officers, it is important to confirm there is also social policy / retail / customer expertise at Board and senior executive levels.

The Panel's evaluation of Disclosures against the Principles also revealed that while Signatories have commitments to embed customers at the centre of their businesses, greater specificity and clarity in these activities is required.

Principle 2 “We will improve energy affordability for customers”

This Principle requires Signatories to consider all the ways in which this might be done from the perspective of the customer. This means not only considering the efficient cost to supply energy, but also an improved understanding of the costs to the customer, the value received by customers, energy used, how well customers understand and accept the costs, and the customer's capacity to pay. Consultation with customers and their representatives is important to ensure customers are on the tariff that best meets their needs. For example, the Panel was advised of “brokers” obtaining significant savings for small business customers which had neither the time nor energy to engage with energy businesses. Opportunities for greatest improvement in costs of supply may be through collaborative effort across the supply chain and with stakeholders to find the points of greatest impact, for example with rule changes or non-traditional means like virtual power plants.

While affordability is an issue across the range of customers, financially-vulnerable customers have a much more acute view of affordability than those with a strong capacity to pay. Signatories need to develop concrete plans for ensuring their customers are on the best deal, with access to applicable concessions and an ability to manage payments on time. Among other positive moves, some good examples of Signatories assisting customers to improve their wellbeing by upgrading appliances, insulation and installing solar panels to reduce energy bills were provided. The Panel suggests that Signatories consider working together, and with appropriate stakeholders, to improve access to energy efficiency measures for customers facing vulnerabilities. Signatories could also consider collectively promoting discussion with customers and their representatives about bringing a greater affordability focus into energy pricing with a focus on those financially vulnerable households where energy costs are the highest percentage of household income (10.2% where household income is less than \$20,000 pa compared with 1.4% where household income is greater than \$150,000 pa)³.

Principle 3 “We will provide energy safely, sustainably and reliably”

Responses against this Principle yielded extensive reporting and metrics on workplace health and safety but little on customer and community safety, or sustainability. Environmental incidents, emissions or pollution reduction received little attention.

A number of Signatories provided detailed information on their approaches to transformation of the energy system. These include new initiatives, for example: generation Signatories moving to a more flexible operating model and trialing prospects for hydrogen as fuel. Some Signatories provided emissions reduction plans and targets, reporting against the Taskforce on Climate-related Financial Disclosure metrics, and considering approaches for staff, contractors and host communities in relation to their ‘just transition’ away from coal-fired assets. It is important that all Signatories be clear about their plans for transformation and how that will be done without leaving some customers and communities behind.

³ ECA Energy Consumer Sentiment Survey June 2019.



Principle 4 “We will improve the customer experience”

Performance against this Principle is a work in progress. While there were examples of better practice – enterprise customer account management teams and tailored services, providing energy efficient solutions to households to enable heating / cooling and reduced bills, capturing and resolving complaints including targets and metrics – there is considerable room for improvement. For example, making it easy to make a complaint and have it resolved, lifting engagement with enterprise customers to help them choose the tariff that best meets their needs, data access and data portability, and investing in proactive community engagement and research. There is also an absence of good comparable measurements so it is difficult to assess and compare performance of Signatories.

One Signatory shared their qualitative test of evaluating their approach to customers:

“... the ‘Mum test’ ... everything we do at work is ‘would my Mum, significant other, be proud of what I’ve just done?’ Which is why we never door knocked, it’s why we never charged a loyalty tax.”

Catherine Anderson – Acting CEO, Powershop

Principle 5 “We will support customers facing vulnerable circumstances”

This is an area in which Signatories have endeavoured to improve their offerings but the Panel concluded there is much more that should be done. To begin with, it is important for Signatories to demonstrate an understanding of the various ways in which their customers can face vulnerabilities. Further, this would seem to be an area (like workplace health and safety) in which Signatories working together could achieve standardised best practice arrangements in matters like treatment of energy debt, harmonisation of hardship guidelines, early intervention, additional support for successful outcomes and improving affordability through better energy efficiency programs and policies. Strong long-term partnerships, at the strategic and governance level, with community groups to build trust and understanding to drive innovation in this area should be encouraged.

As a result of the Panel’s assessment of underlying themes and the Principles, it has made 32 Recommendations to the Signatories. The Panel believes that implementation of these Recommendations will enhance the experience of the energy customer and provide customer advocates with increasing evidence of the commitment of Signatories to the Principles of the Energy Charter.

Signatories are also strongly encouraged to seek inspiration from reviewing the collection of leading practices of their partners in the Energy Charter and to consider whether any are appropriate to apply in their own business – taking an ‘if not, why not’ approach.

While this is the first year of the Energy Charter and there is still a long way to go, the Panel is pleased to observe a willingness of all Signatories to engage in the process in such a meaningful and genuine way. The Disclosures themselves provide a useful collection of initiatives that will be of great assistance to all Signatories as they learn from each other and further develop their approach to putting the customer at the centre of their business.



Recommendations

The Panel's recommendations are drawn from the body of the Report, developed against:

- **Six Key Themes** identified by the Panel (which apply across a number of different Principles); and
- **Five Principles** of the Energy Charter.

Recommendations focus on what Signatories can do to better meet the Principles – whereas in **Appendix 5** the Panel offers some suggestions on form (how Signatories might more effectively structure and present their Disclosures in future).

Recommendations are not offered in any particular priority. The Panel notes that applicability of recommendations will differ among Signatories.

TABLE 1 – Consolidated Recommendations

	Key Theme 1 – Know your Customers and Communities
1	Develop an analysis of Signatory customers and directly-impacted communities, appropriate for the purposes of the Energy Charter.
2	Develop a breakdown of both small and enterprise customers into meaningful groups with respect to needs and preferences, especially in the different aspects of vulnerability.
3	Engage appropriately with, and measure outcomes for, the specific customer groups as evidence to demonstrate improvements against those customer groups' specific needs. This includes customer groups who may not engage as easily via digital means and/or inbound calls.
4	Research the characteristics of customers who may be least likely to complain (yet sometimes face the greatest hardship) and use the results to predict, engage and collaborate to improve outcomes for them.
5	Prioritise community and stakeholder partnerships and corporate / staff giving programmes which are clearly linked to engaging staff with customer needs, and/or improving energy customer outcomes.
	Key Theme 2 – Go Above and Beyond Compliance
6	Demonstrate how Signatory behavior and proactive initiatives – above and beyond compliance with energy law, rules and regulation – improve customer outcomes.
	Key Theme 3 – Leverage High-Impact Points for Change Together
7	Work together to develop a shared framework for high-impact leverage points in the energy system, by identifying methods of collective action which deliver greater and / or more rapid improvements in customer outcomes than Signatories can achieve acting on their businesses alone.
8	Apply the framework to high-impact leverage points which may include (1) joint advocacy for improved customer outcomes (2) tariff codesign and rollout (3) pooling of customer contact details for the purposes of improved customer experience, especially in the case of outages and operational impacts (4) better identification and support of customers facing vulnerabilities and (5) broader access to the benefits of distributed energy resources, addressing the challenges arising from the barriers to adoptions faced by many customers.
9	Initiate a broad conversation with customers and their representatives about addressing capacity to pay as a key aspect of affordability, and explore an 'affordability mindset' in energy pricing (prior to any design discussions and engagement with regulatory processes about implementation).



	Key Theme 4 – Develop Metrics and Report on Progress
10	Develop a clear understanding about the characteristics of appropriate metrics for measuring progress under the Energy Charter, for each Signatory individually.
11	Collectively agree an appropriate priority group of high-quality metrics which can meet the challenge of comparability across many Signatories, and allow future benchmarking – harmonising with existing regulatory reporting where possible and appropriate.
	Key Theme 5 – Close the Loop on Initiatives
12	Ensure the focus begins and ends with the customer or impacted community in relation to new products and services, investments, operations, and interactions – this includes first engaging to determine needs and preferences, then closing the loop back by confirming those needs and preferences have been met.
	Key Theme 6 – Elevate and Optimise Dispute Resolution
13	Ensure customer feedback and complaints are elevated to a governance and strategic level in the Signatory business, using the feedback as a key source of systemic improvements to customer outcomes.
14	Consider the suggestions provided to Signatories by the Ombudsmen to ensure customer feedback, internal and external dispute resolution processes are best practice.
15	Develop appropriate industry-wide dispute-resolution processes for enterprise customers of any size to satisfy Principle Four , acknowledging the multiple participants in the value chain and the lack of access to an Ombudsman service.
	Principle One – Put customers at the centre of our business and the energy system
16	Consider the voice and experience of the customer at the governance and strategic level of the Signatory business – including in relation to Board expertise and senior management advocacy.
17	Ensure Signatory staff and appropriate external stakeholders are broadly involved in the development of Energy Charter Disclosures.
18	Advocate to major shareholders to ensure mandates or other directions do not conflict with or restrict adherence to the Energy Charter – and seek to ensure such mandates are published and accessible.
19	Consider the quality of incentives - weighing up the benefits of alignment with customer outcomes through KPIs and at-risk elements of remuneration, against the risks of poorly-designed incentives leading to perverse outcomes for customers.
	Principle Two – Improve energy affordability for customers
20	Consider and seek to act upon all dimensions which contribute to the customer experience of affordability – not just the price of energy or the efficient costs of the system.



Principle Three – Provide energy safely, sustainably and reliably	
21	Develop a clear position on sustainability consistent with the cited GRI Sustainability Reporting Standards, supported by current metrics on emissions (perhaps based on NGERs) and future targets.
22	Broaden the evident focus in Disclosures on workplace health and safety to include safety and environmental impacts from Signatory assets and operations on host communities.
23	Ensure the impacts of transition on customers and communities – particularly communities which host Signatory assets which may close or change their operations – are included in actions under this Principle.
24	In addition to consulting with customers on the tradeoff between reliability and cost, ensure there is also a focus on improving the customer experience when reliability events occur.
Principle Four – Improve the customer experience	
25	Ensure there is equivalent attention to the needs of enterprise customers in relation to fair outcomes.
26	Provide evidence of empowerment of customers by streamlining access to, and portability of, customers’ data.
Principle Five – Support customers facing vulnerable circumstances	
27	Work together across all parts of the energy supply chain to agree on the highest standards for managing energy debt in a manner consistent with the Energy Charter.
28	Determine and apply the best practice hardship standards to all customers, and advocate for harmonisation of regulation between jurisdictions at this level.
29	Develop strategies to optimise concession outcomes for customers, including advocacy on their behalf, consideration of shared incentives to reduce the volume of their energy usage, and systems and processes to ensure available concessions are provided to eligible customers.
30	Extend efforts on early identification, engagement and collaboration with customers at risk to a more proactive analysis and engagement, including analysis of data and outreach to those customers who may not self-identify or even contact their supplier when facing potential hardship.
31	Consider developing hardship programmes based on a mindset of supporting customers for success – both for the Signatory and the customer – in moving out of hardship.
32	Develop and partner in initiatives to structurally improve energy efficiency for customers facing vulnerabilities.



Key Terms and Resources

The following terms are used throughout the Report. Footnotes provide links to the supporting information.

*Energy Charter*⁴

The industry-developed document containing the Principles and Principles in Action.

Principles

The five core commitments under the Energy Charter – noted in the Report as (e.g.) **Principle Three**.

Principles in Action

24 detailed requirements for Signatories to fulfil the Principles⁵ – where necessary these are referred to as (e.g.) **PiA 3.2**.

Signatories

18 energy-sector organisations which provided 2019 Disclosures⁶.

Disclosures

The Signatories have committed to an annual self-reporting of their performance against the Principles. All Signatories lodged these at the end of September 2019⁷. The Report is the Panel's assessment of the Disclosures – which are referenced in the Report as (e.g.) **AGL Disclosure** or **AGL**.

Panel

The Energy Charter Independent Accountability Panel, established to evaluate the disclosures and assess the degree to which they indicate the Signatories are meeting their Energy Charter commitments⁸. In the Report, the Panel provides its view on the Signatories' inaugural period of commitment, 1 January to 30 June 2019.

CEO Meetings

The Panel extended an invitation to each Signatory CEO to meet and discuss their Disclosure. 16 Signatories participated⁹. A broad range of attendees represented the Signatories, ranging from the most senior executives, to major shareholders and Board members, to frontline customer-facing staff.

Submissions

The Panel invited stakeholders to assist us in our task¹⁰. The Panel greatly appreciates the thoughtful contribution from all customer advocates and others who participated. Submissions are referenced in the body of the Report as (e.g.) **Voices for Power Submission**.

Forums

To support the Panel's call for submissions, stakeholder engagement sessions were held in Sydney, Melbourne and Brisbane, plus an online webinar, in October 2019. Feedback was gained directly from these sessions¹¹.

⁴ To assist readers unfamiliar with the Energy Charter, **Appendix 1** provides a summary. The full text of the Energy Charter and supporting documentation may be found at <https://www.theenergycharter.com.au/publications/>.

⁵ The Panel has minimised references to these to avoid lengthening the Report and due to considerable overlap between some of them. Assessment is directed at the level of Key Themes (spanning multiple Principles) and the five Principles.

⁶ Details are available at: <https://www.theenergycharter.com.au/signatories/>, and **Appendix 2** lists the Signatories, their ownership, and where they operate in the electricity and gas value chains.

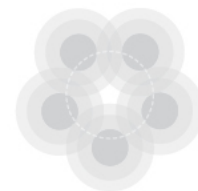
⁷ They are published at <https://theenergycharterpanel.com.au/industry-disclosures/>.

⁸ The Accountability Framework for the Energy Charter, including the Panel's Terms of Reference are set out in **Appendix 6**. The Panel's website is: <https://theenergycharterpanel.com.au/>.

⁹ A list of meetings and attendees is provided as **Appendix 3**, along with quotations from Signatories. Audio from the meetings is available at: <https://theenergycharterpanel.com.au/industry-disclosures/>.

¹⁰ Written submissions are listed in **Appendix 4** and available at: <https://theenergycharterpanel.com.au/public-consultation/>.

¹¹ Audio from the Forums is also available at <https://theenergycharterpanel.com.au/public-consultation/>.



The Panel's Assessment Process

The Panel provided Signatories with guidance on the Panel's expectations for the Disclosures in August 2019¹². Disclosures were reviewed from 30 September 2019 and placed on the Panel's website¹³.

The Panel published an Issues Paper¹⁴ seeking submissions from both small and enterprise customers and their representatives about how the Signatories are performing for their customers, and what would deliver better outcomes for all customers.

During October the Panel hosted three forums in Brisbane, Sydney and Melbourne, as well as an online webinar particularly for people in rural and regional Australia. Presentations were made to attendees by the Panel Expert¹⁵, and the End User Consultative Group¹⁶. Audio recordings of the forums and webinar were placed on the Panel's website¹⁷.

Written submissions received from stakeholders were placed on the Panel's website¹⁸, and are listed in [Appendix 4](#).

Meetings were held with sixteen of the eighteen Signatories, typically at CEO level, to help the Panel understand the Disclosures in context. Audio recordings of the meetings were placed on the Panel's website¹⁹. The meetings and attendees are listed in [Appendix 3](#), along with a summary of quotations from Signatories.

The Report represents the Panel's assessment of the Disclosures, progress to date and plans towards better practices, consistent with the Energy Charter Principles in Action.

A note on the shorthand description of end-use customers

It is typical for the retail energy industry – and the Disclosures – to distinguish between large ('business', 'commercial & industrial') and small ('household', 'residential', 'mass-market' or 'small enterprise') customers in operations and reporting.

Understanding the needs of different customer groups is more complex than this – as discussed in the body of the Report.

As shorthand, the Panel refers to end-use customers in the Report as:

- **Small customers** – private households, or small enterprises treated in a similar manner to a household customer.
- **Enterprise customers** – larger commercial, government or for-purpose enterprises who interact with energy suppliers in a different manner to small customers.

A note on "Opportunities for Improvement"

The Terms of Reference for the Panel include 'providing guidance on opportunities for improvement'. The Panel has done so at several levels in the Report, through Recommendations on behaviour in the body of the Report, and suggestions on the form of future Disclosures in [Appendix 5](#).

Signatories often self-identified opportunities for improvement in Disclosures. The Report is not seeking to collate and repeat these – but the Panel was generally of the view that the self-identification should be more thorough, specific and ambitious in future.

¹² <https://theenergycharterpanel.com.au/wp-content/uploads/2019/10/Panel-Guidance-to-Signatories-on-2019-Process-11-Sep-2019-final.pdf>

¹³ <https://theenergycharterpanel.com.au/industry-disclosures/#disclosures>

¹⁴ <https://theenergycharterpanel.com.au/wp-content/uploads/2019/10/Panel-Issues-Paper-4th-October-2019.pdf>

¹⁵ <https://theenergycharterpanel.com.au/wp-content/uploads/2019/10/David-Heard-Presentation.pdf>

¹⁶ <https://theenergycharterpanel.com.au/wp-content/uploads/2019/10/Chris-Alexander-Presentation.pdf>

¹⁷ <https://theenergycharterpanel.com.au/public-consultation/#forums>

¹⁸ <https://theenergycharterpanel.com.au/public-consultation/#submissions>

¹⁹ <https://theenergycharterpanel.com.au/industry-disclosures/#meetings>



Reading the Report

There was a variety of approaches to the Disclosures and the Panel expects that as the Disclosure process matures, a higher degree of comparability will emerge – at least between Signatories operating in similar areas of the value chain – including common and comparable metrics²⁰.

The Panel reviewed the input it received specifically against the five Principles of the Energy Charter – not more general matters of compliance, performance or behaviour. It did not seek to deal with each of the 24 Principles in Action separately, and it focused on the areas of Disclosures most relevant to each Signatory's role in the energy industry.

The Report is structured in two parts, to avoid repetition in areas which spanned multiple Principles.

Section A – Key Themes

The Panel identified six Key Themes. These are general areas for accelerating improvement in customer outcomes and relate to more than one of the Principles. The Key Themes are illustrated with examples from Disclosures, and a number of Recommendations arise from each.

Section B – Assessment by Principle

Performance was assessed against each Principle, with examples from Disclosures cited. Opportunities for improvement are captured as further Recommendations.

Form of assessment, examples and Recommendations

The Panel has drawn upon the Disclosures for the most convincing self-reported examples of better practices²¹ and areas of interest (such as innovations)²². It has also identified opportunities for improvement²³, which are discussed and lead to Recommendations.

The examples chosen should not imply the Panel considered other Disclosures were either deficient or excellent in those matters. It is important for all Signatories to reflect on how Recommendations may apply to them, as well as where better practices might be adopted and further improved in their business.

Feedback and context from Signatories and stakeholders

Notable issues raised in Submissions and Forums are highlighted throughout the Report, either by citation of a Submission, or through a direct extract or quotation. In a similar manner, quotations from the CEO Meetings have been used when helpful in clarifying the Panel's perspective on Disclosures.

Metrics

The quality and quantity of metrics provided by Signatories was highly variable in 2019. At this early stage, the Panel found little opportunity to analyse and compare quantitative performance either over time, or between Signatories. This has been elevated as **Key Theme 4** for improvement.

Appendices

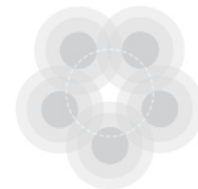
Appendices provide background detail on the Energy Charter, its Accountability and Governance Framework, including the role and Terms of Reference for the Panel. Summaries are provided of the Signatory businesses and ownership, Submissions, Forums and CEO Meetings.

²⁰ In the Report, 'metrics' refers to the numerical measures of performance which Signatories offered against the Principles.

²¹ The Panel is not in a position to judge 'BEST practice' – so these represent a good standard of performance in the Panel's opinion, which ought to be recognised.

²² The Panel is not prepared to suggest these are 'better practices' at this stage – but they appeared to have the potential to lead to those in future. As such, they are worthy of highlighting to all Signatories and other stakeholders.

²³ The Panel interpreted this phrase from its Terms of Reference to mean examples where a Disclosure is silent about compliance with a Principle, or Signatory behaviour appears to be either inconsistent with the Principle, or to have taken little account of the commitment made in the Principles in Action.



Section A – Key Themes

Although the five Principles are the primary framework for action, the Key Themes are where the Panel believes attention from the Signatories could lead to rapid and/or material improvements in outcomes for customers, in areas which span multiple Principles.

- Key Theme 1: **Know Your Customers and Communities**
- Key Theme 2: **Go Above and Beyond Compliance**
- Key Theme 3: **Leverage High-Impact Points for Change Together**
- Key Theme 4: **Develop Metrics and Report on Progress**
- Key Theme 5: **Close the Loop on Initiatives**
- Key Theme 6: **Elevate and Optimise Dispute Resolution**



Key Theme 1: Know Your Customers and Communities

The Panel suggests a tighter focus on end-use customers and those communities directly impacted by a Signatory's activities rather than stakeholders in general. Signatories should focus greater effort on understanding relevant groups of customers. Knowing the customer includes ensuring their voice is heard at all levels of the Signatory business.

The Energy Charter states²⁴ Signatories “*have the flexibility to define who they consider their customer to be*” – noting “*other stakeholders, such as local communities*” may fall under the customer umbrella.

The introductions to many of the 2019 Disclosures provided a range of interpretations of who Signatories considered to be their customers. In some cases, the broader “customer” was interpreted to include stakeholders as expansive as citizens of the State, or in other cases appeared to give equivalent weight to staff and suppliers as stakeholders in terms of Disclosure content for certain Principles in Action.

Clearer boundary and hierarchy

The Panel considers these interpretations can be too broad to be useful, diluting focus. Definition of the customer, and the content of Disclosures, should avoid diverging to those stakeholder groups not clearly connected to end-use customer impacts or not directly impacted by Signatories' core activities.

While broad stakeholder engagement is a critical foundation for a successful business (and should indirectly support positive customer outcomes as a result), it seems to the Panel a common-sense reading of the Principles in Action makes it clear that the intended focus of the Energy Charter is primarily on end-consumers of energy of all sizes, and the communities which host the businesses' operations.

In future Disclosures, the Panel recommends a clearer articulation of how activity with intermediary customers, communities and stakeholders will ultimately provide a better outcome for end-consumers.

A more precise focus in this area may simplify Disclosures, prompting clearer focus among Signatories about how their businesses can work to support end-consumers better – for example via collaboration across the value chain and customer-focused advocacy.

The Panel considers a clearer Signatory definition of “Customer” might be:

- First and foremost the **end-consumers of energy and associated services – individual households and enterprises large and small**. It recognises that the Principles are predominantly directed towards outcomes for these end-consumers.

“If you rewound 5 or 10 years people in my position would say we have only got a handful of customers – our customers are the retailers. That’s not my view. My view is our customers are the end customers - the 2 million people that are customers that connect to us. I know where they live and I know how much gas they use. But I don’t know their names and I don’t have their telephone numbers or their email addresses, because it’s the retailers that have that.”

Ben Wilson – CEO, Australian Gas Infrastructure Group

Beyond this:

- Customers also include **those persons or companies which receive, consume or buy a product or service** from a Signatory business – which includes intermediary businesses within the value chains for non-Retailer businesses²⁵. Adherence to Energy Charter Principles in respect of these intermediary customers can cascade through to better outcomes for end-consumers.

²⁴ See page 5 of the Energy Charter, headed “The Energy Customer”. https://www.theenergycharter.com.au/wp-content/uploads/2019/04/TheCharter_20190328.pdf

²⁵ For example, in the electricity value chain a transmission company has both connecting generators and distributors as customers. Distributors' customers are the retailers. Although not clearly set out in the Disclosures, the Panel considers the key direct customers for



- Customers may also include **those who act as an agent, representing the interests of end-consumers** – such as certain advisers and brokers who assist customers to engage and navigate the market successfully. This is especially relevant to subgroups of enterprise customers who may rely on external expertise to engage successfully.
- **Host communities which are directly affected by the assets and operations** of Signatory businesses are not customers, but they are very important stakeholders relevant to the Energy Charter Principles. These include landholders and neighbours for generation and transmission, householders and the general public for networks. Communities affected by the potential installation or withdrawal of assets and operations are also included.
- **Other stakeholders with an impact on end-consumer outcomes** are also relevant to the Energy Charter – including governments, regulators and other market bodies, and organisations representing groups of end-consumers such as advocates. This is particularly relevant to issues like best practice customer engagement, effective industry and policy advocacy on behalf of customers, innovation, collaboration, and customer-centred product design.

Understand impacts through the financial value chain

The Panel found generator Signatories underestimated their role on end-consumer outcomes via their trading operations: linking backward with variable renewable generators and/or forward by providing hedge market liquidity and firmed supply to retailers and enterprise customers.

“We do have relationships with other retailers and we didn’t disclose it... two deals that went to the Board last month firming renewable projects – very long-term 9 year deals with customers direct so we’re back to backing - we’re acting as an intermediary. There are 2 or 3 deals which we have where the customer said ‘I want to decarbonise my energy supply. I do not want to pay 100% green. I want the black price but can you bring the renewables projects.’ So what we are doing is we’re banking the project, wrapping the black and then packaging it and then selling it to the customer. We haven’t disclosed that but that’s exactly what we are doing and that’s been happening for the last few years... That’s good feedback. We didn’t see that as relevant.”

Andrew Bills – CEO, CS Energy

Meaningful Customer Groups²⁶

“... great consumer outcomes depend on companies meeting consumers where they are: understanding their specific needs and tailoring services accordingly. While some companies provided examples of how they are offering more individualised services based on an understanding of the different needs of a particular group of customers ... we would like to see much greater ambition, clearly communicated in the coming years.”

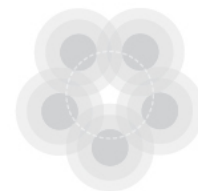
Energy Consumers Australia (Submission p6)

The Panel felt there was a lack of meaningful grouping of end-customers in most Disclosures.²⁷

generators are retailers – often via the contract / hedging market. When all work in concert (for example via well-functioning contract markets, smooth arrangements for physical connections and data exchange, and collaborative approaches to managing the customer experience) end-consumers will see the benefit. In the Panel’s view, this is the ambition expressed in the Energy Charter.

²⁶ Or ‘segments’. In the Report the term ‘customer grouping’ is used.

²⁷ There are various external examples of segmentation in retail energy markets. One recent and local example was developed under Energy Consumers Australia’s ‘Power Shift’ project by ACIL Allen: ‘Supporting Households to Manage their Energy Bills – A Strategic Framework’ (November 2018) – a detailed executive summary is available at <https://energyconsumersaustralia.com.au/wp->



In the Panel’s view, placing the customer at the centre implies a good understanding of who the customers in question really are – for example, going beyond the simplest breakdown of “vulnerable” and “not vulnerable” to understand the different characteristics of vulnerability, as well as the different preferences of meaningful sub-groups of the more general small customer and enterprise customer base.

One of the better examples of this was provided by the [Essential Energy Disclosure](#) – outlining a six-part small customer model that not only looks at the level of engagement of these six customer groups but identifies common traits such as how they like to receive information, pay their account and commonalities in household energy use. The [Australian Gas Infrastructure Group Disclosure](#) also provided a well-balanced view of their customer groups and stakeholders.

The Panel considers strong performance under the Energy Charter will require a clear customer grouping and associated engagement strategy. This is likely to be best-developed through high-quality engagement with sample groupings of customers and/or any representative bodies, designed to help understand specific wants and needs of particular groups.

This issue is not restricted to small customers. There was very little in the Disclosures about enterprise customers whether large or small, and how their different preferences might best be served. There was little evidence of specific outreach activities provided in the Disclosures or evidence of where Signatories are seeking to gain a deep understanding of these larger customer views on issues such as reliability.

“I have a conversation with clients all the time ... they are really ticked off with this industry. They don’t understand their bills; they don’t know why they are so expensive; they don’t know why they have gone up; they don’t understand their tariffs; they don’t know they have got a meter; they don’t know that they don’t own their meter... Generally people don’t know. They don’t care because they are just sick of it.”

Sharon Musker, WiseUp Energy Solutions (Brisbane Forum)

While larger enterprise customers may be presumed to enjoy the resources available to engage in a ‘B2B’²⁸ manner, many small and medium-sized enterprises likely do not. The diversity of smaller enterprise customers, the fact they are mostly time poor, and generally don’t engage with energy suppliers, nor explore alternative supply options appears to present particular challenges both for the smaller enterprises and for their energy suppliers. The Panel suggests this needs to be addressed – firstly via energy suppliers attempting to lift their engagement directly with the smaller enterprises, but also by energy suppliers proactively engaging with intermediary advisers / brokers (who may have the expertise to help and share the Signatories’ commitments to the best interests of such customers).

“To the extent that business customers were mentioned at all it was in the context of ‘households and small business customers will enjoy such and such a thing that will seem to be good for everybody’. But there was very little reflection on where business customers and households might diverge, areas where different types of business customers might want different things from each other and by the same token areas where the different kinds of household customers might want different things from each other.”

Simon Moore, NSW Chamber of Commerce (Sydney Forum)

[content/uploads/Supporting-Households-to-Manage-Their-Energy-Bills-a-Strategic-Framework.pdf](#). This approach identified six types of choices available to households in managing energy bills, and categorised households by their ability, motivation and opportunity to manage their energy bills. The result is a rich theoretical segmentation of small energy consumers, providing a detailed basis to address various sub-segments of customers based on their wants, needs and ability to engage effectively.

²⁸ ‘business to business’, a common term referring to enterprise-level commercial interactions.



Among small customers, there was limited consideration of relevant sub-groups in respect of affordability, or among the root causes of vulnerability – such as:

- Disability or medical circumstances (beyond life-support).
- Digital accessibility.
- Cultural and linguistic diversity.
- Aboriginal and Torres Strait Islander heritage.
- Literacy and numeracy.
- Housing occupancy status.
- Housing quality.
- Rural and remote location.
- Employment status and security.
- Financial circumstances.

While aspects of each of these attributes may indicate a greater likelihood of facing vulnerability, the specific nature of that vulnerability and appropriate responses may be quite different.

“Many Disclosure Statements emphasised a focus on financial hardship. This is indeed a critical area of importance to consumers. However, it is not the only way in which a consumer may be considered vulnerable.”

Council on the Ageing (Submission, p2)

While a considerable number of Disclosures referred to life-support customers, the Panel notes that customers with this vulnerability are treated separately under regulation. As the Energy Charter process matures, the Panel would like to see a similar level of attention and understanding evident for other aspects of vulnerability.

“In the MS space there are about 21,000 people in Australia that have MS and 90% of these people have extreme sensitivity to heat. What that means is that their usage is far larger than the general population. The cost ends up being about nearly 10 times that as the general population.”

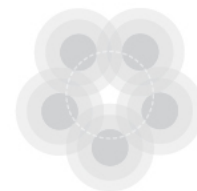
Ilan Ivory, MS Queensland (Webinar)

Evidence of this would include metrics which demonstrate Signatories understand which and how many²⁹ of their customers may have one or more of these attributes – which would be necessary to determine the best actions to improve outcomes for each group.

“... the percentage of consumers who are on hardship or concession programs remains well below what we would expect, based on general poverty data and the high percentage of household income in low-income households that is spent on electricity. More is needed to demonstrate they fully understand their different customer groups and how they are catering for people with vulnerabilities.”

End User Consultative Group (Submission, p6)

²⁹ Or indeed, how many may be missing from the estimate: socioeconomic statistics broken down by location are available, and could indicate how many customers SHOULD be on concessions, compared with how many actually are.



Engagement and outcomes by customer group

There was also generally very little consideration of the need to build an understanding of the most effective modes of engagement required or preferred by different customer groups. People who face vulnerabilities are often least likely to engage with complaints or early-intervention hardship processes, so an active engagement strategy is needed to improve their customer outcomes.

“We talk to people who are not literate in their own language and not literate in English, perfectly able to speak their own language but don’t have literacy in terms of the written word and cannot imagine making a phone call. For them it’s just beyond them. They don’t feel empowered to negotiate.”

“The shame related to not being able to pay your bills, the shame related to not being able to turn your heater on and to not having scope to turn your air conditioning on is so great that people are not likely to talk about it openly until you start to talk about it.”

Asha Ramzan, Sydney Community Forum (Sydney Forum)

Levels of engagement may be highly relevant to outcomes, particularly to the cost of energy supply certain customers groups experience. This is fundamental to fair outcomes, a commitment under **Principle Four**.

Ensuring the voice of the customer is heard at all levels

In **Key Theme 6** the Panel discusses complaints and dispute resolution as a means to ensure the voice of the customer is heard. While important, complaints imply responding to poor outcomes, and even then does not account for the fact that many customers – including those facing vulnerabilities – face challenges to engage, including in order to complain.

When Signatory businesses know their customers and are proactive in listening to them, they will hear the customer voice at all levels of the organisation – including at governance and strategy level, through Board composition and customer engagement with Boards and senior management.

The **EnergyAustralia Disclosure** provided a good example of Board engagement with the customer voice, including a staff-presented ‘customer moment’ each meeting, a standing agenda item on customer issues, and a ‘Voice of the Customer’ section in the Managing Director’s report.

TABLE 2 – Recommendations from Key Theme 1: Know your Customers and Communities

1	Develop an analysis of Signatory customers and directly-impacted communities, appropriate for the purposes of the Energy Charter.
2	Develop a breakdown of both small and enterprise customers into meaningful groups with respect to needs and preferences, especially in the different aspects of vulnerability.
3	Engage appropriately with, and measure outcomes for, the specific customer groups as evidence to demonstrate improvements against those customer groups’ specific needs. This includes customer groups who may not engage as easily via digital means and/or inbound calls.
4	Research the characteristics of customers who may be least likely to complain (yet sometimes face the greatest hardship) and use the results to predict, engage and collaborate to improve outcomes for them.
5	Prioritise community and stakeholder partnerships and corporate / staff giving programmes which are clearly linked to engaging staff with customer needs, and/or improving energy customer outcomes.



Key Theme 2: Go Above and Beyond Compliance

Disclosures require a clearer focus on what is considered the current approach of Signatory businesses, and where additional improvements in the period reflect Energy Charter Principles. There should be little or no discussion of matters which have been imposed externally by energy law, rules and regulations. These are not considered to be additional, nor driven by Energy Charter Principles.

The Signatories note they “regard compliance with legislation, rules and regulation to be a base line or minimum standard of doing business” and the Energy Charter embodies their “intent to go above and beyond what is required by law so as to deliver improved customer outcomes.”³⁰

“So rather than just point to the fact ‘look, the regulator has set an expectation, deliver to that, tick the box and move on’, actually go out and find ways to listen to what customers are saying.”

Frank Tudor – Managing Director, Jemena

“It’s fundamental and I think it is reflected in the Charter that there is an expectation that this is more than just ticking a box and say I have complied with the law.”

Ian Jarratt, Queensland Consumers Association (Brisbane Forum)

The Panel adopted a three-tiered assessment of Disclosures.

1. The compliance minimum

Many Disclosures devoted substantial text to matters of compliance.

The Panel considers that an overreliance on providing compliance information, or implying that compliance activities have been driven independently of law or regulation makes it unclear where genuine commitment to the Principles is being demonstrated. At worst, it may appear these matters have been reported to turn the Disclosure into a more generic marketing document for the Signatory.

“... there was a sense that some Disclosure Statements were heavy on marketing spin. The overall corporate feel and vibe made some consumers feel like they are being ‘marketed to’. Make efforts to reduce jargon and spin, and avoid unnecessary repetition. For example, there was a sense that some Disclosure Statements were seeking credit for changes that were required of them, such as the changes to the Default Market Offer.”

Council on the Ageing (Submission, p1)

Examples are widespread in the Disclosures, and include:

- **Price declines or declining trajectories in networks** which have resulted from a strict regulatory process under the AER (and which generally long predate the Energy Charter). In addition to being determined by regulation, the underlying factors behind price declines are often external (such as falling interest rates), due to more effective regulation (such as changes to the rate of return guideline, or lower allowed capex/opex), or cyclical (due to a lower-capital expenditure period in the network asset life cycle).

³⁰ Page 5 of the Energy Charter, headed “Going beyond energy law, rules and regulation” https://www.theenergycharter.com.au/wp-content/uploads/2019/04/TheCharter_20190328.pdf



- **Satisfying mandated stakeholder engagement** in regulator investment test processes, or 5 yearly regulatory tariff reviews for networks. (Demonstrating good engagement practices and continuous improvement as an ongoing activity are another, more relevant matter).
- **Margin reductions in retail** which again, may predate the Energy Charter, and more importantly, may be attributable to external reform factors either directly (e.g. DMO / VDO³¹ introduction) or indirectly (e.g. political pressure following unacceptable findings from an ACCC Inquiry).
- **Wholesale price reductions in the electricity pool** arising from market participants being directed to cease taking full advantage of opportunities they may lawfully have to increase prices at certain times.
- **Enacting regulatory changes** that the Signatory had originally opposed and now claimed as evidence of improved customer outcomes.

Relevant aspects for Energy Charter Disclosures may include:

- **Acknowledging a Signatory's failures to meet that minimum standard in the period.** The Panel considers acknowledgement of failure to meet required standards is commendable for demonstrating an understanding of the need to build trust.
- **Discussing how the Signatory may meet Energy Charter Principles as it interacts with the rules** – such as forgoing the opportunity to challenge AER determinations, or to forgo advocating against proposed new rules which may rebalance matters in favour of the customer at the potential expense of the Signatory's financial performance in the short term.

"I was amazed when I arrived here four and a half years ago. The networks were focused on the regulator and not the customer and it was about fighting the regulator. It was Draft Decision, Final Decision, see you in Court. That was the process. That is inappropriate and it's a waste of time and effort.

We changed that. We didn't appeal... We accepted the WACC. We set ourselves publicly an objective and also privately with the AER 'we want to put a plan in which is capable of acceptance'. Now that shouldn't be a sort of earth-shattering objective – a plan that is capable of acceptance but in the context of where the industry was – it was."

Ben Wilson – CEO, Australian Gas Infrastructure Group

2. Business as Usual (BAU, the pre-Energy Charter baseline)

This is the current state of the Signatory's performance against the Energy Charter Principles – routine activity or outcomes which the Signatory is already delivering, and which are not simply compliance-driven.

Good existing practices are relevant and provide examples to all Signatories of alternative approaches and performance. BAU also forms an overall baseline for the Energy Charter's development from here. Some examples (contrasting with the compliance examples above) include:

- A culture of high-quality engagement, leading to regulatory submissions capable of acceptance, and no challenge to decisions. The **Ausgrid Disclosure** provided evidence of a recent change in their approach to regulatory proposal development, while the **Australian Gas Infrastructure Group Disclosure** noted they "have always accepted the rate of return supplied by the regulator, and [they] led the change to a 'no appeals' culture".
- Additional steps to protect loyal customers and/or customers facing vulnerabilities from disadvantage in the transition to the DMO and VDO tariffs. The Panel noted the **Origin Disclosure** as an example of this.

³¹ The Default Market Offer ('DMO') applies to the NEM regions except Victoria, while the Victorian Default Offer ('VDO') applies in that state. These are newly-introduced regulatory retail energy tariffs arising from the ACCC Retail Electricity Pricing Inquiry and the preceding Thwaites Review in Victoria.



- Proactive steps to assist retail market competition and contract market liquidity by generators. The [Stanwell Disclosure](#), the [CS Energy Disclosure](#) and the [CleanCo CEO Meeting](#) offered examples of this, under different strategies.
- The approach by [Transgrid](#) to the Powering Sydney's Future project where stakeholder concerns about scale, timing and cost of the project resulted in a redesign that was more in keeping with desired stakeholder outcomes.

"... we did this great piece of work and we developed this Customer Service Charter and it got signed off by the Executive and went to the Board and we thought 'this is great, what a great document, our customers are going to love this'. And I remember standing up in front of our Customer Panel and we put it up and go 'isn't this great?' And they're there going: 'Why didn't you talk to us about this?' And I just stood still and said 'we should have, we absolutely should have.'

And so what we said is 'hang on we'll press pause'. And then we turned it from a 'inform' this is what we have done to 'let's have a chat about this. What are your thoughts? How can we improve it better and make it more suitable to yourself?' And to our credit and to our Board's credit we then updated it and changed that Customer Service Charter based on feedback from the Customer Panel and then we put it back up through the Board process ...

I think that goes to show the genuine commitment within Powerlink, that we were happy to put our hand up, admit we made a mistake, go back and have the conversation and then make good on what we committed."

Gerard Reilly – General Manager Communications, Powerlink

3. Performance Improvements – additionality consistent with Energy Charter

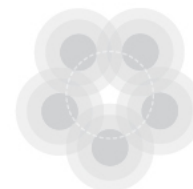
Regardless of the baseline positions, a third tier consists of recent, additional steps taken towards fully meeting the Principles, which are improvements on BAU since the commencement of the Energy Charter.

These can be attributed to Signatories' efforts in assessing themselves and then actioning the areas for improvement they have identified. It implies doing something differently and with better outcomes for customers, as a result of the Energy Charter process becoming embedded in the Signatory business.

In 2019, the Panel saw this most often expressed in internal and cultural matters covered under [Principle One](#). Example of this are:

- The approach by [Powerlink](#) to conduct customer engagement co-design workshops that allowed stakeholders to not only advise Powerlink of what they wanted but to actually build the engagement process from the ground up.
- [ActewAGL's](#) development and launch of its Vulnerability Action Plan – established in response to joining the Energy Charter, and designed in consultation with customers and community organisations.
- [EnergyAustralia's](#) proactive steps to engage with customers on unfavourable retail offers in early 2019, with a substantial proportion of those having changed their arrangements.
- [Australian Gas Infrastructure Group's](#) customer and stakeholder engagement plan for South Australia developed in early 2019 was a clear example of better-practice activity consistent with the Principles, including customer-centric KPIs.
- [AGL's](#) changes to its processes for energy debts³², including to ensure (former) customers are not bankrupted.

³² AGL made a supplementary Disclosure providing this information.



“Over the coming year we encourage businesses to be courageous and do more. When they create their disclosures next year we hope to see additionality reported, rather than undertakings that are the bare minimum.”

Energy Users Association of Australia (Submission, p2)

“... the business has been a traditional wholesale generator moving into a customer-based business... One of the things we are doing this year and that has come out of the Charter is we are going to survey customers around our level of performance. That’s never been done before.”

Andrew Bills – CEO, CS Energy

TABLE 3 – Recommendations from Key Theme 2: Go Above and Beyond Compliance

6	Demonstrate how Signatory behavior and proactive initiatives – above and beyond compliance with energy law, rules and regulation – improve customer outcomes.
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Key Theme 3: Leverage High-Impact Points for Change Together

Signatories should combine to look for additional, collaborative high-impact leverage points in the energy system to achieve better customer outcomes. Potential examples may be (1) improved breadth of access to the benefits of distributed energy resources, and (2) Signatories collectively pursuing discussion of an affordability mindset for innovation in pricing energy.

Driving change in a complex system

Energy is an essential service in peoples' lives. The system which delivers it is highly complex, both technically, and in terms of human and business behaviors and a complex overlay of policies and politics. All these elements of the system combine to impact on customer outcomes, often unpredictably. The Panel is concerned to assess how Signatories are acting to have the greatest impact – meeting their commitments most quickly and effectively to improve outcomes for customers and communities.

The Energy Charter seeks substantially better outcomes for customers, which will require substantial impacts to the overall system. For some individual Signatories it may be challenging to see how their isolated business actions can deliver the large overall changes to which they have collectively committed. The Panel suggests Signatories should collaborate on a shared plan for “how” (and ideally “when”) to add to the “what” and “why” encapsulated in the Energy Charter.³³

“... Signatories are wanting to genuinely do better. There seems to be broad Board support and there are processes and policies being put in place to create change. However, it also appears that Signatories are struggling with the ‘how’.”

ACOSS (Submission, p3)

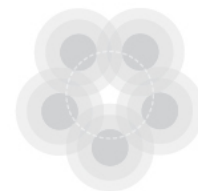
One approach to this is for Signatories to work together at different points in the energy system – and in particular to seek out the “leverage points” where moderate actions can cause high-impact changes to improve customer outcomes³⁴. There are good examples to build upon (particularly opportunities for changing the goals of the system, and the mindsets of the people whose organisations embody the system). Some examples are:

- **Beyond ‘energy trilemma’ thinking** – Despite the formal National Energy Objective covering only two of the elements, the use of the term ‘trilemma’ paradoxically drove a new view of the energy system as an achievable balance between affordability, reliability and sustainability. This has helped in changing the focus and behavior of energy sector participants and stakeholders, including state governments and market bodies. Few industry participants or stakeholders now discuss their objectives without reference to the need to have all three aspects in balance.
- **Energy Charter reframing of goals** – The Energy Charter itself – with its “Together, deliver...” framing – changes the goals of the system to consider the customer as the centre for all participants – quite different to the goals created by structural separation of the industry in the past.
- **Reducing delays to change** – Such as fast-tracking high-priority Integrated System Plan projects³⁵ in ways that do not force additional or unreasonable costs and risk to be incurred by customers, or more generally innovative companies testing potential improvements via small scale trials – when these

³³ The Panel notes the “Better Together” initiatives being pursued may already provide a platform and some examples to assist in developing such a framework.

³⁴ One theoretical basis for such a framework is Systems Theory – refer to <http://donellameadows.org/archives/leverage-points-places-to-intervene-in-a-system/>

³⁵ Fast-tracking can minimise delays, accelerate benefit and reduce proponent risk – but must be balanced with the costs and risks consumers ultimately face when regulated assets are built and then underutilised.



don't work as planned, 'failing fast' and learning from it, but when they do work, accelerating their rollout to deliver substantially better outcomes for their customers and themselves.

- **Improving information flows** – In an energy system rife with data, opportunities for better flows may include the access to, and portability of, customer smart meter data³⁶ and appropriate sharing of data with customers, between retailers and distributors, and with policy-makers (in relation to customers facing vulnerabilities). The application of the CDR reform³⁷ is a substantial opportunity.
- **Strengthening incentives** – The potential impact of incentives structures for Signatory staff are recognised in Principle One – but incentives can be considered much more broadly including in the design of regulation, markets, internal dispute resolution, community engagement, customer engagement, managing vulnerability, tariff design, retail product design, non-network solutions, and the creating and sharing of value across different participants in the value chain.
- **Improving rules** – Several Disclosures provided excellent examples of how a relatively small investment in customer-focused advocacy can deliver major improvements in outcomes. In particular the Panel noted **Endeavour Energy, Ausgrid and Essential Energy Disclosures** advocated for a ring-fencing waiver, allowing minor rectification works to be carried out at connected customer premises, rather than requiring the customer to call an electrician to comply with a rigid interpretation of an energy market rule. These Signatories could have been clearer on the joint effort to achieve this.

Where are the big gains in affordability?

In addressing **Principle Two**, Signatories generally focused on internal factors they can control – such as:

- the reliability of their generation assets over the summer period.
- the efficiency of their capital and operating expenditure in upcoming regulated asset proposals.
- their cost to serve in retail.

These are all very important metrics – but in many cases, the short-term gains available may be incremental from the point of view of customers, even if they represent very substantial efforts at efficiency by Signatories.

Given that, the Panel challenges Signatories to use the Energy Charter to ALSO consider where they can act on system wide “leverage points” with higher effectiveness – and thereby make greater changes.

The Panel has been encouraged by several examples in the upstream part of the electricity value chain:

- The **Powerlink Disclosure** described advocacy to change the rules on information they may provide to generators seeking connection to their system. This can lead to more efficient investment decisions in generation capacity, based on lower uncertainty. This in turn can deliver lower costs of capital, more rapid deployment of new capacity, and lower wholesale costs.
- The **Stanwell Disclosure** noted their initiative to contract with variable renewable generators not only provides them with a path to growth and improved sustainability of their supply, but also facilitates that investment in new supply, and allows it to be passed through to customers firmed up by Stanwell's dispatchable capacity. This supports reliability of supply, and also assists in enhancing competition downstream from Stanwell's generation, by offering further capacity into the commercial and industrial PPA³⁸ market as well as the markets for firm hedge products.
- The **CS Energy Disclosure** highlighted an alternative path. Their joint venture with Alinta provides an opportunity to economically participate in the retailing end of the value chain, but more importantly for customer outcomes, it has facilitated the entry of a strong new competitor into the south-east Queensland market, with evidence that customers are seeing the benefits of this through more competitive contract prices.

Examples in distribution and retail were more difficult for the Panel to identify.

³⁶ The Panels notes this is explicit in **PIA 4.2c**, but which was virtually absent from Disclosures.

³⁷ Consumer Data Right - see: <https://www.accc.gov.au/media-release/next-step-for-consumer-data-right-in-energy>

³⁸ Power Purchase Agreements – longer-term agreements for (financially) fixing the cost of electricity supply, usually struck by retailers or large enterprise customers with generators.



Retailers and distributors can have substantial impact on the often-forgotten “other side” of affordability - what do customers receive in return for the cost of the system they support? Large improvements in affordability might turn out to be driven by greater utilisation of distribution network assets, supported by new services based on the optimisation of distributed energy resources and demand response opportunities.

Various pilots and trials were cited in Disclosures along these lines – the Panel expects the conversion of these concepts to scalable business opportunities embraced by customers will be a very strong leverage point for future affordability.

Working together for change

“If we succeed it will be through working across the industry because this won’t be a Jemena answer. It won’t be a networks answer. It needs to be very much an industry answer, which is really the contemplation of The Energy Charter to help bridge those gaps and those gaps that customers otherwise fall between. This does provide a stronger impetus to bring together the layers of the industry.”

Frank Tudor – Managing Director, Jemena

Cooperative action among Signatories to find the most impactful leverage points may act on the system more widely than individual businesses striving in isolation. The concept of working as an entire industry (including direct participants, customers and other stakeholders – particularly regulators and market bodies) is central to the Energy Charter. This should be reinforced with more tangible action.

“The job that we have ... is not for the networks to simply say ‘here’s our cost reflective tariffs now you go and make them simple for the customer.’ Somehow this is where the Charter has got to make a difference and where we can work together.

I was chatting to Ausgrid. We were saying ‘we are up for this’ but we have got to work this out together. If you make unilateral changes to tariffs we have found actually then trying to translate those in a short period of time to our customers really it’s draining on our front line. So there is a huge opportunity here to simplify because we want people to actually become engaged and actually be able to use those tariffs.”

Catherine Tanna – Managing Director, EnergyAustralia

Key focus areas for cooperative change

In the 2019 Disclosures, the Panel saw only a few examples of working together – but those examples were powerful.

In future, the Panel considers the following are important areas for greater focus:

1. **Advocacy at detailed level** – The Panel expects there is greater scope for policy and regulatory advocacy among Signatories with common interests³⁹ in customer outcomes. These may be most effective when they deal with the interfaces in the value chain, particularly generator-transmission, and distributor-retailer. Failure of customer-centricity seem most likely around these structural divisions.
2. **Tariff codesign and rollout** – Distributors and retailers have a difficult but critical role to play in

³⁹ The industry’s response to the challenge of detailed design and support for the National Energy Guarantee is a recent example of coming together urgently and effectively (including compromising for the sake of an acceptable outcome).



designing and implementing network tariffs and the resultant retail energy plans in the long-term interests of customers. The 2019 Disclosures made clear there are currently serious conflicts – for example, between the development of cost-reflective network tariffs, and the trend toward much simpler retail offers. The Panel suggests resolving these will require close coordination and codevelopment of retail energy offers ‘which are capable of acceptance’ by end-consumers, as well as by regulators – including following the lead of the AEMC and others in adopting more appropriate framings such as ‘customer reward pricing’⁴⁰. There may be regulatory or competition concerns in this area but these should be capable of being resolved and should not be used as an excuse for not exploring this option.

3. **Sharing customer contact details between retailers and distributors** – several distributors noted that at times they are keen to directly and promptly notify customers about outages, maintenance work, or metering issues – but they are unable to do so because they lack the full customer contact details held by a retailer. The Panel suggests that distributors and retailers should work together to improve end customer outcomes, while also meeting any regulatory concerns and also gaining customer approval for the sharing of data for their benefit.
4. **Customer vulnerability identification and support** – While Signatories will aim to compete for the business of many small customers, people who face more vulnerabilities may need and deserve a different approach. The Panel suggests the plans to deliver better outcomes for such customers should be approached – like safety⁴¹ – as an area where Signatories work together to share best practice and develop new collective approaches. This might include:
 - a. **Data-sharing** among retailers, and between retailers and distributors, solely to create a higher-quality overall database of vulnerability and those customers facing it (providing better customer outcomes as those customers engage with various distributors and retailers over time).
 - b. **Support for transfer** of customers facing vulnerabilities between retailers to ensure continuous support in the areas of energy debt management, credit-listing practices⁴², and early identification that an incoming customer is facing vulnerability.
 - c. **Powerful collective advocacy** to address and resolve policy or regulation that may be a major barrier to Signatories delivering better outcomes for customers, including affordability, access to distributed energy arrangements and energy efficiency.
 - d. **Equitable treatment of unrecoverable energy debts**: The Panel heard from stakeholders calling for a waiver of energy debts. It seems difficult to ask only retailers to be exposed to this challenge, given the very large proportion of energy costs which retailers pass through from the rest of the value chain.

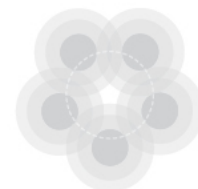
“The EUCG welcomes that several of the network and transmission companies, who do not engage directly with the end customer, are agreeing to work collectively with other companies in joint initiatives on hardship, concessions, disconnections and debt recovery. The EUCG has seen a genuine acknowledgement of the issue, and a commitment to work on this issue on a whole of sector basis and the EUCG believes that this is a key opportunity for the companies.”

End User Consultative Group (Submission, p6)

⁴⁰ See for example: <https://www.aemc.gov.au/news-centre/media-releases/delivering-grid-future>

⁴¹ Safety culture is a well-established example of how competitors in high-risk industries can come together to develop better overall practices and thereby minimise harm – it is considered a non-competitive activity. This is an example of a powerful leverage point: a change in mindset that said ‘we will not compete on safety’.

⁴² The Panel has made a specific recommendation under **Principle 5**.



Working together to broaden access and equity in DER⁴³

"... to secure a renewable energy future that includes both a Just Transition and Energy Justice, QCC recommends energy companies ... support DER equity principles, such as those outlined by the DER sub-group of the National Consumer Roundtable on Energy."

Queensland Conservation Council (Submission, p5)

Distributed Energy Resources are a major element of the transition to a cleaner energy system, can greatly impact affordability through reduced usage of grid-supplied electricity, and may provide empowerment and improved customer experiences. While the SRES⁴⁴ continues to subsidise the cost of rooftop solar, it does so despite the fall in cost which mean its unsubsidised payback period is now attractive.

Some customers (such as renters or apartment-dwellers) have structural barriers to adoption. Others (including the financially-vulnerable) may find affordability a barrier, even after generally-available subsidies. As a result, equity of access to DER benefits is a challenge, which may be magnified as the recovery of largely fixed costs within the system become more concentrated upon those who have not adopted DER⁴⁵.

Signatory advocacy and expertise could be applied to this problem, including collaboration advocating for programmes to drive DER adoption benefits to a broader range of small customers, and designing solutions across the retailer / distributor value chain to assist.

The **EnergyAustralia Disclosure** noted they have been 'hearing customer frustrations' and seeking to respond to this issue, with a solar solution for renters. The proposition arose out of their Innov8@EA Challenge where employees work together to solve business problems – a good example of staff engagement and innovation under **Principle One**. The Panel looks forward to hearing further about the result of this trial and the landlord and tenant feedback.

"... those people who don't own their own homes or don't have the ability to spend \$10,000 on an upfront battery still can access the benefits of a battery through a virtual partition in a shared community one. Which is many, many times cheaper than owning your own battery so the overall system costs are a lot better... it can provide benefits in terms of avoided investment in the network and the transmission system and the generation system.

So you are delivering customers an outcome that they choose and opt for and at the same time you are delivering the system and all customers, the cost saving that will support a much lower transition to a lower carbon future. We are passionate about that and you can expect to see our advocacy on those matters continue and to increase too."

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

⁴³ Distributed Energy Resources. Predominantly rooftop solar, increasingly small-scale batteries, but also controlled loads and systems which can integrate all these into virtual power plants or distributed demand response services.

⁴⁴ The Small-scale Renewable Energy Scheme ('SRES') provides an up-front subsidy to installations of smaller solar PV facilities on household and commercial properties. See: <http://www.cleanenergyregulator.gov.au/RET/About-the-Renewable-Energy-Target/How-the-scheme-works/Small-scale-Renewable-Energy-Scheme>

⁴⁵ Given volume of usage remains the main means to allocate system costs via retail tariffs.



Working together on an ‘affordability mindset’ in energy pricing

Consideration and discussion of an ‘affordability mindset’ applied to energy pricing could be a very high-impact leverage point for materially improving outcomes for financially-vulnerable customers. It would recognise that the capacity of customers to pay is a valid aspect of how the essential service of energy is priced.

Signatories should consider how incorporation of this equity consideration into energy pricing can be progressed. It would require extensive collaboration – firstly and most importantly with customers, also with political, regulatory and policy stakeholders.

Success could help build trust that energy pricing can be designed to deliver a range of desired outcomes – especially accelerating greater affordability for people most at risk.

“...we don’t set the offering to the customer - it’s done by the retailer. So all we can do is set something that the retailer picks up but will package as they choose to, to the end use customer. Our difficulty is that. We are embedded in the supply chain, we don’t have that direct interface so to make a difference we would have to work co-operatively with the retailer.”

Frank Tudor – Managing Director, Jemena

“I and AGL have had a long-standing view that if society sees you dealing with the disadvantaged appropriately, they will let the free market be free ... so long as those that are genuinely at the bottom are found and looked after...”

Brett Redman – CEO, AGL

“I think there is something that can be done – whether its rebates or just different tariffs. Something can certainly be done here. Just to be very clear our rebates are not means tested ...

If we do something about financial vulnerability it does probably have to be retailer led because they know who is vulnerable and who is not vulnerable or at least they have a better chance of knowing than we do. And they’re the ones that actually bill. They do have to lead it.

Could we have a tariff structure, which discriminates in some way or reflects in some way between financially vulnerable and non-financially vulnerable? We absolutely could... if there is a public policy decision that we should be trying to reflect and take account of financial vulnerability by differentiating the amounts that people pay. Are we in a position to do that? Absolutely. Are we willing to do that? Absolutely. And as I said we are pretty neutral because of the way the framework works.”

Ben Wilson – CEO, Australian Gas Infrastructure Group

These quotes from Signatory CEO’s illustrate an opportunity for Signatories to work together and innovate on a very challenging issue of equity in energy supply, addressing multiple Principles: affordability, customer experience and support for customers facing vulnerabilities.

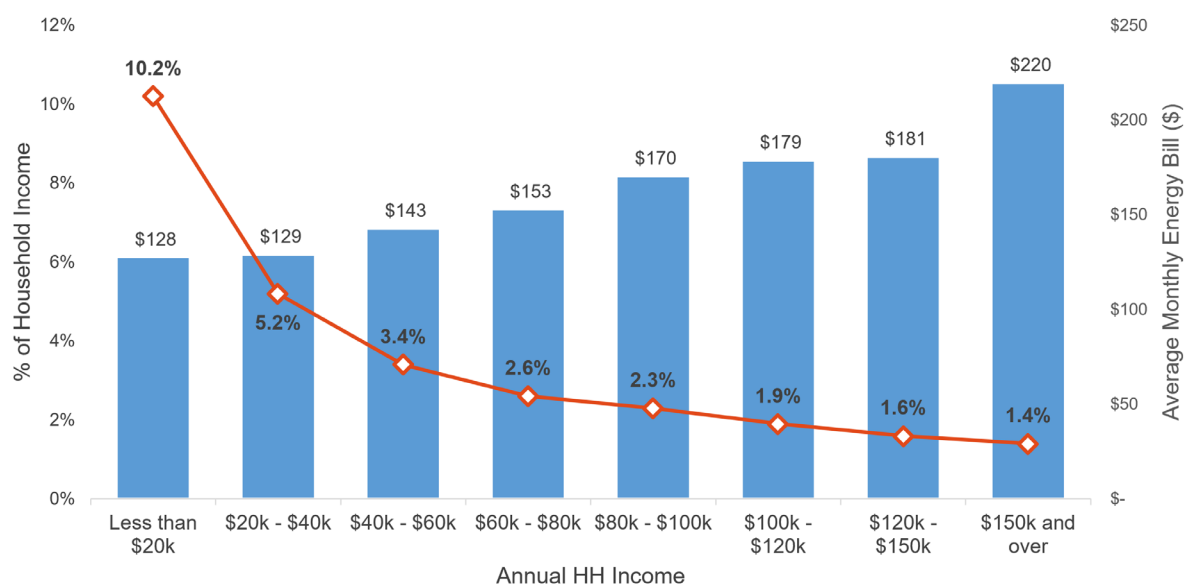


They demonstrate willingness from both retailer and distributor Signatories to consider how pricing could improve affordability outcomes for those who need the most help. Equally, they acknowledge that generally, energy price design and passing those designs through the value chain to customers is a challenging issue – including existing initiatives to develop cost-reflective network tariffs, and the challenge of ensuring all customers receive the concessions to which they are entitled, as well as any favourable terms an energy business may be prepared to offer.

The Panel provides its early thinking on this change of mindset. It is neither a blueprint nor a fully-formed plan, but it is a suggestion Signatories jointly engage with the issue – including with customers, via customer advocates and groups such as Financial Counselling Australia⁴⁶.

The Panel suggest this mindset should start by recognising that a significant number of people face serious financial difficulties in meeting their energy costs, evident in the figure below.

FIGURE 1 – Energy cost vs household income (source: ECA Energy Consumer Sentiment Survey June 2019)



Current retail tariff design encapsulates a ‘least system cost in the long run’ mindset

The approach in current regulatory processes focuses only on lowest overall system cost. There is inadequate consideration of the ‘fair outcomes’ and ‘improved outcomes for customers facing vulnerabilities’ to which the Signatories have committed under **Principles Four and Five**. Adding an affordability mindset would provide a path to give effect to the intent of these Energy Charter commitments.

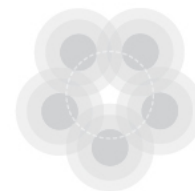
The **Endeavour Energy Disclosure** provides an example of this mindset – it states “we co-designed tariff principles with consumer advocates so we could test how well they meet customer outcomes. We agreed on: transparency; predictability; efficiency; and equity.”

What replaces ‘engagement-reflective pricing’⁴⁷?

The Disclosures presented strong trends among competitively-exposed retailers to reduce complexity and price dispersion in their offers, particularly through limiting the scale or existence of various conditional discounts. As a result, the pendulum in retail offers has swung heavily towards simplicity, or at least predictability for customers. This wiping of the slate may create an opportunity for future retail energy price

⁴⁶ <https://www.financialcounsellingaustralia.org.au/>

⁴⁷ The tendency of engagement in the retail market to be rewarded with lower pricing – IF the customer is capable of making a good decision in a complex and unfamiliar marketplace, AND THEN remaining engaged to avoid falling back to less-attractive outcomes.



offers to be designed more successfully with the interests of customers in general, and customers facing vulnerabilities in particular, at their heart.

“I just think fairness is such a fundamental principle in Australian society that it’s impossible to imagine acceptance of a situation that’s not fair. So would it be appropriate for customers to get unfair outcomes? – No. I don’t think anybody would accept that.”

Robyn Robinson, Council on the Ageing (Melbourne Forum)

Push-back against proposals to change the design of energy pricing based only on a ‘least system cost in the long run’ mindset is particularly valid when driven by the risk of increases in inappropriate self-limiting of consumption, including for heating and cooling among customers facing vulnerabilities. The negative welfare impacts which result may be severe – not just a question of comfort, but of health and safety for those people.

Issues to consider

The Panel notes that the recent industry, regulatory and policy focus on equity and price discrimination in energy pricing⁴⁸ has made it clear that for an essential service, there is an additional, direct role for the industry to play in delivering fairness in outcomes. This is evident in the Energy Charter through many of its Principles⁴⁹.

Elements for consideration include: Existing regulatory imperatives to develop cost-reflective network tariffs, concern by policy makers, recent research by some networks into customer impacts, evidence of whether all customers are accessing the full range of available support measures to which they are entitled, and any favourable terms retailers may be prepared to offer.

“When we surveyed our customers ... because we have a postage stamp pricing model we asked them the question about whether they were generally comfortable with that, acknowledging that customers in densely populated areas effectively subsidise those in less dense areas. And the feedback was overwhelmingly consistent in that customers were comfortable with that postage stamp pricing...”

... we are positioning ourselves to be much better able to respond to the individual requirements of customers. And we’re also, having done that work, giving much different thought to tariff structures and the whole pricing model going forward in recognition of the fact that we do have vastly different customers...”

John Cleland – CEO, Essential Energy and Chair, CEO Council

Progress would require early consultation with customer representatives, industry cooperation, and joint advocacy to influence other stakeholders. This would be required to validate the concept and determine changes needed to rules and regulation which currently govern energy pricing structure and practices. The Panel notes that regulated networks should be ambivalent by definition, since their ability to recover their regulated revenue is not questioned.

⁴⁸ Not least the ACCC’s June 2018 Retail Electricity Pricing Inquiry where Recommendations 30, 32 and 33 called for the Default Market Offer, consistent practices in advertising discounts, and cost-reflective conditional discounts respectively. See: https://www.accc.gov.au/system/files/Retail%20Electricity%20Pricing%20Inquiry%E2%80%94Final%20Report%20June%202018_Exec%20summary.pdf

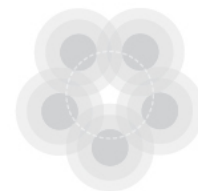
Similar conclusions were reached by the August 2017 ‘Thwaites Review’ in Victoria, resulting in the Victorian Default Offer.

⁴⁹ Explicitly stated in [PiAs 4.1, 5.2 and 5.4](#).



TABLE 4 – Recommendations from Key Theme 3: Leverage High-Impact Points for Change Together

7	Work together to develop a shared framework for high-impact leverage points in the energy system, by identifying methods of collective action which deliver greater and / or more rapid improvements in customer outcomes than Signatories can achieve acting on their businesses alone.
8	Apply the framework to high-impact leverage points which may include (1) joint advocacy for improved customer outcomes (2) tariff codesign and rollout (3) pooling of customer contact details for the purposes of improved customer experience, especially in the case of outages and operational impacts (4) better identification and support of customers facing vulnerabilities and (5) broader access to the benefits of distributed energy resources, addressing the challenges arising from the barriers to adoptions faced by many customers.
9	Initiate a broad conversation with customers and their representatives about addressing capacity to pay as a key aspect of affordability, and explore an ‘affordability mindset’ in energy pricing (prior to any design discussions and engagement with regulatory processes about implementation).



Key Theme 4: Develop Metrics and Report on Progress

Disclosures should reflect a shared approach to reporting key metrics, ensuring comparability between Signatories where appropriate, as well as meaningful context from historical trends, targets, timetables and benchmarks. Without this approach, it will remain very difficult for the Panel or customers to assess any of the current positions, strength of commitments and progress against the Energy Charter Principles.

The Panel found the Disclosures to be expansive in describing issues and associated initiatives, but relatively immature in relation to measurement of the current state and progress towards improved customer outcomes. This is critical to accountability and transparency, and thus goes to the heart of the Energy Charter.

“The metrics didn’t seem to be terribly useful and we would be hopeful that next time round that there’s the ability for some comparability between the different Disclosures.

... we’d really like to see a table on the last page saying this is what we are going to do next year, by when, for whom, with whom. And we could then hold them to account next year when we come back to the Disclosures again.”

Robyn Robinson, Council on the Ageing (Melbourne Forum)

Among the better examples was the [Australian Gas Infrastructure Group Disclosure](#) which provided clear targets and performance outcomes for some Principles, supported by clarity in its Executive Summary on progress, gaps, and commitments.

“Through the Energy Charter we can already see some of the other companies voluntarily disclosing customer satisfaction scores. I think there’s an opportunity ... to actually encourage all the companies to measure customer satisfaction, if possible the same way. ... If there is a league table once a year that is going to put me under more pressure. We would be happy to adopt that.”

Ben Wilson – CEO, Australian Gas Infrastructure Group

As a general example, a Disclosure typically identifies an area for improvement – described loosely as:

“We intend to reduce the level of complaints referred to the Ombudsmen”⁵⁰

High quality metrics

In the Panel’s view, such a statement is an appropriate objective, but very difficult to assess without:

1. A **metric** for the issue (for example 50 external complaints per 10,000 customers in the period)
2. An **historical trend** (increasing slightly over the past 5 years)
3. A **target** (reduce external complaints by 40% to 30 per 10,000 customers annually)
4. A **timetable** for improvement (within 3 years)
5. A **benchmark** (to place us in the top decile of energy retailers)
6. Ideally, from a **wider perspective** (among comparable international competitive retail energy markets)
7. With a **plan** (by introducing AS/NZS 10002:2014 ‘Guidelines for complaints management in organisations’) which is periodically audited and reported
8. and **accountability and resourcing** (as a key target for the strengthened Customer Outcomes team, reporting to the Chief Customer Officer)
9. and external **verification** (which will be audited externally).

⁵⁰ The Panel chose this example of complaints because in addition to lending itself to robust measurement, it is considered to be an important focus for improvement – developed in the following [Key Theme 6](#).



The high-quality metric example then becomes:

“We intend to reduce the level of customer complaints referred to the Ombudsmen. At a frequency of 50 per 10,000 customers, our performance is typical of the industry average, but has increased by 12% since 2014, as shown in Chart X. We commit to reduce this by 40% over 3 years, which would place us in the top decile of international retail utilities operating in competitive markets. Introduction of AS/NZS 10002 will be a key target of the Customer Outcomes team, which is being assembled under the newly-created Chief Customer Officer position. As we introduce new procedures, we will audit our performance against the standard and this target, and report progress in future Disclosures.”

Focus on a small number of priority high-quality metrics

The Panel understand that metrics for the Principles are a very challenging topic, given the novelty of the Energy Charter and the wide range of ideas being contributed by each Signatory. Not every Principle in Action lends itself to numerical measurement, and it is not the Panel’s role to dictate the ‘right’ metrics. Getting the metrics right to ensure they drive the desired cultural change and behaviours under the Charter is key. Metrics that may warrant debate include:

Principle One

- A measure of staff engagement specific to alignment with customer outcomes, delivered via a common subset of engagement. We note the [Energy Queensland Disclosure](#) example here, as well as Signatories including [Australian Gas Infrastructure Group](#) and [ActewAGL](#) utilising external CSBA benchmarking.
- Customer satisfaction outcomes linked to senior management remuneration.

Principle Two

- For retailers, a measure of improvement in energy usage outcomes as customers migrate to the deals, tools and incentives in question.
- For regulated networks, the AER’s benchmarking seems relevant although few Signatories made reference to it. The Panel was very pleased to note the [Ausgrid Disclosure](#), which noted their opex performance was rated 12th of 13 in FY18. As well as being consistent with the value of ‘be open, learn, improve’, the CEO Meeting made Ausgrid’s ambition clear:

“It’s an incredibly motivating metric. We are actually quite proud that this is the first year we are not 13th! ... we undoubtedly are at the bottom of that half for quite number of years. That is a huge driver for us. We are determined to be number 1 if we can and we are a long way from there. So for us it’s a motivating factor as an executive to see what we can achieve.”

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

Principle Three

- An agreed short-form metric for internal safety performance – perhaps common metrics such as TRIFR and LTIFR⁵¹ for employees and contractors. The details of measurement across different Signatories may not be identical (and could be noted) but these are commonly understood metrics where trend (if not absolute comparisons) could be easily presented in Disclosures.
- For generators, there should be readily available benchmarks for uptime, particulates, NO_x and SO_x emissions for comparable technology. Both the [CS Energy and Stanwell Disclosures](#) noted installing

⁵¹ Total Recordable Injury Frequency Rate, and Lost Time Injury Frequency Rate.



real-time emissions monitoring equipment but there was no meaningful disclosure of relevant metrics beyond CO₂e emissions intensity.

- Scope 1 CO₂e emissions⁵² which many Signatories will be measuring under National Greenhouse and Energy Reporting obligations are an obvious example of a reliable external metric – together with setting an emissions reduction target and timeframe.

Principle Four

- Retailers could measure and report the dispersion of all-in costs of energy supply per unit⁵³ experienced by small customers. While some dispersion is both appropriate and inevitable, there is likely to be a ‘happy medium’ with the DMO/VDO providing the upper bound.
- Signatories could make use of external measurements of the clarity and simplicity of their customer communications – websites, billing, letters.
- External complaint frequency is an obvious area, with the benefit of a relevant standard and the expertise of the Ombudsmen as the recipients (discussed above). A stronger performance here would include measuring the internal dispute resolution process as well.

Principle Five

- One relevant metric might be the proportion of customers with active concessions, relative to the expected outcomes from the socioeconomic averages for the retailer’s geographic customer base. An outcome well below parity may indicate a failure to identify vulnerability (and therefore ensure those customers access the concessions they are entitled to).

The list is not a Recommendation. The Panel strongly suggests Signatories and consumer advocates collaborate to refine a manageable set of shared measures in time for the next Disclosures. This should include care to avoid too many metrics, and metrics that can sometimes drive poor outcomes or unhelpful behaviours (especially when linked to remuneration).

“If they’ve got a target and they miss it I still feel better about that than if they don’t have a target so I can’t actually see where they landed at all. From what, to what, by when.”

Dean Lombard, Renew (Melbourne Forum)

Keep advocating for common sense in regulatory metrics

The Panel are sympathetic to the Signatories’ challenges in responding to multiple, similar requests for regulatory metrics. The distinction between the Essential Service Commission for Victoria and the AER for the remaining regions of the NEM is particularly unhelpful for all stakeholders seeking a consistent view of performance and outcomes in eastern Australian energy markets.

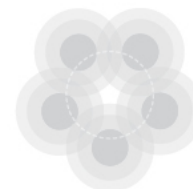
The Panel encourages continued advocacy for harmonisation across all NEM regions, noting the ACCC’s Recommendation 26⁵⁴: *“Victoria should join the National Energy Customer Framework (NECF) to streamline regulatory obligations on retailers in the NEM and reduce retailers’ costs to serve. In any interim period before joining the NECF, Victoria should take steps to harmonise its regulatory approach with the NECF.”*

For the purposes of the Energy Charter, use of existing metrics is to be encouraged where relevant. Perhaps the customer focus of the Energy Charter could be used as an even better reason to persuade the AER and the Victorian ESC to drive harmonisation of regulatory metrics which are consistent with customer-centric energy businesses.

⁵² See: <http://www.cleanenergyregulator.gov.au/NGER/About-the-National-Greenhouse-and-Energy-Reporting-scheme/Greenhouse-gases-and-energy>

⁵³ Perhaps in percentage terms to normalise geographic differences in customer base due to network and other input costs.

⁵⁴ See: <https://www.accc.gov.au/publications/restoring-electricity-affordability-australias-competitive-advantage>



“... you would be astonished as to how much reporting we actually do. It’s all different. The AER wants its data one way. The ESCV wants its data another way. It’s all about the same topic but you have to recut the same information in different ways for different regulators. I mean to what end. The more there can be simplification and harmonisation the better. And ultimately the cost of doing business will be lower which means lower prices for customers.

... simplification and harmonisation is the answer ... But turkeys don’t vote for Christmas.”

Catherine Tanna – Managing Director, EnergyAustralia

TABLE 5 – Recommendations from Key Theme 4: Develop Metrics and Report on Progress

10	Develop a clear understanding about the characteristics of appropriate metrics for measuring progress under the Energy Charter, for each Signatory individually.
11	Collectively agree an appropriate priority group of high-quality metrics which can meet the challenge of comparability across many Signatories, and allow future benchmarking – harmonising with existing regulatory reporting where possible and appropriate.



Key Theme 5: Close the Loop on Initiatives

Customer centricity means Signatories should bring issues and initiatives through the full cycle from addressing customer-driven needs, concerns or preferences, through to evidence of improved customer outcomes in Disclosures.

There are many examples in the Disclosures where the Panel was left wondering about the effectiveness of Signatories' feedback processes. The Energy Charter contains many examples of calls for accountability on closing the loop – often stating a desirable behavior, but also calling for a feedback loop, including⁵⁵:

- Customer **feedback into decision making**
- **Explaining benefits** of investment and operational decisions to customers
- **Delivering improved affordability** from cooperative efforts
- **Demonstrating community benefits** from investment and operations
- **Implementing process improvement** in response to customer disputes
- **Preventing customers falling into hardship** as a result of early identification and intervention.

The Panel noted many examples in Disclosures of actions addressing the 'first half' of these actions – an initiative the Signatory intended to address the problem in question – but fewer were supported by evidence of the outcomes.

Innovation in isolation of customer needs and outcomes is not adequate

Innovation is a particularly relevant example of this Key Theme. As an important element of the Energy Charter, innovation spans all five Principles. Closing the loop around innovations is essential.

However, innovation is of no value to customers unless the other aspects of the Energy Charter are also applied. For example, innovations should be⁵⁶:

- Developed in **collaboration** (at least with customers, if not across the value chain or with other stakeholders)
- Meeting **customers' (changing) needs and preferences**
- Providing **competitive solutions** to those needs and preferences
- Delivering **positive customer outcomes**.

New product design and pricing requires careful engagement

The **TasCOSS Submission** expressed concerns with **Aurora's** upgrade to an application-based 'PAYG+' product, noting that charging customers for an app of this type is uncommon and inconsistent with savings a retailer may experience when customers migrate to a digital interface instead of using a call centre. The **Anglicare Tasmania Submission** echoed this concern, and also noted that despite the 'pay as you go' name, it was possible for customers to go into debt and receive a bill.

There are many aspects of the Disclosures where novel and innovative concepts which might lead to better customer outcomes are offered. They dangle the prospect of better engagement, more control for customers, more efficient energy use, greater choice and/or lower costs. In many cases, they appear to be a hypothesis which may have been tested as a pilot, but rarely with evidence provided of this having progressed to a feasible commercial option which delivers positively-received customer outcomes.

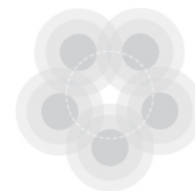
As a generic example, the Panel often heard:

'Project X helps (or will help!) customers manage their energy usage and save money'

Strong evidence in Disclosures would be detail on a degree of customer uptake that starts to validate the hypothesis of a need being met by the innovation – such as evidence of initial and ongoing engagement of a

⁵⁵ From **PIAs 1.5, 2.1, 2.3, 3.2, 4.4 and 5.1** respectively.

⁵⁶ From **PIAs 1.5, 2.4, 4.3, and 5.4** respectively.



material number of customers with the product, and evidence that those customers not only are satisfied with the experience, but also have in fact realised energy savings (if that were the premise). The mere availability of a higher-engagement technology-based product to customers is not evidence of customer centricity or customer engagement.

The Panel is aware that in general, energy is considered a low- or no-engagement product for the majority of small customers. Sometimes, when not supported by the evidence of closing the loop, there is a risk technology-based and/or engagement-based products or initiatives may be interpreted as:

‘we have found a high-engagement solution ... now all we need is a problem for it to solve and a viably-sized group of customers who are willing to use it.’

“The key learning for us is keep it simple. The more complicated you make it the less likely a customer is to respond. Most of us don’t wake up in the morning and want to think about energy.”

Rebecca Kardos – CEO, Aurora

Adapting innovation to the market

The **Powershop Disclosure** is an excellent example of maturity in this respect – and their approach to Disclosure reflects openness which corresponds well to the Values of the Energy Charter.

Their initial retail electricity product was designed for very high engagement by their customers. Based on the evidence from uptake and usage of the initial product, a simpler ‘lite’ product was developed which still appealed to a customer group seeking low carbon emissions energy as a key aspect of their energy purchase – but who were not willing to accept the complexity of a high-engagement ‘marketplace’ product requiring regular interaction with a portal.

“Council on the Ageing consistently raised the need in the public forums for companies to meet older customers where they are and not to leave people who do not have digital access behind. We welcome the honest disclosure by one Signatory that some of its customers found its user experience confusing.”

End User Consultative Group (Submission, p5)

Many innovations will be undertaken by Signatories, most will fail. To demonstrate progress against the Principles, Signatories should ensure that prospective innovations referred to in Disclosures are not so undeveloped that they may still fail at early hurdles. Innovations which have progressed beyond initial trial to serious pilot stage are much more relevant. At that stage, the Panel expects there would be some evidence of positive customer outcomes among the trial population to support the next stage towards a commercial scale-up.

Closing the loop on distributed storage

The **Ausgrid Disclosure** discusses their Virtual Power Plant trial program, and is clear about the status, near-term plans for scale-up, and some of the outcomes for customers already owning batteries who participate. This is a good example, as far as it goes.

The economics of household battery investment are challenging when based solely on self-consuming more rooftop solar generation, and perhaps optimising against time-of-use tariffs via shifting solar to the evening peak – battery uptake has been relatively modest as a result. Closing the loop in this case would be



demonstrating that the value unlocked by a VPP product offer is enough to tip the economics in favour of greater household battery uptake on an unsubsidised basis. This would facilitate much greater benefits for both the larger numbers of households investing in storage, and energy customers as a whole who may experience greater reliability, lower wholesale electricity costs and lower future network costs from large-scale VPP rollouts.

Customer feedback is another opportunity to close the loop

“Several businesses referred to the NPS tool. The critical purpose in measuring customer experience is to then analyse root causes for any unsatisfactory experience and to take the appropriate steps within the business in a systemic way to address those root causes. The companies could do more to explain how they have changed their business practices to improve the customer experience.”

End User Consultative Group (Submission, p5)

‘Closing the loop’ also applies to other activities in pursuit of positive customer outcomes. Customer feedback – via NPS⁵⁷ commentary, formal complaints⁵⁸ or other channels – are an opportunity to change processes for the better. The Panel noted many examples of receiving customer feedback – but fewer examples went on to demonstrate how feedback is actioned to:

- Resolve the issue for the customer in question, for example via a callback; or
- Change the underlying process which led to the failure in outcomes.

Good examples of closing the loop

Occasionally the Panel noted better or more complete approaches – often presented as case studies describing the process from need identification through solution development to feedback and outcomes:

- in the design phase, the [EnergyAustralia Disclosure](#) noted their use of Human Centered Design to bring the customer perspective to bear on products, billing, hardship and website interactions.
- The [ActewAGL Disclosure](#) did similarly for redesigning their digital interactions with customers.
- The [Energy Queensland Disclosure](#) provided several good case studies, including (1) managing customer issues and complaints, with escalation to Board level and feedback required on business improvements in response; and (2) the customer led-design of their EasyPay product, with successful uptake and plans to extend to hardship customers.

“... we spent a fair bit of time working with both end use customers and customer advocates to shape our tariffs to reflect our regulatory obligations.

As part of the process we also engaged with retailers. Retailers also had the same comment ‘can you simplify this down so that we can implement it, number one, and number two: customers can understand it.’ And as a result of that feedback and as a result of feedback from customer advocates we did reshape that again.”

Rod Howard – Deputy CEO, Endeavour Energy

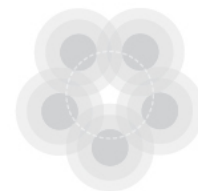
⁵⁷ Net Promoter Score (a trademark Satmetrix Systems, Inc., Bain & Company, Inc., and Fred Reichheld) is a widely-used measure of the extent to which ‘promoter’ customers exceed ‘detractor’ customers in a 10-point survey about their experience with an enterprise. See: <https://www.netpromoter.com/know/>

⁵⁸ The Panel see complaints management as a very important aspect of the Energy Charter, taken up further as [Key Theme 6](#).



TABLE 6 – Recommendations from Key Theme 5: Close the Loop on Initiatives

12	Ensure the focus begins and ends with the customer or impacted community in relation to new products and services, investments, operations, and interactions – this includes first engaging to determine needs and preferences, then closing the loop back by confirming those needs and preferences have been met.
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Key Theme 6: Elevate and Optimise Dispute Resolution

Customer complaints are the antithesis of the positive customer outcomes sought under the Energy Charter – but failure can provide a major opportunity to drive positive change. Signatories should consider whether their complaints management processes are best practice for driving such change.

In **Key Theme 1** the Panel noted the importance of identifying and understanding customers, including hearing their voices at all levels of the organisation. Complaints are not suggested as the ideal or primary medium for this: many dissatisfied customers do not complain, and that may be disproportionately true for some groups of customers facing particular vulnerabilities. Nevertheless, complaints are an important issue to consider more carefully, in respect of both small customers and enterprise customers.

“... meters hadn’t been read correctly in a particular region / town, and when there was a catch up charge for customers, that presented an issue for those customers.

The response was for APA (who are contracted to provide the meter reading services) and the retailer involved to get together and explain what had happened and accept that there had been an error but then support the customers through a dialogue with the retailer around a payment plan to be able to catch up.

... That’s where the Charter has really played an important role because in the past we might well have said well, that’s got nothing to do with us.”

Rob Wheals – CEO, APA

Learning from the experts in customer dissatisfaction

Energy and Water Ombudsmen are established to deal with (mainly household) customer complaints relating to retailers and distributors which have escalated beyond internal dispute resolution (IDR) processes. As such, they provide a very important insight into how, why and where energy businesses fail customers.

Current measures of external complaints are not indicative of a crisis – on the contrary, the frequency of external complaints about retailers are much improved from the past decade when issues such as new billing systems and aggressive customer acquisition practices drove higher levels of complaint.

The Panel also noted that Signatory retailers in NSW in particular are substantially better in terms of complaint frequency than non-Signatory retailers. In Victoria, complaint volumes from Signatory retailers are trending downward.

However, the NSW Ombudsman noted that only one large retailer CEO proactively meets with them to discuss complaints, whereas engagement with distributor CEOs is more consistent.

In the Panel’s view, a more proactive approach would see Signatory retailers and distributors:

1. Recognising external complaints as a key barometer of customer outcomes.
2. Targeting reduction in external complaints, by improving IDR processes towards best practice.
3. Meeting with Ombudsmen regularly, with attendance from the senior executive level to ensure the Signatory’s specific complaint pathology was understood.

“You can’t change what you don’t know you are doing wrong. We need to improve connectivity.”

Kerry Latter, Canegrowers Mackay (Brisbane Forum)



The Panel's discussion with the ANZECON representatives led to detailed feedback, and the Panel encourages the Signatories to review this submission particularly closely⁵⁹ – in particular 10 suggestions were made by the Ombudsmen for the Panel to consider, presented on the following page.

In the opinion of the Ombudsmen, the key to lower external complaints is better IDR, more accurate recording of complaints, increased focus on first call resolution and escalation to internal complaints teams. Best practice IDR might imply HIGHER levels of measured internal complaints, based on better capture and classification as a 'particular type of complaint' rather than 'feedback' or an 'enquiry'. Careful judgement on staff incentives may assist here.

First-call resolution

The Panel particularly noted the self-identified area for improvement in the **EnergyAustralia Disclosure**: *'Research in the first quarter of 2019 showed that of customers who contacted us to resolve an issue, 42% needed to do so more than three times'* – with a commitment to invest in first-call resolution.

This led the Panel to wonder how other Signatories are performing in this regard.

The Ombudsmen recommended that businesses audit their complaints management processes against **AS/NZS 10002:2014 'Guidelines for complaint management in Organisations'**. In the Panel's view, this appears to be an appropriate governance and management process for complaints. About half of the Signatory businesses appeared to refer to the Standard in their complaints policy but none mentioned they had audited their complaints policy against the standard.

Ombudsmen or community organisations typically arrange 'Bring your Bill Days' for customers, and these are often attended by Signatory retailers, as noted in several Disclosures. While the Panel acknowledges this engagement, the Ombudsmen suggest that if retailers wish to proactively understand and manage customer issues, they could also undertake these activities themselves.

As a positive example, the Panel noted the **ActewAGL Disclosure**, which described the establishment of a Canberra kiosk for customers to speak face-to-face with the retailer about their issues. While this particular solution may not be appropriate for all retailers, the underlying desire to engage proactively with customers who are likely to have a concern, if not a formal complaint, is good practice.

Are complaint processes accessible to customers?

The Panel followed ANZECON's fourth suggestion (see below) and was interested to note that several retailer and distributor Signatories do not appear to have a quick link on their home page to their complaints process or policy. The Panel was unable to locate a quick reference to the Ombudsman as a means for elevating unresolved complaints on a few Signatory web sites.

These issues have been examined by ASIC and the Hayne Royal Commission into the banking sector. Significant deficiencies were found, including structural obstacles to making a complaint, lack of process transparency once a complaint is made, and poor customer experience in the process.⁶⁰

Maturity under the Energy Charter would include very easily found, clear processes for customers to engage with Signatories for internal dispute resolution and (failing that) escalation to external dispute resolution.

The same applies in relation to customers facing vulnerabilities and hardship programs.

⁵⁹ Refer to the file note on the Panel's website: <https://theenergycharterpanel.com.au/wp-content/uploads/2019/11/File-note-of-discussions-between-The-Energy-Charter-Independent-Accountability-Panel-and-ANZECON.pdf>

⁶⁰ As described by the ANZECON representatives in the file note.



Suggestions from ANZEWON representatives

1. Greater incentives within Signatories for staff recognition and accurate recording of customer complaints (based on agreed definitions of complaints and enquiries) and increased focus on first call resolution and escalation to internal complaints teams. This could lead to an increase in internal complaints in the short term, but if coupled with analysis of, and responses to, the underlying causes of the complaints, this would lead to better outcomes for customers and fewer complaints in future.
2. Each Signatory should undertake an internal audit of its internal dispute resolution (IDR) processes and complaints process (organisation wide) against AS/NZS 10002:2014 “*Guidelines for complaint management in organizations*” in 2020 and then an independent external audit in 2022.
3. Signatories should adopt the definitions of complaints in the Standard to lead to a common classification approach to facilitate comparisons to other Signatories’ complaints.
4. The Panel could evaluate all Signatory websites to see how easy it is to lodge a complaint and locate information about Energy Ombudsmen offices. It should be easy to find references to external dispute resolution and the Ombudsmen on their websites.
5. Signatories could take more steps to inform customers about their right to complain to the Ombudsman as part of their IDR process including in phone conversations as well as in correspondence.
6. Signatories could take pro-active steps to create industry retail outreach forums for vulnerable customers and community workers i.e. extend their community engagement beyond their participation in financial counsellors’ conferences or Ombudsmen outreach initiatives. For example regional / rural agricultural shows bring large numbers from the local community together on an annual basis.
7. Signatories could fund financial counselling on a user pays basis – refer to the Review Report and associated Ombudsman submissions to the Sylvan review.
8. Signatories could self-report number of cases referred to each Ombudsman by 10,000 customers per annum and the Panel could compare the trend for each Signatory to the number of cases per 10,000 customers received by ombudsman offices.
9. Signatory CEOs could proactively reach out to the Ombudsmen to discuss complaint trends and data and the performance of their organisations’ complaints handling systems.
10. A Signatory-wide agreed approach to measuring and publishing NPS data could be introduced.

Enterprise customers can face great challenges without viable recourse

The **CQMS Razer Submission** made clear the frustration of a large enterprise customer in dispute on their gas supply arrangements. While the primary customer interaction is with their retailer, the Panel notes that three Signatory businesses are involved in the provision of gas to this customer (**APA, Australian Gas Infrastructure Group and Origin**).

Large customers do not have access to Ombudsmen schemes, and alternatives (such as approaches to the AER and/or ACCC) may not be fit-for-purpose under the Energy Charter – where Signatories commit that ALL customers will have access to **‘effective and accessible dispute resolution processes, coordinated across the supply chain’**.

The boundary between a ‘fair play’ commercial negotiation and an intractable dispute may be arguable case by case – but in principle, Signatories should ensure they provide access to a process for enterprise-customer dispute resolution which meets the commitment in the Energy Charter.

Access to equivalent processes to shippers for gas customers?

Part 23 of the National Gas Rules⁶¹ provides access to an arbitration process for gas shippers in relation to transportation, including information disclosure and dispute resolution provisions. The Panel observes that the negotiating position of gas customers (who are not shippers) may face similar challenges on some occasions, and might deserve equivalent protections under regulation, if behavior under the Energy Charter is not adequate.

⁶¹ See: <https://www.aer.gov.au/networks-pipelines/non-scheme-pipelines/arbitration-of-access-disputes>

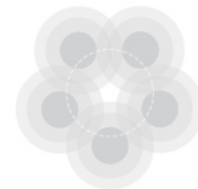


TABLE 7 – Recommendations from Key Theme 6: Elevate and Optimise Dispute Resolution

13	Ensure customer feedback and complaints are elevated to a governance and strategic level in the Signatory business, using the feedback as a key source of systemic improvements to customer outcomes.
14	Consider the suggestions provided to Signatories by the Ombudsmen to ensure customer feedback, internal and external dispute resolution processes are best practice.
15	Develop appropriate industry-wide dispute-resolution processes for enterprise customers of any size to satisfy Principle Four , acknowledging the multiple participants in the value chain and the lack of access to an Ombudsman service.



Section B – Analysis by Principle

Performance was assessed against each Principle. Areas of interest or opportunities for improvement are discussed briefly, with examples from Disclosures cited. The observations sometimes lead to further Recommendations in addition to those identified under the Key Themes.

Principle One: We will put customers at the centre of our business and the energy system

Principle Two: We will improve energy affordability for customers

Principle Three: We will provide energy safely, sustainably and reliably

Principle Four: We will improve the customer experience

Principle Five: We will support customers facing vulnerable circumstances



Assessment of Principle One

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

Principle One 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 their work force is engaged and incentives are aligned to drive 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 the sharing of insights with government, research institutions and across the supply chain, as well as joint advocacy on regulatory, policy and operational issues.”

Summary

In assessing this Principle, the Panel assessed both the specific sections of Disclosures devoted to it, but also the overall structure and approach of the Signatory, including insights from the CEO Meetings which provided substantial context – as did the perspectives from stakeholders.

“We see The Energy Charter as a vehicle for the dialogue and animating cultural and structural changes led from the top. ... in our view, significant weight should be placed on the public statements by the CEOs in the meetings with the Panel.”

Energy Consumers Australia (Submission p4)

‘Warts and all’ disclosure

“We’ve made mistakes, and I can’t claim that we have miraculously fixed every problem in such a short time. But I commit us to trying to bridge the gap, and I invite you to hold us to account.”

Catherine Tanna – Managing Director, EnergyAustralia (from Disclosure)

The Panel was seeking very frank disclosure about shortfalls in meeting the Principles, as evidence of organisational awareness and commitment to improve. In particular, it was aware of the difference between acknowledging current and ongoing shortfalls, rather than statements indicating such issues were simply a matter of history.

“What was a little bit disappointing for us is that we don’t think it was quite enough honest acknowledgement upfront in the Disclosure process, which is basically saying: this is why we are here and here’s where we think we have failed.”

Douglas McCloskey, Public Interest Advocacy Centre (Sydney Forum)

Overall, the Panel observed very little of this, particularly in the written Disclosures. The CEO Meetings were important as several clear statements were made taking ownership of poor customer outcomes and committing to improvement.



“We have thought long and hard about the posture and stance that we want to take on this and it needs to begin with ‘we are sorry’. We recognise where we haven’t done the right thing in the past. We can’t fix everything overnight and we certainly can’t change the past. But what we can do is remake the future.”

Brett Redman – CEO, AGL

“... we have copped quite a bit in the press over the last couple of years around our size and the role we play in the market and have we used our market power.... I think what that has made us realize is that we do have an important role to play and we actually have to be above reproach in how we participate in the market...”

One of our EGMs has a wonderful little saying you can be right but you can still be divorced. That’s exactly right in this thing: we can be right but it needs to actually stand up.”

Richard Van Breda – CEO, Stanwell

Deep and broad Energy Charter culture

The Panel sought evidence of a customer centric culture, with the pursuit of improved customer outcomes embedded deeply in the organisation either via the Energy Charter or equivalent existing vision and values.

“You can have a CEO or board who is very keen on driving these Principles but they have to go right through to the call centre, to changing the meter and to all those touch points in terms of where the ordinary consumer actually interacts with the company So hopefully that should be a focus in terms of the culture driving right across all of the organisations.”

Rose McGrath, QCOSS (Brisbane Forum)

“We are on a journey and we are at the early part of that journey. ...you can talk about cultural change but ultimately it has to be measured in outcomes.

The challenge is whilst we might have in our case 1,800 employees and between 50-100 might have direct contact with the customer there’s another 1700 to influence and that might be our regulatory people, it might be people in the field and how they respond to customer service.”

Rob Wheals – CEO, APA

Strong indicators of this included Energy Charter awareness, involvement and commitment from across the organisation – with breadth across all functions (not just the customer-facing areas) and depth from the Board through the CEO and senior leadership, to staff at all levels. The choices made by several Signatories to extend attendance at the CEO Meetings – to shareholders, Board members, senior leaders and frontline customer-facing staff – were notable in demonstrating the extent of commitment.



“We had a lot of Board involvement. The Board probably challenged us to not just give the report that it was all ok - but really challenged us in in regard to where can we improve. Our private investors are very good at asking us how we can improve, and challenging us as to how we can do better. And our customers do the same.”

Leanne Pickering – CEO, Endeavour Energy

“... the group was really encouraged by the Disclosures and particularly that they were voluntary. So they thought that was a great step forward and a great commitment by the organisations involved to take that step.

They were particularly impressed by a lot of the CEO or board statements that appeared at the beginning of the Disclosures and some of those were really held up as examples for others to follow.”

Robyn Robinson, Council of the Ageing (Melbourne Forum)

Energy Charter consistency with culture and values

The Panel noted **CleanCo’s** decision to join the Energy Charter while still in their establishment phase, and asked why. In common with several other Signatories, it was made clear to the Panel that the Energy Charter Principles do not define their culture and supplant their values, but are already consistent with existing culture and values, and can strengthen or reinforce them.

“It’s so aligned with what we are trying to do, it is kind of obvious for us to do. We were also conscious of the fact because we don’t have customers that it’s a bit early. But we thought we are actually embedding a lot of these Principles in our recruitment strategy.”

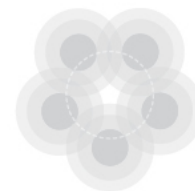
Miles George – Interim CEO, CleanCo

Is the ‘voice of the customer’ evident?

“Despite being an active member of the VCCC [customer council] there were a few items of relevance to the VCCC that Anglicare was unaware of until we read of them in the Disclosure ...The VCCC was not involved in developing its Disclosure Statement. In response to queries from community representatives, Aurora indicated that there was not adequate time for this. Anglicare notes that other energy companies involved their customer representative body in their process and would recommend Aurora make this part of their process going forward.”

Anglicare Tasmania (Submission, p3)

The Panel looked for engagement on this Principle in particular (and for Disclosures as a whole) that extended to customers. Ideally this included both Customer Councils, and more direct opportunities for the voice of the customer to be heard, to better evidence both the current state and examples of improvement in customer outcomes.



“... one of the challenges of the Energy Charter for a business like ours is to make sure that we identify with the end user really directly and not to use that lack of contracted or commercial relationship as some form of an excuse for avoiding an energy dialogue. We know we represent a part of the bill, we certainly know we have a lot of employees placed in the communities in which they live, we have a regional work force.”

Michael Gatt – Executive Manager, Works delivery, TransGrid

The Panel also noted examples of senior management and Board exposure to customer voices – examples included Powershop’s management ‘double-jacking’ customer calls, managing the social media feed on weekends, and exposing all staff to the verbatim feed from customer NPS responses, and the AGL CEO’s exposure to the NPS verbatim⁶² feed:

“...above my desk at work is a big screen which is a direct feed from the NPS style collection of data and comments that come from customers ... I see word clouds that help me try and interpret what is going on. That creates anecdotal understanding rather than evidentiary but those are the sorts of things we are doing to make sure we understand.”

Brett Redman – CEO, AGL

Frameworks for best practice customer engagement

Various disclosures noted their formal customer engagement processes – with several referring to their use of the IAP2 framework⁶³. The Panel considers it likely that use of this or another robust framework supports good-quality customer and stakeholder engagement and assists in meeting commitments under this Principle, provided it is embedded in planning and decision-making at the right level to drive larger change. The **Jemena / Ovida Disclosure** provided good evidence of robust customer engagement.

“... We really like the [customer engagement framework] tool we have been using ... We would like to work with other areas of the industry as well in how we mature in it. There is opportunity for us to collaborate ... we are aware that all of us across the industry are often going to the same groups of people for the same information and could we be doing that more effectively or more efficiently in the future.”

Belinda Kallmier – Head of Customer Experience, Essential Energy

Shareholder commitment

Only a few Signatories have a diverse shareholder base where the Board ultimately acts as the voice of the owners – the majority are owned by governments or large private investors.⁶⁴ As a result, the Panel considers that commitment to the Energy Charter should be made evident from these large owners as well.

⁶² Comments provided by customers when completing a Net Promoter Score survey.

⁶³ A spectrum of engagement developed by the International Association of Public Participation – see <https://www.iap2.org.au/about-us/about-iap2-australia/spectrum/>

⁶⁴ See **Appendix 2** for details of Signatory ownership structure.



“... Wivenhoe but also Swanbank E have had low utilisation – 1-2% over the last 5-10 years. ... and I’m not blaming CS or Stanwell for this because their mandate is clear they are to maximise profits and distributions to the shareholders. The reasons they haven’t been run are because when they are turned on all they do is depress wholesale prices and reduce revenue ...”

Miles George – CEO, CleanCo

It may be the case that owners demand a range of outcomes which are very supportive of the Energy Charter Principles – but inconsistent values from government mandates, or decrees from a controlling shareholder, could undermine Signatories’ commitments, such as a conflict between a drive for efficiency within the business and other shareholder objectives.

“The Queensland Government earlier this year set up this thing called a Just Transition Committee about how they are moving communities into this renewable future. So regional places where we and Stanwell are. Huge impact as you move this coal fired fleet into a renewable future. So it’s not expressly written but it is very much implied that we have a mandate to take those communities and the people with us on the journey.”

Andrew Bills – CEO, CS Energy

The Panel requested clarity from government-owned Signatories regarding their mandates⁶⁵, and was advised that (where they exist) they are not public documents. In assessing such Signatories it is important for the Panel to understand what the ‘rules of the game’ are – and if there is a conflict, what steps the Signatory may be taking to advocate for a change in mandate to ensure consistency with Energy Charter Principles.

Appropriate Board skills and involvement with customers

The Panel was interested in any evidence of social policy and consumer / retail / industry end-user expertise on Signatory Boards, including expertise supporting customers facing vulnerabilities.⁶⁶ This governance layer is an important element of knowing customers as discussed in [Key Theme 1](#).

Disclosures providing examples of Boards speaking directly with customers, local communities and/or customer representative councils were considered a good indication that this Principle is embedded firmly at the top of Signatory governance.

KPIs and well-designed incentives related to customer outcomes

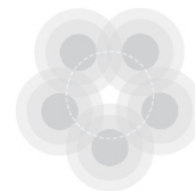
“Focus is required to make real changes within a business. In order to deliver that focus, incentives or KPIs related to customers must be present for at least all senior managers, and ideally all staff. This enables time and resources to be directed to this area of a business and creates opportunities to find new ways to deliver better customer outcomes.”

Energy Users Association of Australia (Submission, p1)

The Panel was very interested in clear Key Performance Indicators (‘KPIs’) and accountability for improved customer outcomes among the CEO, senior leaders and further through Signatory organisations. Commitment to alignment with customers was more evident to the Panel when Disclosures indicated such KPIs cascaded

⁶⁵ Which ideally would include formal mandates as well as verbal instructions, guidance, understandings and/or financial targets conveyed by relevant government Ministers.

⁶⁶ The Panel appreciates the appropriate Board makeup is related to whether the Signatory faces small customers and/or enterprise customers directly, commercially or operationally.



deeply into the organisation (including to staff who are not directly dealing with customers), and when remuneration outcomes were consistent with customer outcomes.

“We have been building ‘customer’ into performance agreements - my whole team has this but in other areas of the business it’s a little bit more foundational: that you must have conversations with customers. You must actually go out into the community, meet with customers, talk to customers as part of performance measures, which I think is really important.”

Michael Dart – Executive GM, Community, Customer and Corporate Affairs, Energy Queensland

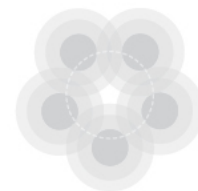
The Panel is also highly sensitive to the risks to customer outcomes from poorly-designed incentives and perverse outcomes (for example, the risk of customer complaints being suppressed if complaint frequency were a KPI). Because of this, the Panel does not consider KPIs as a substitute for a genuine alignment of company values and culture to really care about customers, but recognises they may be indicative of that alignment being developed.

Resourcing for improved customer outcomes

The Panel places a high degree of faith in the commitments of CEOs to deliver change described in Disclosures. Beyond this, it was interested in evidence of how projects and changes associated with improved customer outcomes were embedded, with accountability to deliver at the right level. This may include budget allocation to support customer-centric behaviours, such as consultative committees and customer engagement. Evidence of commitment can then be more clearly linked to particular programs, targets and outcomes for future Disclosures.

TABLE 8 – Recommendations on Principle One

16	Consider the voice and experience of the customer at the governance and strategic level of the Signatory business – including in relation to Board expertise and senior management advocacy.
17	Ensure Signatory staff and appropriate external stakeholders are broadly involved in the development of Energy Charter Disclosures.
18	Advocate to major shareholders to ensure mandates or other directions do not conflict with or restrict adherence to the Energy Charter – and seek to ensure such mandates are published and accessible.
19	Consider the quality of incentives - weighing up the benefits of alignment with customer outcomes through KPIs and at-risk elements of remuneration, against the risks of poorly-designed incentives leading to perverse outcomes for customers.



Assessment of Principle Two

“We will improve energy affordability for customers

Principle Two 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 from these decisions.
- 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 improve affordability 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.”

Summary

Affordability spans multiple Principles, especially vulnerability

“We would welcome a more sophisticated analysis of energy affordability, which includes the price of energy, size of the bill and capacity to pay, and acknowledgement that we need solutions at all levels to address affordability issues...there was little systematic or trend evidence demonstrating improved affordability outcomes for customers, especially for vulnerable customers.”

ACOSS (Submission, p7)

Affordability is most acutely an issue for small and enterprise customers who are facing financial or other vulnerabilities. Many of the affordability issues regarding these customers are therefore dealt with in **Principle 5**. Some larger issues have been examined in **Key Theme 3**. The Panel has made affordability-related Recommendations in both these sections of the Report.

In assessing this Principle, the Panel considered how affordability might be experienced by customers – and is aware that in too many cases, this impact can be very severe in the form of inappropriate rationing of energy. It is useful to consider where all the opportunities to improve affordability may lie.

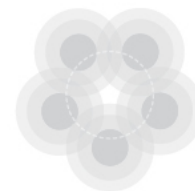
Affordability is complex. Beyond the typical focus on the interaction of pricing and volume which results in a bill of a given size, the Panel identified five dimensions contributing to affordability from a customer’s perspective:

1. The **energy use**;
2. The **energy price**, or **efficient costs of supply** of required energy products and services;
3. The **customer understanding and acceptance** of the costs;
4. The **value received** from the efficient supply;
5. The **capacity to pay** of the customer.

The Panel observed most Disclosures focused heavily on the second aspect, as this is the simplest to see and control. As Signatories mature their performance under this Principle, the Panel would expect to see greater consideration to the other four opportunities – and especially the first.

Energy use

The Principle calls for ‘*effective tools and incentives for customers to manage their energy use*’. Some Disclosures discussed information-based tools which might allow customers to change their behavior, but there was limited evidence of these being effective. There were fewer examples of Signatories taking further steps to assist customers with making structural changes to their usage – especially in the area of energy



efficient appliances and housing where the impacts on financially-vulnerable customers could be very substantial. This is discussed in greater detail, with an associated Recommendation, under [Principle 5](#).

“Sometimes it’s more than just knowing the price because it depends on individual situations. If they live in a rental place, where its very draughty and they can’t do anything about it, it’s compounding the situation. Also the kind of equipment they have for everyday living because they are in a vulnerable position they can’t replace it with efficient energy. It’s diverse and its multi-layered and its not just what’s the price.

What’s affordable? It’s individual circumstances.”

Lee Choon Siau, Council on the Ageing (Melbourne Forum)

Efficient costs of supply (or energy price)

It is entirely appropriate that Signatories pay a great deal of attention to the costs (including a sustainable return on capital) which they contribute to the overall energy system, all of which are recovered from customers.

As the Panel described in [Key Theme 3](#), the greatest opportunity for improvement in costs may lie external to the individual Signatory – through collaborative effort across the value chain and with stakeholders to find leverage points for change. The Panel is pleased to have seen examples of advocacy to affect substantial change by reducing system costs external to an individual business – for example, via rule changes.⁶⁷

Efficiency can also be driven by non-traditional approaches, such as ‘non-network solutions’ – finding alternatives to defer or avoid capital investment. The Panel appreciates the examples provided of this type of innovation to support affordability – including in the [TransGrid Disclosure](#) (on demand management) and the [Essential Energy Disclosure](#) (on stand-alone power systems in place of a conventional grid connection for high cost-to-serve remote locations).

Customer understanding and acceptance

When the complexity of the energy value chain is combined with high and/or rising prices, customers are rightfully concerned, and deserve a clear explanation of whether the cost of supply is in fact efficient.

Appropriate engagement with customers is also a commitment under this Principle, and brings two types of benefits. Signatory businesses are likely to better understand their customers and may find more acceptable trade-offs to balance their needs. Equally, customers will better understand the reasons for the cost of energy. Whether directly (in the case of large enterprise customers engaging directly) or indirectly (when customers are represented by advocates and agents), improved confidence and understanding of the ‘why’ behind energy costs can improve the customer experience of affordability. Information and control in the hands of customers at or close to the point of consumption is another important element of this Principle.

The Panel acknowledged strong performance from some Signatories devoting substantial effort to both improved engagement, and improved opportunities for information and control, at least for some customer groups.

Value received

Electricity and gas – delivered safely, sustainably and reliably – have typically been very low engagement products for most customers. However, this is changing for some customers, as a combination of DER, new commercial business models and the existing physical assets of the energy supply chain start to be combined in new ways, creating new sources of value⁶⁸.

⁶⁷ These can represent strong performance against [PiA 2.3 and 2.5](#).

⁶⁸ [PiA 2.4](#) directly addresses this opportunity.



Network and metering assets are ‘facts on the ground’ which customers must pay for, one way or another. But greater utilisation of these assets is possible, to deliver new services to energy customers – including coordination of DER, demand response, and the management of electric vehicle storage. Affordability can improve when the assets customers are paying for deliver more value to them.

“Efforts to become more efficient and reduce price is critical. Generally, the EUCG believes that companies should also consider how they are tailoring services, or leveraging their position in the market, to create value for consumers.”

End User Consultative Group (Submission, p4)

The Panel considers innovations which support affordability through greater value are no less important than those which reduce system costs. The Panel notes that ‘greater value’ can also imply a wider distribution of value among all customers, and so innovations which simply increase the breadth of access to DER and similar value-creating opportunities are a potent opportunity for improvement in affordability. In **Key Theme 3** the Panel notes that DER expansion for small and enterprise customers needs to include equity as a design feature.

Capacity to Pay

Affordability is subjective – it depends on the customer. In **Key Theme 3**, the Panel discussed the possibility of an ‘affordability mindset’ in energy pricing: a deliberate choice of a distributional method to improve affordability.

A small increase in energy cost among those with a strong capacity to pay might make little difference to the affordability experience for those more fortunate customers. On the other side of the coin, customers who are financially-vulnerable may thereby access their essential energy services at a lower cost, with a very large impact on their experience of affordability. Whether at the system-wide level as described, or at smaller scale within particular Signatory’s portfolio of offers, there are opportunities to improve overall affordability by favouring those with the least capacity to pay. The Panel was pleased to note elements of this in some retailer Disclosures.

Other better practices noted by stakeholders

The **Origin Disclosure** was cited by both the **ACOSS** and **Erica Eele Submissions** in relation to good examples of improving affordability for customers.

The **Anglicare Tasmania Submission** complimented **Aurora’s** advocacy on behalf of consumers in relation to the potential impact on energy prices from a second Bass Strait Interconnector.

Collaboration across the value chain

The Panel has noted several examples of energy businesses working together to deliver better outcomes. An example from the **APA Disclosure** describes working with gas producers and another pipeline operator to deliver a complex gas supply to Incitec Pivot. This delivered a better affordability outcome for a large enterprise customer heavily exposed to rising energy prices and competition from international trade.

TABLE 9 – Recommendations on Principle Two

20	Consider and seek to act upon all dimensions which contribute to the customer experience of affordability – not just the price of energy or the efficient costs of the system.
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Assessment of Principle Three

“We will provide energy safely, sustainably and reliably

Principle Three in Action - To fulfil this Principle energy businesses should:

- 3.1 Maintain the highest standards of safety for their people, the community and the environment.
- 3.2 Engage with customers and the community on investments, and manage operations in line with their expectations, demonstrating how communities’ benefit.
- 3.3 Develop business strategy and manage operations to respond to the shift to a cleaner energy system that is already underway.
- 3.4 Work with government, other energy businesses, the community and industry bodies to develop a planned transition to a cleaner energy system.
- 3.5 Facilitate new services and technologies that support sustainable energy solutions that meet the changing needs of the market.
- 3.6 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.”

Summary

This Principle deals with the non-monetary aspects of energy supply to customers. In general, the Panel found substantial opportunities for both improved Disclosures and improved performance against this Principle.

Safety is broader than workplace injury frequency

It is clear to the Panel that this Principle requires avoiding, minimising or offsetting harm (in that order) to all three of Signatory people, the community and the environment. It also requires engagement in relation to the impact of operations.

There was a substantial bias in many Disclosures towards workplace health and safety policies and metrics, with relatively little focus on the ‘customer’ – in this context, a broad group including end-consumers, host communities, those with whom the Signatory business interact as they operate, and those exposed to pollution or other environmental incidents.

For generation Signatories in particular, reporting clearly against pollutants such as NO_x, SO_x, coal dust and other particulates would seem to be highly relevant.

Sustainability requires clearer reporting

In some cases, Signatories appear to have strong programs to support their efforts on sustainability, often against the backdrop of a challenging starting position on CO₂e emissions for most generators, and a challenging policy environment to help structure long-term responses. Valid evidence includes initiatives from generator Signatories to facilitate renewable asset investment by providing firming (requiring a substantial change to a more flexible operating mode) and both generators and gas transportation Signatories examining the potential for low-emission fuels including hydrogen⁶⁹.

However, the Panel would expect Disclosures to note each Signatory’s position and momentum in relation to a Paris Target including reporting emission reduction targets and an assumption about the electricity and gas sector’s necessary contribution to meet it. As many Signatories report under the NGERs⁷⁰ scheme, this would seem to easily lend itself to a reliable, comparable metric. The Panel notes some Signatory initiatives on reporting performance, including alignment with the TCFD⁷¹, as a good step towards evidencing progress on

⁶⁹ Although we note that **Key Theme 5 – Close the Loop on Initiatives** is relevant here – these initiatives are very early-stage and the path to material impacts is unclear to the Panel.

⁷⁰ The Clean Energy Regulator’s National Greenhouse and Energy Reporting System – see: <http://www.cleanenergyregulator.gov.au/NGER/Pages/Published%20information/Reported%20greenhouse%20and%20energy%20information.%20by%20year/Corporate-emissions-and-energy-data-2017%E2%80%9318.aspx>

⁷¹ Taskforce on Climate-related Financial Disclosures, an international voluntary framework – see <https://www.fsb-tcfd.org/>



sustainability. The Energy Charter refers to the GRI Sustainability Reporting Standards⁷², but there was limited reference to these in Disclosures.

“Also worthy of note is Ausgrid’s target of reducing corporate carbon emissions by 8% by 2024 and 17% by 2030. This is the first such commitment by a network business we are aware of, and is commendable in view of the fact that networks (unlike retailers) gain no competitive advantage by making such commitments.”

Total Environment Centre (Submission, p2)

The Panel agrees that the **Ausgrid Disclosure** was very clear and succinct on their targets for emissions reduction. It also notes the **Origin Disclosure** provided a strong summary of relevant sustainability metrics and position:

- ‘unequivocal support’ for the Paris Agreement and net-zero emissions in Australian electricity by 2050 or earlier, recognising the electricity sector’s capability to deliver a disproportionate share of economy-wide reductions;
- TCFD reporting in its Sustainability Report;
- A 25% target for renewable supply by 2020; and
- a reduction target approved by the Science Based Targets initiative covering Scope 1, 2 and 3 emissions by 2032 – the first Australian company to do so, in 2017.

This was cited positively by the **Queensland Conservation Council Submission**.

Sustainability includes the impacts of transition

Another issue which the Panel expected to hear more clearly in generator disclosures was their approach to a ‘just transition’ away from coal-fired assets, for their own staff and contractors, and the local communities which host them. This is particularly relevant given several Signatories are very clear on the limited life remaining for these assets in their current form.

“Climate change and a poorly managed transition to clean energy will entrench and drive further poverty and inequality. In addition failure to properly manage the transition for workers and affected communities will only make the transition harder and slower.”

ACOSS (Submission, p9)

The **AGL Disclosure** noted its AGL Macquarie Community Dialogue Group includes transition planning, with Transition Funds established for their coal generation operations in both the Hunter and LaTrobe Valleys. The **EnergyAustralia Disclosure** nominated “maintaining open community dialogue” at Yallourn as a focus in the coming year. Both the **CS Energy** and **Stanwell** CEOs acknowledged this issue in their discussions with the Panel.

Sustainability driving strategy

The **APA Disclosure** describes a strategic shift underway, including material recent investment in renewable generation assets, and an early-stage ‘renewable methane’ partnership. While the latter appears to be very immature, the Panel considered this to be good evidence of a Signatory adapting its business model in response to the shift to a cleaner energy system. It envisages the continued use of infrastructure assets, but the gradual decarbonisation of the energy they transport, while potentially offering a means to provide storage of renewable energy and continuity of business for downstream gas customers.

⁷² see: <https://www.globalreporting.org/standards/>



Reliability is subjective too – and customer views on its value are important

As noted for affordability, the customer experience of reliability is not fully captured by a measure of minutes in the dark – which itself is largely a compliance-related measure. The [Jemena / Ovida Disclosure](#) explained this well, including their initiatives in response.

The Panel was interested to hear about initiatives to better inform customers about outages, which alone may improve the experience. It also appreciated some examples of ‘closing the loop’ ([Key Theme 5](#)) – receiving feedback, understanding the customer experience and taking specific steps to improve it – such as the [Energy Queensland Disclosure](#) in relation to dairy farms, now prioritised for reconnection with better communication on status.

“[Energy Queensland] articulated a systemic failure in notification of dairies in regional Queensland during a prolonged outage resulting from significant storm damage to the network. Energy Queensland’s learning from this event and action to prioritise dairies for communication and reestablishing supply after an event is welcomed as is their commitment to working with industry on the importance of business continuity plans.”

Queensland Farmers’ Federation (Submission, p2)

The Panel also appreciated Signatory Disclosures which sought to understand the customer’s view on tradeoffs, particularly between affordability and reliability. Optimising these two factors for customers is an important response to past practices where reliability was over-emphasised at the literal expense of customers.

“When we asked end use consumers it was affordability one, affordability two and affordability three. The other interesting comment is they said: we don’t want to pay more for better reliability but at the same time we don’t want to pay less for poorer reliability.”

Rod Howard – Deputy CEO, Endeavour Energy

Other better practices noted by stakeholders

The [Total Environment Centre Submission](#) also acknowledged the [Meridian / Powershop Disclosure](#) as “current best practice” in relation to reporting on sustainability initiatives.

TABLE 10 – Recommendations on Principle Three

21	Develop a clear position on sustainability consistent with the cited GRI Sustainability Reporting Standards, supported by current metrics on emissions (perhaps based on NGERs) and future targets.
22	Broaden the evident focus in Disclosures on workplace health and safety to include safety and environmental impacts from Signatory assets and operations on host communities.
23	Ensure the impacts of transition on customers and communities – particularly communities which host Signatory assets which may close or change their operations – are included in actions under this Principle.
24	In addition to consulting with customers on the tradeoff between reliability and cost, ensure there is also a focus on improving the customer experience when reliability events occur.



Assessment of Principle Four

“We will improve the customer experience

Principle Four 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, coordinated across the supply chain, to resolve customer issues and implement process improvements in response.”

Summary

“... you never accidentally buy a \$20 loaf of bread when you thought you were buying a \$1 loaf of bread at the supermarket. It doesn’t matter how engaged or not you are with the bakery industry you still know how to buy the cheap loaf of bread. That’s not the case with the energy market. You can really accidentally buy the \$4000 contract when you thought you were buying the \$2000 contract. Because you just can’t understand it.”

Dean Lombard, Renew (Melbourne Forum)

“... we’ve sometimes lost the customer perspective in our decision-making. We’re sorry it took us so long to address confusion over discount-based pricing which made it difficult for customers to compare deals. After speaking with many customers over the phone and in person, I am convinced a new approach is required. I’m pleased with the work we’ve done on this so far, but I know how much further we have to go.”

Brett Redman – CEO, AGL

It was clear to the Panel that improvement in customer experience was progressing – although clear examples of innovation and product design being driven by customer needs and preferences were scant. This is discussed in [Key Theme 5 – Closing the Loop](#).

“... the ‘Mum test’ ... everything we do at work is ‘would my Mum, significant other, be proud of what I’ve just done?’ Which is why we never door knocked, it’s why we never charged a loyalty tax.”

Catherine Anderson – Acting CEO, Powershop

Also, overall performance was relatively weak in relation to:

1. Customers experiencing vulnerabilities (see [Principle 5](#) in the Report)
2. Enterprise customers
3. Empowerment via customer data access and portability
4. Complaints and dispute resolution.



Closing the Loop on customer experience improvements

The **AGL Disclosure** offered a typical technology-based product directed at the customer experience – ‘Energy Insights’, supported in its design by pilot program feedback. It noted its potential to offer customers a way to ‘take control of their home electricity costs and identify ways to save’ and the fact that a substantial 300,000 customers receive a report from the product. The Panel was interested to hear more – how much engagement do customers have with that report? It would be valuable to see evidence customers are more satisfied now they receive a report of this type, how much they change their behaviour as a result, and how much they save.

Enterprise customers require fair outcomes too

“The Standard Electricity Industry Run around. Practiced very well by lots of people in distribution companies, not so much in the retail side of things because the retailers know that I will go elsewhere just like that. In the distribution companies they tend to try to hide to behind the legislation. I have read the NER, the Queensland Electricity Act, the regulations, the Codes and all the annexures and the procedures and that way they can’t give me the runaround but I can understand that someone that doesn’t have that knowledge getting that runaround is not a good place to be.”

Michael Fullilove, Peak Services (Brisbane Forum)

The Panel noted many examples from retailer Signatories which have reduced the extremes of outcomes associated with engagement and conditional discounting for small customers. It was less-clear how Signatories are responding to the needs of enterprise customers in this area, especially those who may not be so large as to have dedicated expertise to deal with energy suppliers at an expert level.

Customers data access and portability was almost entirely absent from Disclosures

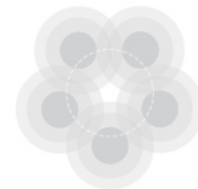
PiA 4.2c calls for customer empowerment by ‘streamlining access to, and portability of, customer data’. There was little if any attempt to address this. The panel notes **EnergyAustralia** as an exception, with a Bill Upload Tool to assist customers in accessing their data for use in bill comparison – but even this example is relatively immature compared with portability and access of historical time-of-use data to optimise outcomes.

Complaint management and dispute resolution is patchy

This is a critical element of customer experience – addressing the situation when things go wrong. The Panel has elevated this to **Key Theme 6**.

“... a conversation one would hope would actually be able to negotiate a way forward for someone ... unfortunately some of those calls go around in circles. Particularly in this last week I have had 4 calls and I have spent 45 minutes on each call. I have been put from 1 to 2 to 3 sometimes to 4 different departments. I know exactly what I am asking for and I know the department I need to go to. Unfortunately a lot of the providers do not have the trained staff to answer even the most basic requirements.”

Sharon Musker, WiseUp Energy Solutions (Brisbane Forum)



Other better practices noted by stakeholders

The **ACOSS Submission** welcomed the **Meridian / Powershop Disclosure** about some of its customers finding the user experience confusing (and the Panel noted the response, discussed in **Key Theme 5**).

The **Peak Services Submission** noted they were “very pleased” with recent improvement in customer service from **Energy Queensland**.

TABLE 11 – Recommendations on Principle Four

25	Ensure there is equivalent attention to the needs of enterprise customers in relation to fair outcomes.
26	Provide evidence of empowerment of customers by streamlining access to, and portability of, customers’ data.



Assessment of Principle Five

“We will support customers facing vulnerable circumstances

Principle Five in Action - To fulfil this Principle energy businesses should:

- 5.1 *Have processes to enable early identification of and engagement with 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 facing vulnerable circumstances and support them to get 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 (affordability or experience) for customers facing vulnerable circumstances.”*

Summary

The Panel saw evidence of an increasing focus on outcomes for customers facing vulnerabilities, but is left with the impression that much more can and should be done.

The Panel considered affordability in relation to customers facing vulnerabilities (and the potential to structurally improve this) in **Key Theme 3**: encouraging Signatories to collectively promote a discussion with customers and their representatives about an ‘affordability mindset’ in energy pricing.

Issues around the need for better grouping and understanding specific needs for various types of customers facing vulnerabilities is an important aspect of **Key Theme 1**.

Other areas the Panel considered closely were:

1. Treatment of energy debts.
2. Harmonisation of hardship guidelines.
3. Early intervention.
4. Support of customers for success.
5. Delivering affordability through reducing unnecessary energy use, including through better energy efficiency programs and policies.

Treatment of energy debts should be standardised at best practice urgently

As an essential service, a customer who is disconnected or leaves a retailer with an energy debt often becomes another retailer's customer at some point. The Panel believes that improved outcomes for customers facing vulnerabilities includes their treatment in these circumstances.

“... one of the areas that we think there is a gap in is existing legacy debt... the financial stress and the health implications of having that level of debt with you over time. The people I know in these situations are on benefits. They are on Newstart and are on pensioner concession. They are not going to be able to pay these debts. So they have got a wall of debt going forward.

... is there a mechanism through the Charter through the retailers that you have to look at somehow waiving that debt. Going forward they all have to follow the Guideline. So it's a line in the sand.”

Rose McGrath, QCOSS (Brisbane Forum)



The [Sydney Community Forum 'Voices for Power' Submission](#) brought the issue of sold-off energy debts being aggressively pursued to the Panel's attention⁷³:

"... All of those stories are not heard. The most appalling stories are about the debt collectors. I had a question. Is there a Disclosure from any of the retailers about how they manage their debt? Because the bulk selling of debt to debt collection agencies has created so much anxiety in some of the stories that we have heard. Where people are being told that awful awful things are going to happen to them if they don't pay a debt of \$300 or \$400.

We hear those stories again and again. We have multiple stories of debt collection agencies of debts sold as a whole package to a debt collection agency and the aggressive Lion, Panthers – all of those debt collection agencies chasing those people.

... stories of the mother of 5 who had electricity cut off and has been living without electricity and is terrified because her debt was sold and so she has an aggressive debt collection agency chasing her. She is terrified.

These are the stories you don't get to hear because these are the people who will not come here and tell you their stories. But these are not exceptions."

Asha Ramzan, Sydney Community Forum (Sydney Forum)

The Panel recognises that the [AGL Supplementary Disclosure](#) responded to this feedback, detailing recent, tangible steps they are taking to improve outcomes.

The Panel expects that the recent attention brought to this issue around banking customers will help to highlight how important it is for Signatories to demonstrate best practice in debt collection quickly.

It is not only in the customers' best interests, but also in the energy industry's best interests, that access to an essential service is not made any more difficult due to debt-collection practices, which may include bankruptcy proceedings and listing with credit checking agencies.

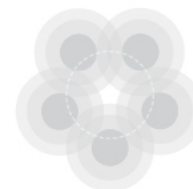
"... we are still concerned about the level of debt that customers are coming to us with and particularly the inability of some retailers to apply fair and reasonable payment arrangements."

John Jones, Energy & Water Ombudsman Queensland (Brisbane Forum)

Noting the view from the [EUCG Submission](#), the Panel strongly suggests the Signatories work together to deliver practices consistent with the Principles, and ensure that debt collection from customers facing vulnerabilities is not treated as an opportunity for competitive advantage. Competitive advantage should arise from the lower levels of bad debt costs incurred when Signatories ensure fewer hardship customers leave with unresolved debts, and that those are as small as possible.

Signatories should take the steps required to implement such a response in time for 2020 Disclosures.

⁷³ Both [AGL](#) (in a supplementary Disclosure) and [EnergyAustralia](#) (in their CEO Meeting) noted that they do typically sell overdue energy debts to other entities for collection. The Panel also recognises both [AGL](#) and [EnergyAustralia](#) referred to debt forgiveness as an element of their hardship programs.



“We did a review on our credit practices in 2018 and one of the key outcomes from that is that we decided not to hand off our delinquent debt and we keep it in house now ... and primarily it’s around customer experience... Credit is a key moment in a customer’s journey with their energy retailer whether you like it or not, it is, and so you want to make sure that you can manage and control that moment as effectively as possible.”

Rebecca Kardos – CEO, Aurora

Hardship guidelines should be harmonised to best practice

The Panel is aware of differential regulatory requirements for the treatment of hardship, through the Victorian Payment Difficulty Framework⁷⁴ introduced in January 2019, and enhanced arrangements elsewhere in the NEM in force from October 2019⁷⁵ (subsequent to the reporting period for Disclosures).

“The fact that the AER yesterday had to put out as a tweet a comment that ‘hardship protections are a right and not a privilege’ is a strong reminder how we’re not necessarily finding that.”

Kathy Rankin, NSW Farmers Association (Sydney Forum)

The **ACOSS Submission** has suggested the Victorian Framework represents best practice. Particularly for Signatories who may already operate under the Victorian Framework for customers in that state, meeting commitments to this Principle should include assessing where best practice lies, and ensuring that it is applied consistently to small customers in all states, above and beyond the regulatory requirement.

“... we encourage Signatories to go beyond what’s required by regulation, for example by implementing the Victorian Payment Difficulty Framework across all jurisdictions. ... we were pleased to hear some retailers are planning to write off-debts and would be encouraging all relevant Signatories to do so.”

ACOSS (Submission, p12)

In future the Panel would expect this to be addressed thoroughly in Disclosures – reporting against: comparing hardship arrangements, identifying the higher standards for customer outcomes, applying those best practice arrangements to all small customers regardless of jurisdiction, and advocating for regulatory harmonisation at best practice level to cement the improvement.

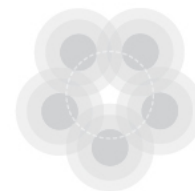
Play a role in optimising concession outcomes for customers facing vulnerabilities

In **Key Theme 3** the Panel noted the opportunities for leverage points to improve outcomes. One of those is likely to be in relation to customers facing vulnerabilities and government-funded concessions. There are many means by which retail Signatories (in particular) can improve outcomes at little direct cost:

- Ensuring customers who qualify for concessions do receive them
- Keeping customers on their concessions, even through a change in retailer
- Advocating on behalf of such customers, using detailed operational insights to ensure they are well-targeted, and government possesses the appropriate information about impacts to maintain support for appropriate concessions.

⁷⁴ See: <https://www.esc.vic.gov.au/electricity-and-gas/codes-guidelines-policies-and-manuals/energy-retail-code/energy-retail-code-review-2016-customers-facing-payment-difficulties>

⁷⁵ See: <https://www.aer.gov.au/retail-markets/retail-guidelines-reviews/customer-hardship-policy-guideline>



“... one of the biggest things is making sure they can access the rebates they would be eligible for. We have found that there have been many customers that have just not been aware of the rebates that they can access, particularly around seniors and disability pensions etcetera.

We need that data from the Federal Government ... so that we can offer it to people. There’s been discussions between the States and the Federal Government about direct contact with Centrelink customers really or those that access benefits, which mean they would automatically be eligible.

But in the absence of that we’ve done quite a lot of communications - campaigns like ‘make sure you check your family and your neighbour they might not know what they can access.’ Because for us, not only do we not want vulnerable customers to be in that situation, but it’s more expensive for everybody if they are...”

Michael Dart – Executive GM, Community, Customer and Corporate Affairs, Energy Queensland

Aligning incentives around concessions can be powerful

One form of concession design is a payment set at a percentage of the customer’s energy costs. In principle this can create strongly-aligned incentives:

- On the **customers**, where an incentive to reduce unnecessary usage is maintained;
- On the **government**, who will seek lower energy costs for such customers in order to minimise the budgetary impact of such concessions; and
- POTENTIALLY on the **energy supply chain** as well. In addition to the opportunity to reduce bad debt exposures, there may also be incentives (or at least, limited disincentives) to assist in reducing usage, if supply to such customers is at a relatively low unit margin.⁷⁶

With such alignment of incentives, the Panel sees strong potential for collaboration among customers, governments and energy suppliers to reduce unnecessary energy usage through both appropriate behavioural changes as well as structural improvements to household energy efficiency.

Early intervention was relatively poorly addressed

The Principle clearly calls for preventative measures to assist customers facing vulnerabilities before they fall into hardship – but Disclosure responses were sometimes limited to the circumstance of a customer calling in – for example the **ActewAGL Disclosure** noted customer service staff receiving training from Lifeline in identifying signs of vulnerability and taking appropriate proactive action. This is a good initiative, but the Panel would prefer to see broader ambition.

The Panel was hoping to note some more systemic, data-driven approaches to predict looming hardship, along the lines of the **AGL Disclosure**, which also provided evidence of better outcomes from their approach. More could be done to ensure Signatories anticipate the socioeconomic position of customers, which might call for more proactive but respectful methods to identify the most appropriate product conditions, and ensure access to all available support including concessions and any Signatory policies to support financially vulnerable customers prior to hardship manifesting itself.

Closing the loop on hardship identification and prevention

The **Origin Disclosure** was notable for citing a capability for ‘predictive modelling to assess the likelihood a customer will experience payment difficulties within the next six months.’ The Panel presumes this information is put to use to intervene and assist the customer – but the Disclosure is silent.

⁷⁶ This might arise from general policies and processes to ensure customers facing vulnerabilities are not high-margin customers, or perhaps by a broader conversation (as described in **Key Theme 3**) in relation to an ‘affordability mindset’ in energy pricing.



In addition, there are other means by which Signatories might identify and intervene earlier – recognising that many customers facing vulnerabilities may have limited ability or willingness to engage either online or through a call centre. Initiatives which engage with customers directly (such as “Bring Your Bill days”) or indirectly (such as via community partners) would be good evidence against this Principle.

Supporting customers for success

Customers with one or more vulnerabilities are a significant part of any retailer customer base. The Panel is keen to identify approaches and partnerships which deliver on both better customer outcomes as well as business imperatives.

The Panel noted the **Aurora Disclosure** which characterised a partnership to ensure customers facing vulnerabilities had the best opportunity to get ‘back on track’, with the benefit that such customers might ultimately clear their debts – in part or in full. The **EnergyAustralia Disclosure** also referred to ‘graduations’ from its hardship program.

“It’s much better a customer pays something. If you disconnect a customer ... it’s always a last resort for us, you are just increasing their debt, not increasing their capacity to pay.”

Rebecca Kardos – CEO, Aurora

The Panel expects a lot more can be done to develop and normalise best practices in this area – but partnerships which go well beyond the retailer-customer relationships, such as the Financial Inclusion Action Plan noted in the **Good Shepherd Microfinance Submission**, seem more likely to address the deeper causes of vulnerability and drive better outcomes for both the customers and the Signatories. This is an example of a potentially powerful leverage point, as discussed in **Key Theme 3**.

Energy efficiency is a key leverage point for affordability

The Panel is aware that renters and financially-vulnerable customers may also disproportionately suffer from the inability to invest in structural solutions to reduce usage, including more efficient appliances and home insulation⁷⁷. This Principle calls for collaboration to improve outcomes, and requires processes for early identification, engagement and intervention to assist.

Energy efficiency should not imply inappropriate rationing of energy use

Signatories have a role to play in assisting customers to manage their volume of usage, and the timing of that usage relative to the marginal costs in the system, in ways which are not restricted to behavioral change and potentially-inappropriate rationing of energy use. They may have more impact assisting customers facing vulnerabilities to structurally improve energy efficiency, than by offering a marginally improved price per unit.

In the Panel’s view, targeted improvements in the structural energy efficiency of rental properties and financially-vulnerable households is a very powerful leverage point to deliver against these commitments. There are opportunities for Signatories to advocate in favour of more effective and targeted energy efficiency schemes, as well as partner in delivery – both by identifying the customers with the greatest opportunity to benefit, and utilising their energy-efficiency expertise and billing system rebates to help customers to deliver the improvements.

A co-benefit would be a reduced risk of bad debts for Signatories. Both the **ActewAGL and Aurora Disclosures** noted collaborative activity in this area under state / territory schemes.

⁷⁷ As opposed to just behavioural solutions such as inappropriate rationing.



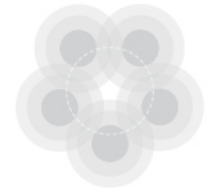
Other better practices noted by stakeholders

The **ACOSS Submission** acknowledged the **AGL Disclosure** for their 'Switched On Communities Program' partnership, noting it was viewed as beneficial by recipients.

The **Aurora Disclosure** was supported by the **Anglicare Tasmania Submission**, in relation to their No Interest Loans Scheme support, Neighbourhood Houses Tasmania, and their intention to establish a Thriving Communities Partnership and look at concession reform.

TABLE 12 – Recommendations on Principle Five

27	Work together across all parts of the energy supply chain to agree on the highest standards for managing energy debt in a manner consistent with the Energy Charter.
28	Determine and apply the best practice hardship standards to all customers, and advocate for harmonisation of regulation between jurisdictions at this level.
29	Develop strategies to optimise concession outcomes for customers, including advocacy on their behalf, consideration of shared incentives to reduce the volume of their energy usage, and systems and processes to ensure available concessions are provided to eligible customers.
30	Extend efforts on early identification, engagement and collaboration with customers at risk to a more proactive analysis and engagement, including analysis of data and outreach to those customers who may not self-identify or even contact their supplier when facing potential hardship.
31	Consider developing hardship programmes based on a mindset of supporting customers for success – both for the Signatory and the customer – in moving out of hardship.
32	Develop and partner in initiatives to structurally improve energy efficiency for customers facing vulnerabilities.



Appendices

- Appendix 1:** Summary of the Energy Charter
- Appendix 2:** Energy Charter Signatories
- Appendix 3:** CEO Meetings
- Appendix 4:** List of Submissions
- Appendix 5:** Suggested improvements to Disclosures
- Appendix 6:** Energy Charter Accountability Framework



Appendix 1 – Summary of the Energy Charter

The Energy Charter was developed in consultation with a range of energy industry stakeholders and launched in January 2019. It is a statement about energy businesses **putting the customer at the centre of their businesses** and delivering better outcomes for them.⁷⁸

Vision

‘Together, deliver energy for a better Australia’.

Purpose

The Energy Charter notes its purpose is:

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

Guiding Values

In carrying out our assessment, the Panel has been mindful of the three Guiding Values which the Signatories have adopted in approaching the Energy Charter.

Be invested, make a difference	Signatories should give life to the spirit and intent of the Energy Charter and make a real difference. Signatories should contribute to the Energy Charter’s development and invest in the conversations and initiatives that will drive change for better customer outcomes.
Be open, learn, improve	The Energy Charter is about supporting continuous improvement and that requires openness. Openness to seeking feedback, to listening, to viewing the world differently and to learning. It is also about transparency and opening up to be accountable.
Think big, be bold	Signatories should think big, try different approaches and ‘think outside the box’ when it comes to applying the Energy Charter. This may be in ways of working, trying new approaches to challenges or exploring new solutions. Irrespective of whether it succeeds, the learnings will be invaluable.

⁷⁸ See: <https://www.theenergycharter.com.au/>



Five Principles

The Energy Charter consists of five Principles – which are commitments made by the Signatories about how they will place the customer at the centre of their business model.

Each Principle is complemented by a description, and then statements of the Principles in Action.

These commitments are central to the Panel’s assessment of the Disclosures. They are stated in the Report at the beginning of the Panel’s assessment of each Principle.



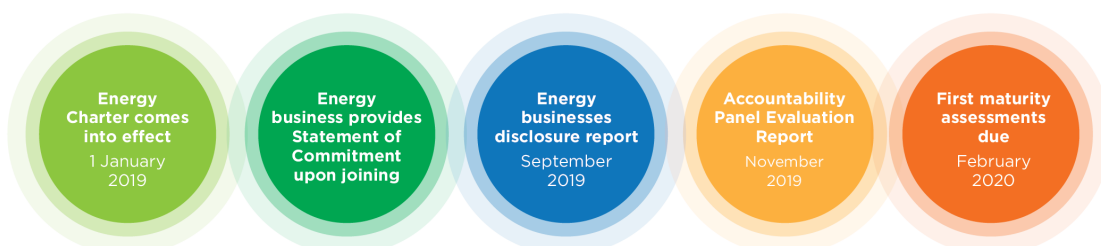
Beyond compliance

Signatories consider full compliance with relevant legislation, rules and regulation to be a minimum standard.

The Energy Charter does not seek to address this compliance behavior but complement it – with commitments to go above and beyond the minimum standard in order to deliver improved customer outcomes.

Process

The Panel’s Report is intended to contribute to the Signatories’ maturity assessments, and the process of improvement for the July 2019 – June 2020 period.

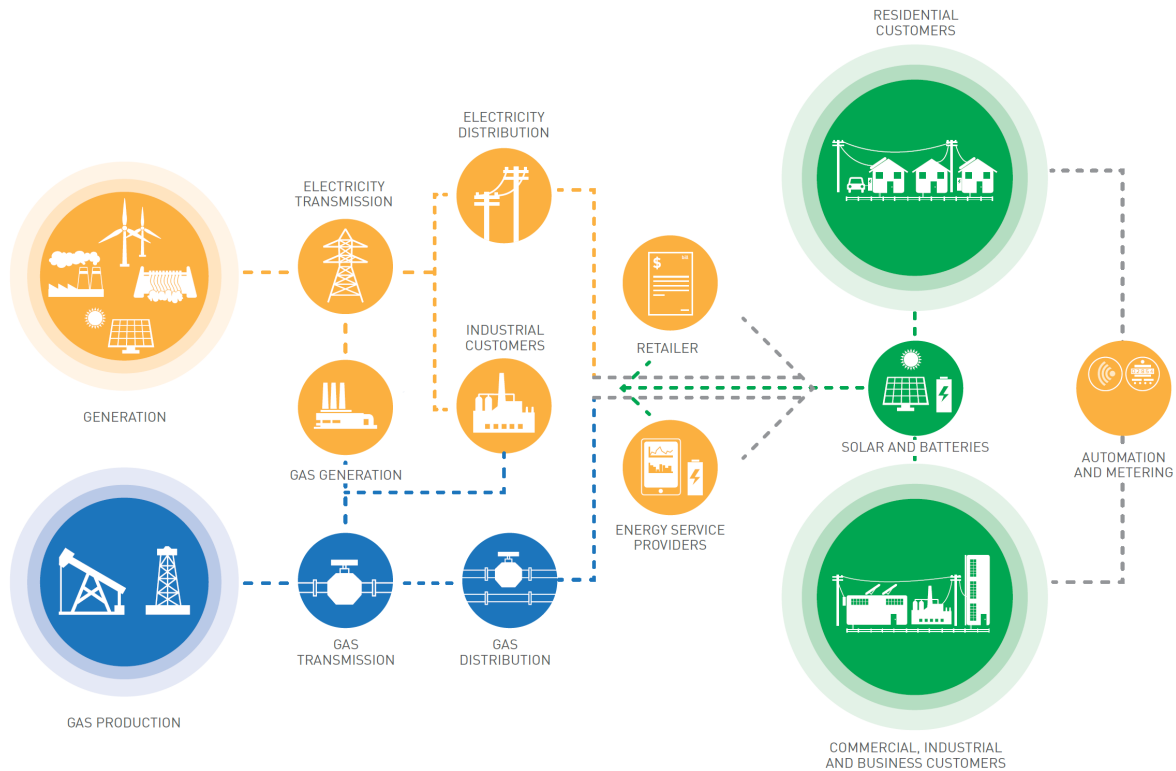




Spanning the Industry

By design, the Energy Charter is not a retailer initiative, nor restricted to small customers, electricity, or the private sector. The 2019 Signatories represent all areas of the supply chain.

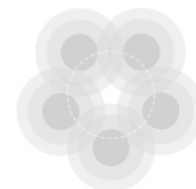
The Australian Energy Supply Chain



As a result, the Panel has reviewed Disclosures from businesses which:

- are active in all regions of the National Electricity Market (NSW, VIC, QLD, SA, TAS and the ACT);
- focus on gas, electricity, or combined products and services;
- are government-owned, privately-owned, or a combination - both listed and unlisted;
- span the spectrum from fully-regulated monopoly assets to fully-deregulated and competitive business models;
- include the largest established businesses, as well as smaller new-entrants.
- have a vertically-integrated approach, or are specialists in one part of the value chain;
- operate in generation, transmission, distribution, retailing and service activities

This is important, as it demonstrates that the Energy Charter provides the foundation for a whole-of-industry response to the challenge of remaking the energy sector around the customer.



Appendix 2 – Energy Charter Signatories

The Signatories represent many of the key participants in the Australian energy sector⁷⁹. Membership is voluntary.

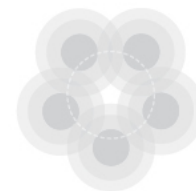
The Panel received Disclosures from each of the 18 Signatories⁸⁰ below.

TABLE 13 – Energy Charter Signatories in 2019

Signatory	Main Business Area	Ownership
ActewAGL	Electricity and Gas Distribution, Energy Retail, (ACT)	Two 50/50 JVs between ACT Government and AGL (retailing) and Jemena (distribution)
AGL	Electricity Generation and Energy Retail (NSW, QLD, SA, VIC and WA)	ASX-listed company
APA	Gas Transmission and Storage, Electricity Generation (National)	ASX-listed company
Aurora Energy	Energy Retail (TAS)	Tasmanian Government
Ausgrid	Electricity Distribution (NSW)	50.4% AustralianSuper & IFM Investors consortium 49.6% NSW Government
Australian Gas Infrastructure Group	Gas Transmission and Distribution (National)	Cheung Kong (CK) Group companies (Hong Kong Stock exchange listed entities)
CleanCo	Electricity Generation (QLD)	QLD Government
CS Energy	Electricity Generation (QLD)	QLD Government
Endeavour Energy	Electricity Distribution (NSW)	50.4% MIRA/AMP Capital/BCIMC/QIA consortium 49.6% NSW Government
EnergyAustralia	Electricity Generation and Energy Retail (ACT, NSW, QLD, SA and VIC)	China Light & Power (CLP) Group (Hong Kong Stock exchange listed entity)

⁷⁹ Refer to <https://www.theenergycharter.com.au/signatories/> for detail of each organisation.

⁸⁰ Horizon Power, a state government owned utility providing integrated generation, distribution and retailing service to regional and remote Western Australia, announced themselves as the 19th Signatory in November 2019.



Signatory	Main Business Area	Ownership
Energy Queensland	Group of Electricity Distribution (QLD) and Retail (Regional QLD) businesses	QLD Government
- Energex	Electricity Distribution (SE QLD)	(part of Energy Queensland)
- Ergon Energy Retail	Energy Retail (Regional QLD)	(part of Energy Queensland)
- Ergon Energy Network	Electricity Distribution (Regional QLD)	(part of Energy Queensland)
- Yurika	Energy solutions	(part of Energy Queensland)
Essential Energy	Electricity Distribution (NSW)	NSW Government
Jemena	Electricity Distribution, Gas Distribution and Transmission (National)	60% State Grid Corporation of China 40% Singapore Power (SP) Group (Temasek)
- Ovida	Energy solutions (same ownership as Jemena)	
Meridian Energy	Electricity Generation (NSW, SA, VIC)	Australian subsidiary of NZSX-listed entity (51% owned by NZ Government)
- Powershop	Energy Retail (NSW, QLD, SA and VIC)	
Origin Energy	Electricity Generation and Energy Retail (ACT, NSW, QLD, SA and VIC)	ASX-listed company
Powerlink	Electricity Transmission (QLD)	QLD Government
Stanwell	Electricity Generation (QLD) and Retail	QLD Government
TransGrid	Electricity Transmission (NSW)	ASX-listed Spark Infrastructure / Hastings / CDPQ / ADIA / KIA consortium



Appendix 3 – CEO Meetings

The Panel met with representatives (often, but not always CEOs) from 16 of the 18 Signatories in Brisbane, Melbourne and Sydney:

Signatory	Attendees
AGL	Brett Redman (CEO) & Eleanor McCracken-Hewson (Senior Manager Policy & Strategy)
APA	Rob Wheals (CEO) & Nevenka Codevelle (Group Executive Governance, Risk & Legal)
Aurora Energy	Rebecca Kardos (CEO) & Corinna Woolford (IWG representative)
Ausgrid	Rob Amphlett-Lewis (Chief Customer Officer) & Selina O'Connor (Government and Stakeholder Relations Manager)
Australian Gas Infrastructure Group	Ben Wilson (CEO) & Chris Fidler (Manager Market & Customer Services)
CleanCo	Maia Schweizer (CEO) & Miles George (Interim CEO)
CS Energy	Andrew Bills (CEO)
Endeavour Energy	Leanne Pickering (Interim CEO), Rod Howard (Deputy CEO), Stasha Prnjatovic (Director) & Kate McCue (Manager Corporate Affairs)
EnergyAustralia	Catherine Tanna (CEO & Managing Director), Chris Ryan (Executive Enterprise) & Jenny Odgers (Community, Vulnerability & Sponsorship Leader)
Energy Queensland (Ergon, Energex, Ergon Retail and Yurika)	Peter Scott (Acting CEO), Mark Algie (Director), Michael Dart (Executive General Manager Community, Customer & Corporate Affairs) & Kenny Mizzi (General Manager Community & Customer Strategy)
Essential Energy	John Cleland (CEO) & Belinda Kallmier (Head of Customer Experience)
Jemena / Ovida	Frank Tudor (Managing Director), Shaun Reardon (Executive General Manager Electricity Distribution) Anton Boey (Executive General Manager, Gas Markets) & John Cheong-Holdaway (Senior Policy Adviser)
Meridian Energy / Powershop	Catherine Anderson (Acting CEO), Lauren Kane (Marketing Manager, Customer Experience Manager) & Jordan Crawford (Team Leader)
Powerlink	Kevin Kehl (Interim CEO), Catherine Heffernan (Executive General Manager, People & Corporate Services) & Gerard Reilly (General Manager Communications)
Stanwell	Richard Van Breda (CEO) & Stephanie McMahon (General Manager Strategy & Engagement)
TransGrid	Michael Gatt (Executive Manager, Works Delivery), Graeme Wedderburn (Head of Corporate Affairs) & Robert Ephraums (Industry & Stakeholder Engagement Advisor)

Links to the audio from all CEO Meetings are available at: <https://theenergycharterpanel.com.au/industry-disclosures/>

Extracts from Signatory comments in these meetings are presented overleaf.



AGL

- The need for the consumer perspective.

“Let me begin by acknowledging we’ve sometimes lost the customer perspective in our decision-making. We’re sorry it took us so long to address confusion over discount-based pricing which made it difficult for customers to compare deals.

After speaking with many customers over the phone and in person, I am convinced a new approach is required. I’m pleased with the work we’ve done on this so far, but I know how much further we have to go.”

Brett Redman – CEO, AGL

- The importance of price for consumers.

“Price dominates customer decisions. It is far and away the biggest issue for customers. Price will be both actual and perceived. If your prices is 10 and you believe it should be 12 you’re happy if you believe it should be 8 then you are unhappy even if the real price should be more or less. Price actuality, which is higher than what it has been before need to come down and price in perception, both these things will drive a customer to pick up the phone and hunt around and look to move.”

Brett Redman – CEO, AGL

- Recognising customer loyalty.

“Our performance in recognising our most loyal customers hasn’t been good enough. We are focussed on ways to demonstrate our loyalty to these customers.”

Brett Redman – CEO, AGL

“What we have done specifically to address the so-called loyalty tax, which is an emotive proposition to say the least, we led the way. We were the first to announce a discount on the standing offer prices for electricity. In our recent results a month or so ago we have now done the same thing for gas. I don’t think anyone else has done that – to put a discount to automatically flow into customers who have been with us for more than 12-months on a standing offer for gas.”

Brett Redman – CEO, AGL

“...we are trying to focus around things like customer loyalty. We feel this is a clear plank that we can work on. Things like the gas announcement that we just made for the automatic discount if you have been with us for more than 12 months on a standing offer for gas. That’s the beginning of trying to work out how do we reward loyalty for our customers.”

Brett Redman – CEO, AGL

- Meeting community expectations

“...there is still a gap between where we are and what the community expects. And I expect to be held to my commitment to close that gap.”

Brett Redman – CEO, AGL

- That engaged customers will receive the best offers and that moving all customers to better offers reduces the benefits for low income households.

“If you ring us we will tell you the best offer you can be on and we will put you on it. But you have to ring us. We will tell the customer there is disclosure going there on what the best offer will be and that’s starting to be introduced and I would have to check the details of where that’s at with each State based regulation – the bills are heavily regulated – what’s on them and how we do it - but the market does need a degree of engagement. It is like any market –



free market – you have to engage to some degree. If you engage with us we will always make sure that you are in the best place you can be. If you don't engage with us in detail we will make sure you are in a good place. But I come back to what are the studies and the data runs that are put through this idea should we be pushing everybody towards the best offer. It ends up normalising everyone back to the middle. And in fact the people that win most are often those in the circumstances that least need that and the people that lose the most are those that need the biggest discounts. There have been lots of studies run. The AEMC regularly gets the data from us and runs it about where are the deepest discounts versus where are the lowest income by postcode. There is a deep correlation between people on the best offers and people on the lowest incomes. As there is this thrust towards how do we get the top end of town on to better rates, the people who are actually starting to lose out are the bottom end of town as rates start to compress into the centre.”

Brett Redman – CEO, AGL

- Ways to hear customer feedback.

“I have things like above my desk at work is a big screen which is a direct feed from the NPS style collection of data and comments that come from customers and that is displayed over my desk all day. And I see word clouds that help me try and interpret what is going on. That creates anecdotal understanding rather than evidentiary but those are the sorts of things we are doing to make sure we understand.”

Brett Redman – CEO, AGL

- The need for a social licence to operate in a local community.

“...this year we are focusing on loyalty and on the communities that we are operating in. They can be where we have well-established populations but also where we are building. And where we are building is a big issue. We need a social licence if you like to get stuff built. This country needs a lot of things built as we go through the energy transition – its absolutely vital. As a community we are becoming very resistant at a local level to building anything. So the challenge is how do we balance local community concerns under the broader community concerns. Having promoted the idea of social licence, I'm now down at places like Crib Point all the time and our people are at Crib Point all the time having to argue the fine points of local community social licence and broader community social licence. There is no easy answer to it.”

Brett Redman – CEO, AGL

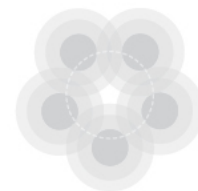
- Recognising the need to change their approach.

“All of our research tells us so let's start with the research what the community wants is for us to acknowledge where things haven't been done well or properly in the past. And until we do that we can't move forward. The way that corporates like us might have approached this sort of discussion in the past would be to come in and really hammer the list of worthy things that we have done. (I still intend to hammer those.) But you can't have that conversation until you first acknowledge that you have done things less than well; you haven't done necessarily the right thing; you have let people down in the past.”

Brett Redman – CEO, AGL

“We have thought long and hard about the posture and stance that we want to take on this and it needs to begin with 'we are sorry'. We recognise where we haven't done the right thing in the past. We can't fix everything overnight and we certainly can't change the past. But what we can do is remake the future.”

Brett Redman – CEO, AGL



“So to be frank a lot what we have done at Macarthur lately is just sit down again with everybody and listen with respect. That has been probably the major thing that we have gone back and listen with respect and showed proper concern and responsiveness to the issues of building in that area.”

Brett Redman – CEO, AGL

- Doing what they say they’ll do.

“...my leadership style if you get to know me is grounded in authenticity and that say-do gap I don’t have a big one – causes me trouble at times as that what I say is what we will do. It means at times I will say less because I don’t want to just spray around a bunch of stuff but what we say is what we will do.”

Brett Redman – CEO, AGL

“From my personal point of view I think it is important to lead by example. To me I have a very small say-do gap. I spend a lot of time making sure that what we say we do is what we will actually do and I push forward through that throughout the organisation.”

Brett Redman – CEO, AGL

- Assisting vulnerable consumers.

“I and AGL have had a long-standing view that if society sees you dealing with the disadvantaged appropriately, they will let the free market be free. Then for the vast majority of customers we can get on with the free market, which will ultimately drive better outcomes for customers if we engage in a free market – so long as those that are genuinely at the bottom are found and looked after and dealt with.”

Brett Redman – CEO, AGL

“We do everything we can to find them to make sure that we get them on the best deal we can. Perversely its often regulation that makes it harder. If I know for example that a customer is genuinely disadvantaged, I can’t unilaterally move them onto a different price. We have to get their permission to do it.”

Brett Redman – CEO, AGL

“We put in place financial counselling to try and support them. I’m proud of a year ago we wrote off about \$50m worth of old debt for hardship customers. A sort of clean slate if you like and give people a chance to move forward.”

Brett Redman – CEO, AGL

APA

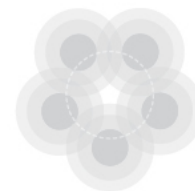
- What it means to be customer focused.

“There is a big difference between customer focus and having a strong customer culture. The distinction I draw is when you have a strong customer culture every person within every part of the business is always making a decision with the customer in mind and that is maybe a subtle shift but it’s an important shift.”

Rob Wheals – CEO, APA

- Implementing cultural change.

“We are on a journey and we are at the early part of that journey. If I think to the meetings that you might be referring to that’s probably winding the clock back a few years, but there’s still more work to be done in that regard. One of the challenges that, not just our business but others in the energy space have, is you can talk about cultural change but ultimately it has to



be measured in outcomes. The challenge is whilst we might have in our case 1800 employees and between 50-100 might have direct contact with the customer there's another 1700 to influence and that might be our regulatory people, it might be people in the field and how they respond to customer service. I can't disagree with the comments that you have made in regard to where we have come from and the journey that we are still on."

Rob Wheals – CEO, APA

- Measuring performance.

"Everything has to be outcome driven as otherwise its all just words and ultimately we are going to be measured by our outcomes.....In this financial year both myself and certain key executives will have key performance indicators as part of our remunerations structure measured against customer outcomes... we are in the final stages of settling those....those will be cascaded as relevant to the right individuals in the business."

Rob Wheals – CEO, APA

- Making information accessible.

"It's all on our website. So pricing structures, how those tariffs have been derived, what the weighted tariff is across all the contracts on the pipelines. I think the point that I want to add to that is that's all well and good if you're in the industry and it's your bread and butter and you understand it. So I think there's something we can take away to think about how that could be made more user friendly for those that don't live and breathe it every day."

Rob Wheals – CEO, APA

- Collaborating across the supply chain.

"More recently we had an issue, and I think this is where the Energy Charter actually played a really important role, where meters hadn't been read correctly in a particular region/ town, and when there was a catch up charge for customers, that presented no doubt and understandably so an issue for those customers. The response was for ourselves, who are contracted to provide the meter reading services and the retailer involved to get together and explain what had happened and accept that there had been an error but then support the customers through a dialogue with the retailer around how payment plan to be able to catch up..... That's where the Charter has really played an important role because in the past we might well have said 'well that's got nothing to do with us but we have engaged directly with the community'."

Rob Wheals – CEO, APA

- The role of the Energy Charter going forward.

"That sense of rising tides lifts all boats, that is absolutely one."

Nevenka Codevelle – Group Executive Governance, Risk and Legal, APA

- Recognising the need for change.

"The Charter has done a couple of things and it's an important industry initiative and the value that it has brought for our business is even though we have had other initiatives to improve experience the value of the Charter is the working together, working across the industry and importantly but focus on the end consumer. If I think about some of the upcoming access arrangement processes that we have for regulated assets and setting up consumer reference groups to bring them on that journey and get their feedback is part of that access arrangement process. That is something that we haven't done at all well, if at all, in the past and I think that's one of the things that you will see quite different going forward."

Rob Wheals – CEO, APA



Aurora

- Reducing consumer usage.

“The other aspect we know through our efforts in what we are doing that the price of energy in Tasmania, we have price regulation for the majority of small businesses and residential customers and our prices are capped by Government at the moment to CPI, but energy affordability is still a real problem – not because of the unit price, which is amongst the lowest in Australia but because of the amount of units produced. Our cool climate, our poor building stock and the limited reticulated gas means that the majority of Tasmanians utilise electricity to heat their businesses and homes and as such electricity is a major outgoing from their small business or home wallets. And the same for our large customers – our major industrials as well, it is a significant operating cost. So we are really cognizant of that and hence you will see in our things that we have invested in things like:

- *our partnership with the Tasmanian Energy Efficiency Loan Scheme where we partner with the State Government and Westpac and more than 9,000 customers take advantage of that, and*
- *our investment in the No Interest Loans network for Tasmanians providing more than \$1.8million to customers with concession to actually make a practical difference within their home.*

The reality is they need to reduce their usage – it is not all about price.”

Rebecca Kardos – CEO, Aurora

- Recognising the need for change.

“We know we’ve got a lot more to do. As a result approximately a year and a half ago we completely rethought our strategy and set ourselves the vision to reimagine the energy experience in Tasmania, recognising what we doing today is not enough and we need to do more. So the Energy Charter strongly aligns with our aspirations. It gives us an ability to guide us, to look at what others are doing, to receive your feedback on what more we can do so we can meet our own aspirations but also ensure all energy consumers in Tasmania and Australia actually feel like it’s a value for money outcome as that’s realistically what we want.”

Rebecca Kardos – CEO, Aurora

- Reaching customers facing vulnerabilities through community outreach programs.

“It’s another connection point for us that we can engage with the community and tell them about the services that we havejust really ensuring that we are connecting with everyone in that community as someone in a vulnerable circumstance is not going to ring you up and say ‘I need help’, for good reason.”

Rebecca Kardos – CEO, Aurora

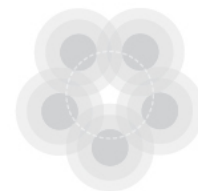
- Designing products for the user.

“The key learning for us is keep it simple. The more complicated you make it the less likely a customer is to respond. Most of us don’t wake up in the morning and want to think about energy. The design of the product is one of the easiest to use. You flick a switch or it’s just on.”

Rebecca Kardos – CEO, Aurora

- Helping customers with debt and managing credit risk.

“We did a review on our credit practices in 2018 and one of the key outcomes from that is that we decided not to hand off our delinquent debt and we keep it in house now. Since 1 October 2018 we have been managing our debt and primarily it’s around customer experience. We



only ever sent out delinquent debt for customers who no longer have an account with us. When you're in a non-competitive market, which we were in 2018, there's not a lot of customers I think it would be around .6% of our customer base would ever have found themselves in that situation so it was only small numbers anyway, but we've decided to keep it in house so we can manage it and have greater control over the customer experience. As you will have seen that's a clear focus of us going forward. Credit is a key moment in a customer's journey with their energy retailer whether you like it or not, it is, and so you want to make sure that you can manage and control that moment as effectively as possible.

We have never listed a customer with a credit-reporting agency. I know that's a practice I myself in another role we did, but the circumstances in Tasmania it doesn't warrant it. You really have to take look at the dynamics of your own market and the sector you are working with and do what makes the most sense for you.

One of the biggest operational risks for retailers is credit risk and it can impact your ability to be a going concern if you don't manage it effectively. We wear the risk on the entire supply chain. We're a billion-dollar revenue company and we only retain a small fraction of that so if we don't manage our credit exposure we will be in serious problems. Its a key focus for us but we believe that we can manage it better ourselves."

Rebecca Kardos – CEO, Aurora

- Working with customers facing vulnerabilities.

"It's much better a customer pays something. If you disconnect a customer, this is why it's always a last resort for us, you are just increasing their debt, not increasing their capacity to pay. We always want to work on helping them with their capacity to pay and then working with them to reduce their usage. That's why we have invested more than \$1.8million. That is a really good investment because it doesn't just help them today it helps them in the long-term as well because they can put in a heat pump or can change something in the fabric of their home. That's why we do TEELS [Tasmanian Energy Efficiency Loan Scheme] small business and residential customers so they can change something in the fabric of their home and get a long-term benefit. You don't just get benefit if you get a discount tomorrow you need something that's going to be year on year because cold winters I don't think they are going to be a thing of our past."

Rebecca Kardos – CEO, Aurora

Australian Gas Infrastructure Group

- The roles of the network and the regulator in delivering affordability.

"We have delivered price cuts in all our major networks over the last 3 or 4 years and we have got a couple of resets coming up in Western Australia and in South Australia where we are also forecasting price cuts. Now you might say 'well that's not really you and that's the energy regulator doing it and you are just making a virtue of it'. What I would say is we have led the way and really we have. We have led the way in terms of changing the attitude of the network space to the regulator. I was amazed when I arrived here 4 and a half years ago the networks they were focused on the regulator and not the customer and it was about fighting the regulator. It was Draft Decision, Final Decision, see you in Court. That was the process. That is inappropriate and it's a waste of time and effort. We changed that. We didn't appeal. We accepted the WACC [Weighted Average Cost of Capital]. We set ourselves publicly an objective and also privately with the AER [Australian Energy Regulator] 'we want to put a plan in which is capable of acceptance'. Now that shouldn't be a sort of earth-shattering objective – a plan that is capable of acceptance but in the context of where the industry was – it was. And we were successful in that process and I think that opened a few eyes and together with generational change amongst the CEOs in the network space that is now more the norm. But



it wasn't the norm when we started so yes the regulator did those things but actually we proposed those cuts before they were approved. We do take some credit for that."

Ben Wilson – CEO, AGIG

- Hearing customer feedback.

"I'm sure we will talk more about this. Again we pioneered the introduction of a customer satisfaction survey, certainly into the gas networks in Australia about 3 or 4 years ago. In the last 6 months our scores at AGN, which have been running for longer, are at the 8.4 level out of 10, which is the best they have been. It's a pretty good score. It can be better. We have sister companies in the UK that have higher scores than that and we want to get better, particularly on new connections, but it's a pretty good score. There is nothing like measuring it directly to focus the business actually on the customer."

Ben Wilson – CEO, AGIG

- The role of leadership.

"The most important thing that the CEO, the Board and the executive team do is to set a clear vision and set of values for the business and then to really mean it. A clear vision. A clear set of values. KPIs which are linked to it which we talk about and which we are transparent on both internally and externally. If you look at the back of our Annual review you can see all the KPIs against the Vision you can see our performance on a 5-year basis. And to live it, particularly the Values. We have 4 values, respect, trust, one team and perform. If you take trust that is about doing the right thing. We say if you have a decision to make at AGIG and you are not sure what to do we say do the right thing. Its important when a decision comes up that the business sees us do that. I'll give you an example. At the moment we are doing mains replacement in the CBD in Melbourne. That is very challenging. It is very difficult to find windows to work. You can't work in the day because of business. You can't work overnight because of all the residential blocks that are now in the CBD. You have to work in the evenings and on weekends. It's very expensive. We are going to end up spending much more on that than we're getting allowed for by the Energy Regulator but we are going to do it anyway. Because we said we were going to do it. We said that it was necessary from a safety perspective. Energy Safety Victoria believes it's necessary from a safety perspective. So we will take the financial hit and we will do it. And you can't have a value like trust and do the right thing if you then don't do it.

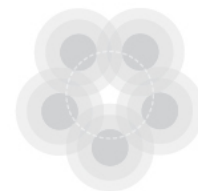
So what do we do? What do I do as the CEO? I set a very clear vision and values, which I refer to all the time and I exhibit those behaviours and I expect my management team and the rest of the business also to exhibit behaviours, which are in line with that."

Ben Wilson – CEO, AGIG

- Comparing customer satisfaction across businesses.

"The customer satisfaction scores that I talked about introducing 3 or 4 years ago, we didn't invent that idea. In the UK there are companies in electricity and gas that do this and everyone does it the same way. Every month there is a league table and that reputation incentive is the best thing on management – nobody wants to be bottom of the league table. So you feel enormous pressure in the UK you live it month in and month out to get performance up and by no coincidence they're all in the high 8s if not even 9 out of 10 on customer SAT [satisfaction]. At the moment here I have an easy ride to be honest. 8.4 out of 10 AGN I say that's good. Who is going to tell me it's not good because where's the measure for everybody else.

Through the Energy Charter we can already see some of the other companies voluntarily disclosing CSAT scores. I think there's an opportunity, without being too prescriptive, for the Charter as we go forward to actually encourage all the companies to measure customer



satisfaction, if possible the same way. We use Customer Service Benchmarking Australia so that is an easy pick and drop method. If there is a league table once a year that is going to put me under more pressure. We would be happy to adopt that. We have been arguing for that.

I think it's hard to disagree with it. I think everyone will feel the pressure a bit but I think it's very hard to say it's not a good thing. I think there would be a following if you pushed something like that."

Ben Wilson – CEO, AGIG

- Need for industry to address financial vulnerability collectively.

"This goes a little bit to the financial vulnerability point. I think there's a lot of focus and a lot of discussion at the moment about high prices of energy bills for residential customers and what can we all do about that. The observation that I would make is it is not a problem for everybody. It is not a problem for me I can pay my bill easily because I am in a fortunate position. So does it make sense to focus on that cohort of people who struggle to pay their bills? But that is a policy question. At the moment we are doing our stakeholder engagement for our South Australian reset and we have a whole bunch of stakeholders around the table and we are starting to consult on what should our role be in financial vulnerability and what should we do and there was no consensus. You might simplify it a bit too much and almost say the social groups think we should be doing something, the business groups have a very strong view in the opposite direction. I talked at the beginning when it comes to physical vulnerability it is very clear that I have a responsibility if there is a gas outage and there is an elderly person or somebody with a baby or who has a medical issue it is my responsibility to look after those people – I understand that. Financial vulnerability I think the industry, and not just the industry, stakeholders, politicians we have to try to reach some sort of consensus as to what we are going to do."

Ben Wilson – CEO, AGIG

- Identifying customers facing vulnerabilities.

"You have touched on something important here which is that we actually don't have a direct kind of relationship with our end customers. I'm very clear. If you rewound 5 or 10 years people in my position would say we have only got a handful of customers – our customers are the retailers. That's not my view. My view is our customers are the end customers – the 2 million people that are customers that connect to us. I know where they live and I know how much gas they use. But I don't know their names and I don't have their telephone numbers or their email addresses, because it's the retailers that have that. That means I don't know. I might be able to guess but I don't know who are in financial hardship and who are not."

Ben Wilson – CEO, AGIG

- Tariffs for customers facing vulnerabilities and the role of networks.

"I think there is something that can be done – whether it's rebates or just different tariffs. Something can certainly be done here. Just to be very clear our rebates they are not means tested it's just marketing that's all it is, it's not mean tested. If we do something about financial vulnerability it does probably have to be retailer led because they know who is vulnerable and who is not vulnerable or at least they have a better chance of knowing than we do. And they're the ones that actually bill. They do have to lead it.

Could we have a tariff structure, which discriminates in some way or reflects in some way between financially vulnerable and non-financially vulnerable? We absolutely could. And to a large extent this is playing out in our SA discussions at the moment, we are pretty neutral because the way the regulatory framework works for us is there is a pot of revenue which are allocated on a building block basis and then it's divided amongst customers based on the



tariff. So to a large extent if you're vulnerable and you're not so you pay less and you pay more it actually doesn't make any difference to us. We still get the same amount of revenue overall. We are neutral. I don't think it's necessarily our place to make what's really a public policy decision. That needs to be made by consensus somehow. But if there is a public policy decision that we should be trying to reflect and take account of financial vulnerability by differentiating the amounts that people pay. Are we in a position to do that? Absolutely. Are we willing to do that? Absolutely. And as I said we are pretty neutral because of the way the framework works but I think it has to be retailer led.

We could advocate for what we have just been discussing. We could say look it's easy to do. It's simple to do, it can be done under the framework, it doesn't have any impact on us but it would actually target then the problem. Because its not then an overall problem its just actually for some people. We could advocate for that. No question. But in my view we should only do that if it's clear that there is broad support for that approach and what I am saying is we are not at that stage yet. It is a wider conversation."

Ben Wilson – CEO, AGIG

Ausgrid

- Transforming their approach to customers

"Our customer transformation that has started since privatisation is focused on building our reputation and trust and we see that as key to our long-term success is having the support of our customers."

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

- Working with customers on regulatory determinations.

"The good thing is that we are delivering on our cost transformation. We have done that in collaboration with customers. Our revised proposal and our eventual determination from the AER was supported by customer groups and accepted by the AER. And that was something we were very proud of."

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

- The role of the Energy Charter.

"It's been a tremendous support for us. It's not the reason that we undertook the change but when the Energy Charter was brought to us as an opportunity to join – it was a no-brainer for us to get on board. I suppose what it has delivered very, very clearly for us is a framework with which to assess our progress and also the ability for us to measure ourselves against our peers and learn from their successes. For us, that fits with our collaboration style. We want to be able to support our peers and learn from them and I think the Energy Charter provides a great foundation for us to be able to do that. It's been a tremendous support.

The ability for us also as management to bring together a big team within the organisation and say 'This is the Energy Charter. This is the expectations we have from you in terms of aligning your work to the principles of that Charter. Reporting on engaging as a team with being able to demonstrate the steps that we are taking. From our perspective, that's been a really important cultural signal. Cultural symbols are really important when we look to make change and we talk about it culture is one of our biggest challenges no doubt."

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

- Developing suitable metrics

"We do have a lot. As an organisation we believe that which is measured gets done. If you set targets and transparently dedicate yourself to achieving them the chances of making it are



much greater. The importance of those metrics can't be underestimated. But you are right there are a lot of them and we haven't got it right. We're working with our Customer Consultative Committee at the moment to narrow down the number of metrics that we use to define success. At the moment we are looking at reputation, we are looking at net promoter scores, we are looking at reliability outcomes and we are looking at safety metrics – all of which we are important. But we need to make sure we are focusing on those things that are really high priority for customers. We don't have the answers to those questions and that's why we look to our Customer Consultative Committee and our peers across the industry to say how do we measure that success – which are the really important ones. And we'll get there. It will take time but we will improve over time."

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

"I want to make sure that when I go back to my Board that I can say 'This is what our customers expect me to deliver. This is how they will measure the success of Ausgrid having a Chief Customer Officer. That will guide how the Board wants us to report to them. So rather than it be Board reporting out to customers, it's customer reporting back up to the Board. So we are sort of flipping the direction around."

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

- Changing Ausgrid's culture.

"We have growing levels of trust from our customer advocates and we had to deliver to our word for customers to start believe in us. And we had a growing acceptance within our business that we meant what we said and at some point that moment came when everybody got it, it just crystallised."

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

- Hearing customer feedback.

"We were talking in a different way. We were talking in a way that said 'we didn't have all the answers'. We weren't the arrogant monopoly that tells you the answer and if you don't agree tells you why you were wrong. We became a business that was having a meaningful conversation that changed outcomes. I think that was the really important thing. When feedback from customers resulted in us changing our proposal, I think that's when the snap happened. It all crystallised and people said 'No, these guys are for real. Ausgrid has a different culture and a different intent.' And I think that's when we felt we really started to feel like we were making progress. It was a great moment for us as a business as well."

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

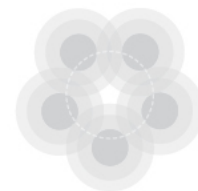
- Focus on customer outcomes.

"And there's no doubt frankly it's so more rewarding to be working for a business that's delivering for its customers than for a business that has an antagonistic approach....I think there is a circularity as well. And some of the work that we've been doing looks at how important employee satisfaction and employee happiness is for customer outcomes. So if you can get employees feeling like they are doing the right thing customers are happier and employees feel like they are doing the right thing. So there's a virtuous circle. In the past we were in a vicious circle."

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

- Working with customers facing vulnerabilities.

"It's not as substantial as it needs to be. Part of our customer transformation is about developing customer promises for different segments of our customer base. And vulnerable customers are one we are spending quite a lot of time – the elderly customer, the low-income customer, the CALD [Culturally and Linguistically Diverse] customer. They require different



services and different levels of care and attention. They often require much more call centre time, rather than a lot more customers that are much more digitised these days, where vulnerable customers tend to be call centre customers. So we are developing our longer-term broader strategy. The sort of thing you have just talked about is where we want to get to we are not there yet.... This side of Christmas we are doing consultation on those customer promises within the business and externally. Then those will be the foundation of the change programs that we will put in place and plans to the end of FY19 to commence execution in FY20.”

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

- Identifying customers facing vulnerabilities.

“We are working on it. One of the things that I would love to come out of this journey, that we are going on with our peers, is that these sort of things we can share. Because there’s got to be a better way of determining who’s vulnerable. Making sure that we can identify those who were likely to be impacted by changes that we make ahead of time. Rather than being reactive to them so that we can go and we reach out to them before they are impacted. And that happens with price changes or changes in policy – vulnerable customer ring fencing. If we get it right we’ll know who they are. And we can have strategies or policies in place to address it before it happens.”

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

- Community batteries and equity considerations in the design.

“Firstly the way in which the energy system prices its services is so totally out of date compared to the technologies that are available today that our first focus was to ensure that we changed our pricing in a way that facilitated the market development to a more renewable and possibly a more decentralised arrangement in a much more equitable way. So that costs are driving pricing rather than volume of consumption. So that’s the first thing that we put in place.

Secondly we’re big believers that the shared network and sharing delivers a much lower cost outcome and that’s the traditional underpinning principle behind infrastructure more broadly but also under those smarter new business models like AirBnB and Uber sharing and using the assets that would otherwise sit idle...

So you are delivering customers an outcome that they choose and opt for and at the same time you are delivering the system and all customers, the cost saving that will support a much lower transition to a lower carbon future. We are passionate about that and you can expect to see our advocacy on those matters continue and to increase too.”

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid

- Improving the efficiency of their operating expenditure.

“That is a huge driver for us. We are determined to be number 1 if we can and we are a long way from there. So for us it’s a motivating factor as an executive to see what we can achieve. But also it reminds our employees of the sort of task that we have ahead of ourselves and that there is reason behind our decisions to take costs out of the business and there’s a motivator there to deliver a better outcome for customers. We are naturally competitive people so it’s good from that perspective. But it also demonstrates just how important it is that we do better because we don’t want to be at the bottom.....I think there are a lot of businesses around Australia at the moment who either are or should be thinking ‘watch Ausgrid because we’re coming.’”

Rob Amphlett Lewis – Chief Customer Officer, Ausgrid



CleanCo

- As a newly established business.

“The background, that’s perhaps a little bit different for us than other people you might be talking to, is that we are a newly establishing business and during the reporting period in fact we had no customers. However the key objectives of our mandate are very customer focussed.”

Miles George – CEO, CleanCo

- CleanCo’s mandate.

“Our mandate is not to maximise profits and distributions. Our mandate is expressed in those 4 key objectives: affordability, reliability, sustainability, and jobs. They’re the key strategic objectives. Underlying that we have mandatory requirements:

- *the first one being to operate safely and*
- *the second one being to maintain financial viability – that’s different from maximising profits – it’s maintaining financial viability. Key in that of course that we don’t fall over and we are not going to help anyone if we fall over.*

So the Board will have a very strong focus on maintaining that financial viability but for that reason because that is our broader mandate we don’t have an inherent conflict between the interests of our current shareholders and the interest of customers.”

Miles George – CEO, CleanCo

- Signing up to the Energy Charter early.

“It’s so aligned with what we are trying to do it’s kind of obvious for us to do. We were also conscious of the fact because we don’t have customers that it’s a bit early. But we thought we are actually embedding a lot of these Principles in our recruitment strategy.”

Miles George – CEO, CleanCo

- Developing suitable metrics.

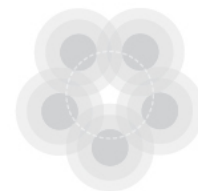
“Those sort of things are still to come. We have discussed metrics at Board level. The metrics can be pretty easily tied into those 4 objectives. In relation to affordability for example the Queensland Government has made the statement that they expect that our changed usage of the assets that we are getting, those assets have only had like a 1-2% utilisation for the last 5-10 years, that we will run them a lot harder and particularly in the first quarter of the year where you can have the most impact on high power prices. You should be able to see, because there’s reams of data from the market operator, what effect we are having on the wholesale price in particular. And the Queensland Government has mentioned in some of its statements that we should be able to achieve a \$7 per MWh reduction in the wholesale price in Queensland. And we’ve done modelling and we think that’s actually a reasonable metric. So those kind of metrics could be used there.

The Queensland Government has also said that they expect that to flow through to a \$70 per annum reduction in the typical household power bill but we can’t really logically be held responsible for that outcome because there are so many other inputs into the process.”

Miles George – CEO, CleanCo

- Using generation assets to benefit customers.

“Our primary hydro asset is pumped storage hydro so it’s not actually dependent on the availability of rainfall. Because it’s the same water we are just cycling it around.....In terms of reliability I think the main impact that we can have is in the first quarter of the year. I mentioned before that Wivenhoe but also Swanbank E have had low utilisation – 1-2% over



the last 5-10 years. The reason for that, and I'm not blaming CS or Stanwell for this because their mandate is clear they are to maximise profits and distributions to the shareholders. The reasons they haven't been run are because when they are turned on all they do is depress wholesale prices and reduce revenue.....

The two big assets, their main advantage in the NEM and particularly in Queensland is as firming assets. Which is to take that variable nature of renewable output, whether its wind or solar or some other technology, using those firming assets to then be able to create a flat product that we can sell to the commercial and industrial customer who wants that product. So we can contribute to reliability, particularly in Q1, by making those assets available to run. Bearing in mind Swanbank E was actually mothballed so it couldn't be turned on even and Wivenhoe typically sat there not ready to run at a moment's notice and even if prices were high it wasn't run for the reasons that I explained.

So in the coming Q1 which is when you get the most high prices and price volatility, you will be able to see that we are actually operating those assets, particularly Wivenhoe but also Swanbank E in a way that is going to cut off those peak prices. And with pumped hydro you can also benefit from very low midday prices. And midday prices are coming down and potentially will go negative here as they already do in South Australia. That's ideal for pumped storage because you pump water up the hill at very low cost and bring it back down in the peak period. The benefit is having another 570MW for Wivenhoe and 385MW for Swanbank E available and ready to generate and that definitely improves the reliability of the system."

Miles George – CEO, CleanCo

- Creating a new culture.

"We discussed that at length before we headed off on our recruitment program. Our objective was to establish a culture within CleanCo that was aligned to our mandate and our 4 key objectives. We did not want to import a CS or Stanwell culture, not that we think there's anything wrong with those two cultures. We didn't want their cultures we wanted our own culture. So in the recruitment process for the new team, which is primarily in the Brisbane office, that was the objective of that recruitment program.

In terms of the people who are at site, so there's roughly 65ish people at the various sites who are currently employed by CS and Stanwell but will eventually after this transition period over the next 9 -12 months will come across and become our employees. I guess it's up to us – and we haven't had engagement with them yet because they are still Stanwell and CS employees, except for those top half dozen or so. We have had those top half dozen or so guys from the operations into our office on a fortnightly basis. Part of the reason for that is to test what is their culture and to see are they going to be aligned with what we are trying to achieve. And they are totally aligned. And the reason they are totally aligned if you think back on it is that they have been working at assets that haven't been run so sitting around. They are so excited about the fact that now their assets are actually going to be run, particularly at Swanbank, which had been mothballed for 3 years..... So we don't think we are going to have any trouble getting the CleanCo culture across the whole organisation including those people who come from CS and Stanwell."

Miles George – CEO, CleanCo

CS Energy

- Changing the culture.

"For us as an organisation we are moving from a traditional wholesale generator into a diversified energy business. Therefore this journey doesn't happen overnight and the recognition of the customer being central to your decision-making and how you run your business is a fine until you have had decades of people working in a very traditional generator



business that just supplies energy and that's as far as they have to worry about. So that's culturally what we have as a business.

But part of the journey that people are starting to see now is the customer reshaping the whole of the industry moving across the value chain and therefore our role as a generator has changed. Not only about what's happening from the customers' perspective in terms of requiring a better level of service, technology and where the customer is operating is impacting the fundamentals of the business.

So there's two forces occurring at the same time. For us our strategy recognises that transition. So we have moved down the path of the customer being the centre of our strategy going forward and to diversify so We are in this transformational phase of moving the business from what it has been for many decades into something that is more diversified, focused on bringing a solution to a customer."

Andrew Bills – CEO, CS Energy

"That cultural change doesn't happen over night....the Alinta JV [Joint Venture] sits to the side so how do you bring that more into the business so there's more visibility about it. Bringing customers more directly into our Board sessions at a leadership level. So there's a number of things we are going to do to try and bring the people with us on that."

Andrew Bills – CEO, CS Energy

- The CS Energy mandate and having a focus on profitability or consumers.

"The mandate isn't specific on either. The mandate talks about first and foremost around reliability, safety, performance – all those things supply. That's the key thing that the mandate is responsible for. But it's also about the long-term sustainability of the business. What does that mean? That's around what are you transitioning to as a business? And over the next decade that's so important. It's more around 'Do your basics well' and that's your first and foremost. The profits we make are secondary because if you do that then you will earn a profit by being reliable and providing that energy into the market. And we have a commitment to the community and our people. That's what the mandate focuses on – it doesn't drive into profits.

Andrew Bills – CEO, CS Energy

"The Queensland Government earlier this year set up this thing called a Just Transition Committee about how they are moving communities into this renewable future. So regional places where we and Stanwell are – huge impact as you move this coal fired fleet into a renewable future. So it's not expressly written but it is very much implied that we have a mandate to take those communities and the people with us on the journey. So absolutely."

Andrew Bills – CEO, CS Energy

- Developing customer metrics.

"That reflects where the business has been as a traditional wholesale generator in moving into a customer based business. So if I talk about the metrics in the C&I business. One of the things we are doing this year and that has come out of the Charter is we are going to be surveying those customers around our level of performance. That's never been done before. This was only discussed at the Board last month so to give you an idea of frequency of where this is at....There's no clear metrics that we are looking at accuracy of billing and timeliness of billing the things that you would normally expect to see aren't there yet.....That's why we are in that maturity phase. We are very much in the infancy. The expectation is that there will be clear metrics that will look at the service and the performance that we are providing to those large C&I businesses."

Andrew Bills – CEO, CS Energy



- The role of the Energy Charter in developing industry relationships.

“Very.....I’ll give you an example..... I suddenly went the guys who attend the Alinta JV meetings: Where on your JV meeting every month do you have hardship? And they went ‘we don’t and I said shouldn’t we know out of 190,000 customers we’ve got who are on hardship? And it was like ‘yea really good point’. Alinta obviously know that – but we didn’t. And we were very much managing that relationship as the wholesale provider to the retailer, which is the JV. So you get an idea of where this is coming from strategically to be able to shift the dial on that to say we want more than just being the wholesale provider – we want to help change our culture internally based on that relationship. That won’t happen overnight. That gives you an idea of how the Charter directly impacted what we’re now doing with Alinta.”

Andrew Bills – CEO, CS Energy

- Measuring performance.

“Our KPIs previously were all financial – about what went to the government. They are now based around two metrics around each of those Now the next step is the service aspect of it.... but you have to understand the shift. That was a whole list of financials and we are now being measured based on things that this business has never measured itself on in 30 years. It’s a big shift that’s a big shift.”

Andrew Bills – CEO, CS Energy

- Using contracting arrangements to support liquidity and improve affordability.

“We do have relationships with other retailers and we didn’t disclose it... We do offer a lot of what you are talking about. I can’t disclose the details but there were two deals that went to the Board last month which is exactly firming renewable projects – very long term 9 year deals with customers direct so we’re back to backing – we’re acting as an intermediary. There are 2 or 3 deals which we have where the customer said ‘I want to decarbonise my energy supply. I do not want to pay 100% green. I want the black price but can you bring the renewables projects.’ So what we are doing is we’re banking the project, wrapping the black and then packaging it and then selling it to the customer. We haven’t disclosed that but that’s exactly what we are doing and that’s been happening for the last few years..... That’s good feedback. We didn’t see that as relevant.”

Andrew Bills – CEO, CS Energy

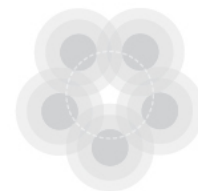
- Working with employees on transitioning to renewables.

“When I first went up to Callide and I was the spokesperson at the monthly town halls and I’m doing the talking and as a leader the opposition towards renewables was directed at me personally. Even though I’m not the architect of any of it – but I’m the person that they are seeing. And I have sympathy – their jobs, their livelihoods, their families they have been based around that industry for a long period of time. And they are seeing all that being turned on its head. How you take people on that journey is quite challenging.”

Andrew Bills – CEO, CS Energy

- The role for hydrogen in the energy transition.

“We are very keen to see that developed as an industry.....why are we doing it? We want to learn from it. We want to learn about what the technology can do, not in terms of obviously new products and services but what can be integrated into our existing portfolio. We have a hydrogen plant at Callide. Hydrogen is fundamental for energy production. But we don’t look at it as a revenue source or as an integrated service or product for a customer – we look at it for our own production.”



So I do want to do more than just what we are doing from the R&D. I do want to look at appropriate demonstration using renewables using the existing portfolio and as a product that could be sold. We do see hydrogen as being fundamental to Australia going forward.

...It's a form of scale energy storage. As soon as batteries become economic you would put them in to keep the minimum load at the power station so that they'd just sit there. So you didn't have to do the turn off and on and they'd just sit there. That's a good outcome for everyone. But I can't see that happening for a number of years. Is hydrogen going to get there beforehand? I don't know but I want to make sure that I'm not putting all my eggs in one basket."

Andrew Bills – CEO, CS Energy

Endeavour Energy

- Learning from others through the Energy Charter.

"This is a good opportunity for the industry, obviously we can learn from others and we are looking forward to the Accountability Panel's report. We have looked at a lot of the other reports already but are looking for your consolidation on who's done well..... what's been done well, where we've seen best practice and where there are learnings for us."

Leanne Pickering – CEO, Endeavour Energy

- Developing a customer centric focus.

"We are conscious of the past. In 2009 the AER asked us to improve affordability for customers. So we set some improvement programs and since completed a lot of transformation. We now have the lowest network charges for distributors in NSW. So people in Sydney, Wollongong, the South Coast and the Blue Mountains have cheaper power but there is more that we can do."

"The last regulatory determination really put customer at the centre...since the privatisation and the changes to the regulatory regime, putting the customer at the centre of our thinking, along with those customer committees, really came to the fore. It's highlighted that customers were treated a bit differently in the past decade to what they are now. So there is a lot more of a push – we are looking to reconstitute the customer committees. We've invited more customers in from CALD area. We are in a very big growth area in Western Sydney, which includes the new airport, so we have a challenge there in regard to the customer groups and really listening to what they want."

So we've set our strategy. While the customer has been at the core for a decade we've set the strategy with customer as one of our five key pillars in our strategy and that's been the case since 2017. But we actually re-launched it only last month and are trying to build on that customer centric focus coming into every area of our business and we want to improve the transparency of that."

Leanne Pickering – CEO, Endeavour Energy

- Board engagement with the Energy Charter.

"We had a lot of Board involvement. The Board probably challenged us to not just give the report that it was all ok - but really challenged us in regard to where can we improve. Our private investors are very good at asking us how we can improve and challenging us as to how we can do better. And our customers do the same. So we are trying to change that mindset."

Leanne Pickering – CEO, Endeavour Energy



- Developing suitable metrics.

“From a Board perspective, the KPI metrics are very definite. Financial metrics are only one fifth of the bonus payment to executives. Same weighting is given to safety, same weighting is given to reliability and same weighting is given to strategic initiatives. All of those strategic initiatives are really towards efficiency. How to reduce costs and pass those costs through in lower tariffs to consumers. So while they are not typically linked to consumers from reliability, safety and efficiency they will achieve better customer outcomes we believe.”

“The Company and the Board engaged with customers through deep dives on capex and opex through our 5 year reset process. We were very keen as a Board to find out what is it that customers want.....The Board was very keen to see what is it that each of our different customers needed and what is it that we are doing in terms of achieving those in our 5 year proposal.”

Stasha Prnjatovic – Director, Endeavour Energy Board

- Hearing customer feedback.

“When we asked end use consumers what are the prime issues that came up: it was affordability one, affordability two and affordability three. The other interesting comments they said ‘we don’t want to pay more for better reliability but at the same time we don’t want to pay less for poorer reliability’. They also saw safety as a hygiene factor – a given. They expect community safety as a given as opposed to offering a view themselves on safety. So the real focus from a customer point of view was understanding well what can we do to actually contribute to the affordability objective or aspiration or expectations of customers without sort of compromising reliability and the hygiene factor of safety.

That’s really been our driver as an organisation for the last 8-9 years to continue that drive. When we complete the current regulatory period in FY24 we will have had 10 years of real network charge reductions and that’s been our drive ever since we started the journey.”

Rod Howard – Deputy CEO, Endeavour Energy

- Working with customers facing vulnerabilities.

“It’s about the different role we’re all playing in the industry. The retailers are the ones that are really at the front line of those deals. We’re the next level in regard to what needs to happen so we would only act when it’s really getting to that stage of a disconnection. So things are probably happening with the retailer before that point.....We are very focused on our customer teams and there’s an area of our report where we are focused on that training and making sure that people understand what is available to them.”

Leanne Pickering – CEO, Endeavour Energy

“I think there is always room for improvement – I am not saying that we’ve done enough. So we are trying to make sure that people are aware of those programs, that our staff are trained in it. But there’s limited need at some point for people to be actually accessing that hardship regime. We are happy to work with retailers on what they are doing in that area but there’s less of a need for them to come to us.”

Leanne Pickering – CEO, Endeavour Energy

- Influencing retail tariffs.

“That’s one area of transparency where this Panel can help. When the Government changed and we were talking with the people from the Department, they were asking similar questions about what appears on a customer’s bill and how they can understand it. One of the biggest challenges in the industry is that we are potentially at different stages of the journey. We have



changed our tariffs and we don't necessarily have a large influence in regard to how the retailer then puts that through to customers. We are trying to say when we've got people who are connecting and they have smart meters that they can automatically go on that tariff but we can't necessarily change the tariff that people are already on. We acknowledge that is a challenge."

Leanne Pickering – CEO, Endeavour Energy

- Developing simpler tariffs.

"How do we actually design those by working with various customers? I know that we spent a fair bit of time working with both end use customers and customer advocates to shape our tariffs to reflect our regulatory obligations. The AER, in its Report, actually complimented Endeavour for the engagement approach we adopted, which delivered results. It was one of the critical things we went through. You are quite right that tariffs can be quite complex. As part of the process we also engaged with retailers. Retailers also had the same comment 'can you simplify this down so that we can implement it, number one, and number two: customers can understand it.'" And as a result of that feedback and as a result of feedback from customer advocates we did reshape that again. You are right at the end of the day, the retailer still has the final choice about whether they pass on the shape of that tariff to customers."

Rod Howard – Deputy CEO, Endeavour Energy

- Network determination processes and customer trust.

"It reflects the matter of how the legal system was working not just for that reset period but for decades leading up to that. It was the case that was the mechanism that if you disagreed with a view from the AER that you had an appeal right and a challenge. That had happened for numerous years and potentially that has been a criticism of the industry in driving higher prices. The last challenge in 2014-19.....was probably at the end of an era. Now it has moved with the latest regulatory determination to really put the customer at the focus and to engage more. The limited merits review has been removed and the appeal rights have been removed. It is the fact of forcing the industry, in a way, to have to deal with the customers in a different way. Like changing that mindset so it's not lawyers at 20 paces. It is more consultative – we are working with the AER, we are working with customers, we are working together in regard to shaping our investment plans. We've already started our Customer Consultative Committees for the next reset period. We are already working with customers in regard to what we do."

Leanne Pickering – CEO, Endeavour Energy

Energy Queensland (Ergon/Energex/Yurika)

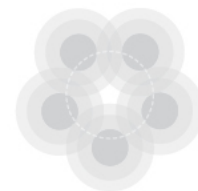
- Impact of the Energy Charter.

"The businesses found this really beneficial. It gave some really good touch points around changing the lens to customers. ...the timing was really good for that in terms of the business having a different lens, particularly the distribution businesses, around what good looks like for customers."

Peter Scott – CEO, Energy Queensland

- The role of the Energy Charter.

"When we used to measure customer satisfaction and customer engagement, it was very much through a retail lens. So, you'd see those statistics and you'd look at it through that retail lens as I said. But essentially having the Charter now having that dovetail into our customer strategy it goes well beyond just our retail business – it extends all the way through



our supply chain. I think that's an important thing because we have customers interacting inside our regulatory business and even our non-regulated businesses that are out there doing construction works all the time. So those behaviours need to be inculcated throughout the organisation and not just at the pointy end, at the customer service end – it has to go all the way through."

Mark Algie – Director, Energy Queensland Board

"It was us in fact that invited The Energy Charter into the Customer Council to get them across it and see where we could rebalance some of the activities we have been doing, particularly through the regulatory process at the time. So it was good timing from that perspective."

Michael Dart – Executive GM, Community, Customer and Corporate Affairs, Energy Queensland

- The customer index measure.

"The customer index, if I was to describe it, is around about 85% of a customer satisfaction score and then about 15% of an NPS [Net Promoter Score] or NTS [Net Trust Score] score. So that's just in general terms. The way it's brought together is we do 10,000+ surveys with our customers every year and that's across all of our businesses. The bulk of that is with our distribution business and usually after a service interruption with a customer. We have a model where we take all of that....we get them in all the time and then we report to management monthly on that but it's an annual score. We have the target for that and we just say how its tracking monthly and how we expect we will go..... Yes we get the quantitative score and we get the qualitative comments as well and the comments are often the richest part of it.

....We are reviewing that at the moment to see if it's for purpose and we want to make sure that we can benchmark it as well. Because I see the commentary you have made in the beginning about what makes that up, what does it really mean? Same for us because it was evolving it's something that is probably a little bit unique to us, which is why we are seeing if we can adjust it slightly and do more benchmarking and have a true a customer satisfaction score and I think potentially an NTS but that's something we need to consult with the business and the Board with and our stakeholders which we have been."

Michael Dart – Executive GM, Community, Customer and Corporate Affairs, Energy Queensland

- Measuring performance and the customer index.

"They do because for instance myself, I have a KPI around that particular customer index."

Michael Dart – Chief Customer Officer and Chief Marketing Officer, Energy Queensland

"In terms of the rem [remuneration] if you start at the executive level we have a raft of indicators from customers, safety, reliability, ... it's a typical basket and they're all weighted critically. So this is one thing that we look at. We have some around safety that are just a fail stop so if you don't get that the rest of it falls away....from there it gets dovetailed down from the EGM level and the GM level and these days bonuses are only payable on a very small part of the business the rest of it has pretty much gone. So everyone's performance plans has a if you are a customer person a certain KPI around that. So some rem some not so much it's more around behaviours for us that's what we've been driving."

Peter Scott – CEO, Energy Queensland

"We have been building into performance agreements – my whole team has this but in other areas of the business it's a little bit more foundational – that you must have conversations with customers. You must actually go out into the community, meet with customers, talk to customers as part of performance measures, which I think is really important."

Michael Dart – Executive GM, Community, Customer and Corporate Affairs, Energy Queensland



- Developing a customer centric focus.

“From a board perspective, sitting in those meetings, when those issues are elevated to the Board, it’s very much a collaborative approach not an adversarial approach where we all take sides. It’s easy to take sides when there’s customer problems and connection problems and issues around construction development of the asset in our local communities. So it’s really important for us to get to the nub of the issue and work out a mutually agreeable outcome that satisfies the particular customer or the community concerned as opposed to defaulting to our corners and taking more of an adversarial approach. So we are very much in the mind of collaborating and trying to resolve the issue at the lowest possible level without legal intervention if we can help it in order to satisfy the needs of those communities and those customers and we see that all the time.”

Mark Algie – Director, Energy Queensland Board

- Breaches of the national life support rules.

“Every incident gets reported to the Board. There’s always a root cause analysis done by the relevant department in terms of what went wrong? What process wasn’t followed? Was the data incorrect? It does get elevated to a Board level every time one of those incidents occurred. I actually think it became a challenge for us, especially when the merger took effect and we saw a number of these NECF [National Energy Customer Framework] breaches occurring. It was a challenge for us to seek excellence. Not only in the management of our data but also in the management of the process around those connections and disconnections. So it became a very, very important issue for us to try to resolve.

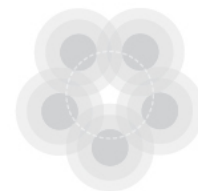
And we have turned that around. So those breaches have tailed right off. There are breaches that occur from time to time but again when those breaches occur there’s diligence around making sure we understand exactly what went wrong. That information is communicated with the Board and the Board’s able to provide free and frank feedback to the executive in terms of those matters as they surface. So it is a really important one for us to get right. And we wear that one on our sleeve as being able to master our process, master our data so those types of things don’t happen into the future.”

Mark Algie – Director, Energy Queensland Board

- Working with customers facing vulnerabilities.

“Even two years ago we didn’t have the ability for customers to be able to pay regular payments for their bills and we saw that as a significant barrier for vulnerable customers. Since we have been able to do that, there have been great benefits for customers that have been able to make regular payments and therefore not end up in hardship or arrears. So that’s important. We work very closely with QCOSS [Queensland Council of Social Service] and other organisations. We have a number of trials with the State Government and customer organisations as well to ensure that vulnerable customers are able to access things that they might not have the capacity to where other customers can.

For example, we have done some trials around digital metering and home energy apps for customers with QCOSS and the State Government. The ability for renters to be able to have benefits for landlords to put solar on their housing so that the renters can actually benefit from the solar. So there is a trial in Cairns, Townsville and Bundaberg at the moment around that with the State Government. Also with the Department of Public Works and Housing a solar benefit for those customers as well, that as you know wouldn’t be able to access them otherwise because they don’t own the premises. So there are a number of trials that we have been doing, particularly in ensuring that customers in that cohort are aware of the load control tariffs if they have hot water etc. so that they can get the best benefits out of the rates that we are able to charge.



And of course one of the biggest things is making sure they can access the rebates as well that they would be eligible for. We have found that there have been many customers that have just not been aware of the rebates that they can access, particularly around seniors and disability pensions etc.... We need that data from the Federal Government so that's an ongoing engagement so that we can offer it to people. There's been discussions between the States and the Federal Government about whether there could be direct contact with Centrelink customers really or those that access benefits, which mean they would automatically be eligible.

But in the absence of that we've done quite a lot of communications – campaigns like 'make sure you check your family and your neighbour they might not know what they can access.' Because for us, not only do we not want vulnerable customers to be in that situation, but it's more expensive for everybody if they are in terms of managing that. So that's why we have that relationship with our customer groups. We've also signed up to with support from Good Shepherd Microfinance to do our own Financial Inclusion Action Plan for our retailer which has been in part, not co-designed, but engaged with our customer groups and that's been very well supported by our retail employees."

Michael Dart – Executive General Manager, Community, Customer and Corporate Affairs, Energy Queensland

- Collaborating across the supply chain.

"Through the Energy Charter itself, it's been a great mechanism at one level for the Signatories to start looking at what initiatives can we work together on to address some of the most systemic issues that customers are facing.....which is going to be important for the Charter going forward as well. There's very much what we are all doing as individual businesses, but realistically I think customers are looking at 'how can we actually work together to address some of those issues.'"

Kenny Mizzi – General Manager Community and customer strategy, Energy Queensland

EnergyAustralia

- Recognising the need for change.

"Our Disclosure lays bare where we have fallen short. Yet our people are proud to have participated, willingly and unreservedly, in its drafting. My sense is that they feel they have made a meaningful contribution to the energy industry turning a corner."

Catherine Tanna – Managing Director, EnergyAustralia letter to Wendy Craik Panel Chair

- Collaborating across the supply chain through the Energy Charter

"As participants in the Charter we share responsibility for its success and we want others in our industry, who have not yet come on board, to see what we have accomplished in this first year. The Charter should be such a powerful force for customers that those others can't help but lend their support."

Catherine Tanna – Managing Director, EnergyAustralia

"The job that we have I think as an industry between the retailer and the network is not for the networks to simply say 'here's our cost reflective tariffs now you go and make them simple for the customer.' Somehow this is where the Charter has got to make a difference and where we can work together. I remember when so we had Ausgrid when I was in the role and I was



chatting to them. We were saying we are up for this but we have got to work this out together. If you make unilateral changes to tariffs we have found actually then trying to translate those in a short period of time to our customers really it's draining on our front line. So there is a huge opportunity here to simplify because we want people to actually become engaged and actually be able to use those tariffs."

Catherine Tanna – Managing Director, EnergyAustralia

"...there is a real risk here that we create a bureaucracy that doesn't add value, doesn't lead to better outcomes for customers and probably most importantly dissuades those who haven't yet joined from joining us. Because I think the priority here is that we have to get every retailer, every distributor, every transmission network in and playing their part."

Catherine Tanna – Managing Director, EnergyAustralia

- Working to move customers to a cheaper offer.

"There is quite a lot of behavioural research done about customer behaviour and what does or doesn't motivate customers to put effort into engage. I was just reading yesterday on a different sector some research around the percentage of the household income that goes on different goods and services, the amount by which the customer is concerned by that cost of living segment and then what they do about it. And I thought it was incredibly interesting because it was in the context of banking. So the number one cost for the household was for rent or the mortgage; it was the number one concern in terms of cost of living pressure so it's at the top and then it was at the absolute bottom in terms of the percentage of people that shop around and try to get a better deal and it was completely inverse. There will be behavioural psychologists somewhere that will be able to explain that to you.

What we have found is that so if you go back to 2017 when we first had the first of the Prime Minister's roundtables, we wrote to every single customer that was on what was then a standing offer tariff – which for us was a smaller proportion than some of our competitors but it's actually not about that. We wrote to them in 2017 and asked them to contact us because we could put them on a better deal. We wrote to them twice and we had about a 5% response rate."

Catherine Tanna – Managing Director, EnergyAustralia

- The role of customer trust.

"I don't know that anybody knows with absolute certainty the answer to that, so I'm not going to pretend that we understand what motivates every single customer. I think when Chris was Chief Customer Officer we were more forceful about how we engaged with the customer. We reviewed the way that we communicated in 2017, and said well obviously we need to do better than that. So we actually changed a lot in the way that we were communicating to try and simplify the message. And it actually corresponded with us actually saying as well we are going to simplify our products at the same time. So we felt that it had to work hand in hand if you were going to be able to do that.

Trust is likely to be a big element, which is why this Charter is important. But I would also say we led with our communications with business customers. Because we always had this feeling that a business customer who is on a standing offer tariff – that amazes me because if anyone should be most focused on their energy and really switched onto this stuff. But actually it turns out that there's quite a lot of business customers who don't use that much. I remember discussing with a local business when I was getting my watch battery changed well I'm not that interested in my shop around for energy as I don't use that much. We did a lot more research certainly in connection with COSBOA [Council of Small Business Organisations Australia] and saying well panel beaters and bakers they use a lot of energy – if any of those were still on bad deals then it was going to be just untenable that they're in the



situation where they say ‘what do you mean I could have saved this much?’ so we said we just going to have to get ahead on that.

It could be trust. It could be how complicated it is. So the starting point of talking to customers who are on standing offer tariffs – that’s a no brainer in the sense of there’s got to be a better proposition for those customers. But it can get more tricky when they’re on a market offer to determine whether there is in fact a better offer because it depends what their usage profile is and there can be a lot of complicated circumstances around capacity to pay and what their preferences are. So it’s very straightforward to move someone from a standing offer tariff to a better offer but you still have to get the customer to engage.

But for some, I mean we have stories we can tell about very high profile people that you would know who we contacted and said ‘You are on a standing offer tariff, please move to a better offer.’ And they said ‘I’m too busy, I’m not interested in talking to you’. It’s not just us. Here’s the thing when it comes to trust, and as proud as the 2 and a half thousand people in EnergyAustralia are of the things we try to do, we don’t get everything right and mistakes get made but its about the whole industry, which is why everybody needs to be a part of this because it goes to trust in the community with the sector and we have to rebuild that.”

Catherine Tanna – Managing Director, EnergyAustralia

- Energy regulation.

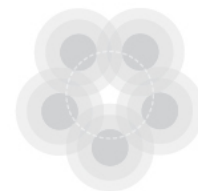
“There’s a lot of things that need to be looked at. I always start with what’s in the best interest of customers. Interesting that you mentioned the Vic smart meter roll out and the introduction of time of use tariffs. I think the uptake of time of use tariffs in Vic is 6% or lower. So customers didn’t want it and has it led to better outcomes? It’s the cost benefit analysis at the start is fundamentally flawed There is so much change going on in the sector without any thought for who’s going to pay and how’s it going to lead to better outcomes for customers.

The first thing that should happen is Vic should join NECF [National Energy Customer Framework]. The fact that there is different systems and different rules. You just asked me a question about DMO [Default Market Offer] but then there’s VDO [Victorian Default Offer] and we have all sorts of – you just can’t imagine the cost to the companies to implement.....and how many people you have to take out. And you have to take your best people out because it’s complicated to implement these changes. Right now we have more than 80 change related tech projects relating to changes to the energy system underway in the business. And this all comes out of cost and I always think there are only 2 buckets: there’s the owner’s bucket and the customer bucket. And some people come in and say oh you know well the government can pay but the government doesn’t have its own money – its spending the taxpayer’s money who are the customers. So there’s still only 2 buckets. The thing is you’ve got to start with what’s in the best interest of customers and you’ve got to harmonise. There’s so much opportunity to simplify to have just one set of rules across everything.”

Catherine Tanna – Managing Director, EnergyAustralia

- Developing a customer centric culture.

“The way I tried to get people thinking about this was I said there is a new world coming – we can treat this as a compliance project or we can treat this as a way of completely changing the way that we go about our business with our customers. I didn’t say anymore than that really other than to hand pick who was working on it. They came back to me and said ok we heard what you wanted, we are going to simplify our product suite, we’re going to go proactive on contacting them before the regulatory change has happened and we are going to basically set it up in a way that’s better for our customer. And I had to take that to our board and say I can tell you to the last dollar how much this is going to cost us to do it this in this way. I can’t tell you when or how we’re going to ever recover money. And the Board said are you doing enough for the customer? That was their response. Now would that have always



happened? Probably not. The conditions that we've found ourselves in, the customers have forced us to actually behave differently. The question is whether you get dragged kicking into the new world or whether you actually sail into it."

Chris Ryan – Executive Enterprise, EnergyAustralia

- Measuring performance.

"I understand the desire for common metrics but the more useful information is the why. The underlying why."

Catherine Tanna – Managing Director, EnergyAustralia

"What would be good.....so you would be astonished as to how much reporting we actually do. It's all different. The AER [Australian Energy Regulator] wants its data one way. The ESCV [Essential Services Commission Victoria] wants its data another way. It's all about the same topic but you have to recut the same information in different ways for different regulators. I mean to what end. The more there can be simplification and harmonisation the better. And ultimately the cost of doing business will be lower which means lower prices for customers. If the ultimate aim is what's in the best interest of customers and keeping prices as affordable as possible, then simplification and harmonisation is the answer. There are no efforts to do it. There are zero effort going in. But turkeys don't vote for Christmas. People are not going to vote for doing themselves out of a job. If there is an entire department and group of regulators that could be non-existent because that job is already being done somewhere else well, then do it well and do it once. That would lead to much lower prices for customers."

Catherine Tanna – Managing Director, EnergyAustralia

- Working with customers facing vulnerabilities.

"What happens with vulnerable customers, a lot, is that they pay the person that shouts at them the most: the loudest and the most often. And often that's the bank. I'm not saying that energy companies are better than banks. I'm not. I'm just saying there's a lot that can be done in terms of better together around that. Expanding to other utilities is what FIAP [Financial Inclusion Action Plan] is trying to do."

Catherine Tanna – Managing Director, EnergyAustralia

"There is a particular activity proposal on the table at the moment that a lot of companies are looking at and that's the One Stop One [Story] Hub concept and there would be the telcos, transport and different organization in that. What FIAP forces you to do is articulate really carefully what you are doing inside your organisation to support financial inclusion but then to put your head up and then work with others as well."

Catherine Tanna – Managing Director, EnergyAustralia

Essential Energy

- The Role of the Energy Charter.

"We at Essential Energy recognise that electricity is both a non-discretionary purchase and a critical enabler of economic activity. We further recognise that the industry in which we operate is undergoing a fundamental transition and that's probably best summarised as decarbonisation, decentralisation and digitisation, which mean very different things to different people. This transition is both inevitable and positive in as much that it will ultimately result in lower cost, more reliable and less carbon intensive energy. However, to date in Australia and in other jurisdictions globally, the transition has not played well for customers in terms of both the cost or reliability of energy. To put that in context the ACCC [Australian Competition and



Consumer Commission] has identified that electricity prices increased by around 56% in the ten years to 2017.

No single industry participant is singularly responsible for the increase in prices or the reductions in reliability. And likewise no single industry participant will resolve those two issues. Therefore co-operation and collaboration, which is implicit to The Energy Charter is critical to better managing the transition and achieving far better outcomes for customers going forward.”

John Cleland – CEO, Essential Energy and Chair, CEO Council

“As a committed signatory to the Energy Charter and through reporting our performance against the Charter principles, we will be better positioned to understand the current performance levels and areas for improvement, we will be better positioned to ensure we remain focused and accountable for improving customer service and experience, learning from other industry participants and implementing changes in corporate culture and operations that will benefit our customers in the future. ...We are very proud of our commitment to the Energy Charter.”

John Cleland – CEO, Essential Energy and Chair, CEO Council

- Developing a customer centric focus.

“At Essential Energy we have a critical role to play across our distribution area, which is regional, rural and remote New South Wales. We have a wonderful asset in a very highly dedicated and skilled employee and contractor base, which operates throughout our extensive network footprint supporting roughly 855,000 connected customers and ultimately supporting around about 670,000 jobs or 670,000 people in employment.

Since July 2016 we have been placing a far greater emphasis on our customers and have refocused our commitment to customer service through a dedicated customer connected program, comprising segmentation very importantly, research, analysis and extensive consultation and education. Through that process it has become abundantly clear there is a lot more we need to do in understanding, engaging with and meeting the expectations or the objectives of our customers. Our Customer Commitment Statement, endorsed by our Board and signed by our senior managers, requires every one of our employees to listen to and respect our customers, to safely deliver on our promises and to place customers at the centre of everything we do.

In measuring our performance against Energy Charter principles our perspectives have broadened and we acknowledge that we are absolutely at the beginning of our journey. There remains a huge opportunity and imperative for improvement.”

John Cleland – CEO, Essential Energy and Chair, CEO Council

“We have also recognised that consultation with our customers and stakeholders is critical to ensure that our network investment and operations remain aligned to their evolving needs.....We have had an award winning consultation around our 2014-19 revenue and pricing proposal with the AER and through that process customers told us that power supply, safety, reliability and affordability are their key priorities.”

John Cleland – CEO, Essential Energy and Chair, CEO Council

- Recognising different types of customers.

“Most importantly, and this will sound like a statement of the obvious, but it actually bought it home to us that there are genuine differences in our customers and their requirements. So now through the work we are doing through our customer teams and our customer contact centre we are positing ourselves to be much better able to respond to the individual requirements of customers. And we’re also, having done that work, giving much different



thought to tariff structures and the whole pricing model going forward in recognition of the fact that we do have vastly different customers both within our classic commercial and industrial and residential segments and across them.”

John Cleland – CEO, Essential Energy

- Collaborating across the supply chain.

“We have 35 retailers, with 3 comprising the vast majority, but there are 35 and we actively engage with them.... We did speak to the retailers and held quite a number of meetings on tariffs and tariff structures. There is absolutely more to do. Tariffs is a challenging thing for us as an industry with, I appreciate, the diversity both across distributors and retailers across this space and one we need to continue with the retailers on.”

Belinda Kallmier – Head of Customer Experience, Essential Energy

“From my perspective, the Charter has certainly facilitated far greater interaction between myself and CEOs of the retailers. Those relationships weren’t well established previously and they now are. That is a direct benefit of the Charter.”

John Cleland – CEO, Essential Energy

- Developing tariffs.

“When we surveyed our customers through the engagement forum process in preparation for our 2019-24 regulatory submission, because we have a postage stamp pricing model we asked them the question about whether they were generally comfortable with that acknowledging that customers in densely populated areas effectively subsidise those in less densely areas. And the feedback was overwhelmingly consistent in that customers were comfortable with that postage stamp pricing and were quite happy to continue to have everyone pay the same distribution charges, acknowledging that there were material differences in cost to serve.”

John Cleland – CEO, Essential Energy

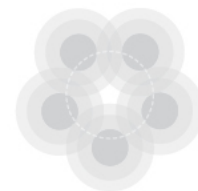
- Measuring performance – customer satisfaction.

“Clearly it needs to be higher than it is. The overarching comment I would make here is that, and thank you for the acknowledgement of the fact that we’ve got it, we’ve got work to do to make it a more meaningful measure in as much at the moment it tends to survey all our customers and statistically obviously residential customers are the overwhelming majority. However we have very, very important customers, who individually consume and draw heavily on the network and add huge economic value to the region in which we operate and employ significant numbers of people. And we’ve got more work to do to make sure we’re in that satisfaction score we are better differentiating between different categories of customers. And so there’s no value in having all our residential customers very happy with our service but our key industrial customers, who employ the residents of those residential customers, not happy and we need to better understand that.”

John Cleland – CEO, Essential Energy

- Improving the efficiency of their operating expenditure.

“It’s a very fair question.....We’re towards the bottom of the pack but we have moved up a couple of positions in the most recent outcome. That goes to the fact that we still have a lot to do in terms of reforming this business and getting to measured global best practice in terms of operating efficiency. We strive to be against our global peers, including Australian but global to increase the sample size, we aim to be top quartile. We have a significant amount of work to do to achieve that.....Clearly we are always going to be a higher cost business in as much as we have a materially lower customer density than almost any other network in the country. It’s worth noting that in most States there is either cross-subsidisation or parts of the



capital cities are included in rural and regional distribution networks. Whereas, we have 100% of our operations in rural and regional remote New South Wales and none of the populated Sydney basin.”

John Cleland – CEO, Essential Energy

- The complexity of the industry.

“One of the things that has come out of our customer engagement is just how complex this industry is. And for those of us working in the industry, look at it from our own perspective we probably don’t fully understand our retailer bill or how it all fits together. For the average person working outside the energy sector trying to decipher how all this works and it’s only going to get more complex.”

John Cleland – CEO, Essential Energy

- Engaging with the community.

“From my perspective, I think there is a misunderstanding sometimes with the IAP2 [International Association for Public Participation] spectrum in that it’s a spectrum and not a gradient. So there are a series of tools that you use to help you use the right tool for the right situation.

So whilst there is opportunities to take the IAP2 spectrum and measure and compare how people are utilising different tools for different situations and you should look at it in terms of the risk and the number of people that you are impacting and the degree of change that they are going through – those are the sorts of areas that you need to look at to compare what’s the right tool for that. It is about applying the right tool kit for the right situation in order to engage with the customer.....”

.....We don’t use one tool and I would be concerned about using one tool and thinking that was the only tool that I can pull out of it. Definitely something that’s more art than science.”

Belinda Kallmier – Head of Customer Experience, Essential Energy

Jemena/Ovida

- Developing a customer centric focus.

“For us it’s been an opportunity to look in the mirror. We have self-reflected and challenged ourselves to better demonstrate our commitment to customers and uphold our corporate value which is ‘customers are at the heart of what we do.’ In asking our customers for an honest appraisal, they provided valuable feedback – some good and some not so good. For example, our Customer Councils and members of the public attending our recent price reset customer engagement forums were very positive about the process, which was also recognised as you’ve indicated by an ENA [Energy Networks Australia] award recently. The meetings were also an opportunity to meet with customers experiencing vulnerability, listen to their concerns and implement changes such as dedicated life support customer support and individual tariffs for big business customers doing it tough.

However, we also recognise that there are areas where we can do better....”

Frank Tudor – Managing Director, Jemena

“This is a change from a compliance position which is no doubt where our industry, particularly the monopoly regulated parts of that industry, have been and that’s really the journey we have been on probably for the last 5 or 6 years concerted bringing customer focus in as a value and then trying to bring that to life. The way that we have worked on that is focusing on finding lots of different ways to get the voice of customer into our business. So



rather than just point to the fact 'look the regulator has set an expectation, deliver to that, tick the box and move on', actually go out and find ways to listen to what customers are saying."

Frank Tudor – Managing Director, Jemena

"There's a lot more we can do. I'd say it's embedded. We are currently contemplating putting some work together to look at what the digital revolution will do to our business and how we need to embrace that in a holistic way and at the heart of that is human-centred design – taking the point of view from the customers. How can digital technology help us with asset integrity, with employee productivity and customer experience? When we put ourselves in the customer experience let's literally lift ourselves up and what is the customer? What do they need? What do they want? What do they see? How can we be empathetic? That human-centred design certainly as we start forward in our digital journey is going to be at the heart of that. It is a little fragmented within the business but certainly it is a focus and a continued focus and I think eventually the dots will connect with the reinforcement of things we will be doing which will have customers at the heart."

Of course cultural change is probably many years in the making."

Frank Tudor – Managing Director, Jemena

- Developing tariffs.

"You have highlighted the difficulty because we don't set the offering to the customer – it's done by the retailer. So all we can do is set something that the retailer picks up but will package as they choose to, to the end use customer. Our difficulty is that. We are embedded in the supply chain, we don't have that direct interface so we, to make a difference, would have to work co-operatively with the retailer."

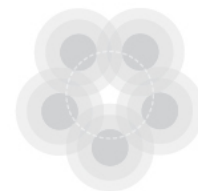
But I agree with you totally that peak use and the amount of investment that is wrapped up in peak capacity is enormous and it's used for such a small percentage of the time. There is a real incentive to actually try and get people to recognise the cost of that in some way and naturally where they can with discretionary appliances and demand move that to either side of the peak periods. Tariff structures that incentivise that make a lot of sense but our ability to do that is frustrated with the current system. And I wouldn't blame the retailers it's just the nature of the disaggregated system we have got."

Frank Tudor – Managing Director, Jemena

"Retailers are the parties for almost all customers are the ones who are engaging with the customer and setting the pricing structure that customers see. Our thinking as a distributor is what are our economic signals. If you think through from an economist point of view, what's the right set of signals that would help with the way that the network is used. And they've been the conversations we have been engaging in with retailers, with customer advocates and with the Victorian Government here around our electricity distribution business. Our view is that if we can come to an improved cost reflectivity and that passes to retailers, over time those signals will find their way through to customers."

However, I think we have recognised through those discussions that it's much more than an economist's view that is going to need to prevail here. That's perhaps a starting point for where we all may like the world to be. However, as we work through that and understand the issues one of the key things that we have gained greater of understanding is – is the risk for vulnerable customers, the concern that some customers may be impacted when you have shifts and changes in tariffs, then you can have winners and losers. Looking and working with the industry on ways to effect this shift but perhaps in a much more gradual way so that we don't have customers left behind in that process, and it can be accommodated in a way where signals are eventually passed through."

Shaun Reardon - Executive General Manager, Customer and Markets, Jemena



“Part of the issue is building trust with customers. That is something that can become part of the discussion. It’s interesting when we talked this through with one group of our customers from our price review engagement. Customers started ‘oh ok’ and we actually handed them out what would their bills look like under a time of use tariff versus the current tariff they are on today so that they can compare, we worked through the conversation and customers at the end of it remarkably are saying ‘well I might not be better off but I can see the big picture argument over the long term that if we have these sorts of arrangements in place they would change the way that I use my energy and that would change the way you need to build your network and in the long term we end up with a more optimised set of infrastructure so I would be happy to be part of it.’ But that’s when we work through a group of customers for many, many hours and that’s certainly not the situation.”

Shaun Reardon - Executive General Manager, Customer and Markets, Jemena

- Collaborating across the supply chain.

“If we succeed it will be through working across the industry because this won’t be a Jemena answer. It won’t be a networks answer. It needs to be very much an industry answer, which is really the contemplation of The Energy Charter to help bridge those gaps and those gaps that customers otherwise fall between. This does provide a stronger impetus to bring together the layers of the industry.”

Shaun Reardon - Executive General Manager, Customer and Markets, Jemena

“We have some hope for the Better Together Initiatives because one of the things we reflected on earlier was:

- *firstly, The Energy Charter it sounds like a good thing to sign up for, let’s get in and shake it through the working groups and find out where it can go. It can only be something that is going to be positive, it shouldn’t be a detraction on the industry and*
- *is it going to be more than the report? Is it what is going to make a difference?*

We have got a number of tangible initiatives across there and I think that the success of those will be building better relationships and collaboration across the industry.”

Shaun Reardon - Executive General Manager, Customer and Markets, Jemena

- The role of the Energy Charter.

“In fact I think the benefit for us is that it provides a focus. The more people that sign up the better because we don’t want any mavericks out there causing the industry a bad name as we all suffer as a result of that. The more the better in terms of this public accountability. But within the business for us this is a holistic approach. So has it caused us to do things differently? No it’s probably in a more coordinated and focused fashion but I think the direction is very consistent.”

Frank Tudor – Managing Director, Jemena

Meridian/Powershop

- A customer centric approach – Powershop’s approach to meeting with the Panel

“Maybe unorthodox of the team that I brought with me today. I know some other organisations might have been bringing their board. We had a really big discussion with the Board about who would be the best people to come and we went back and forth and discussed ‘what is the point of the Energy Charter?’ One thing our greatest hope is that we are actually able to take the principles in here and embed them back into the organisation. And the Board really



agreed that the best people to do that are probably the team members who are talking to customers everyday, Jordan, solving customer's problems everyday and also taking that data and trying to think of new ideas trying to solve problems. So that's why Laruen and Jordan are here today, not a normal meeting for them to attend.....the Board would have loved to have been here today but we had a really deep conversation about it and just thought someone like Jordan can take this back to the contact centre on Monday."

Catherine Anderson – Acting CEO, Powershop

"The second gap that they saw at the time was just around treating people really well and they knew our business had that ethos and that desire to do it. And I think you can probably see that even alive today in terms of our NPS scores our customer SAT scores it was just something that we felt like we could do. It's included in things still alive today that we mentioned in the Report around the Mum test and how everything we do at work is 'would my Mum, significant other, be proud of what I've just done?' Which is why we never door knocked, it's why we never charged a loyalty tax. There's a lot of these things that have built up since day 1 that are still alive."

Catherine Anderson – Acting CEO, Powershop

- Impact of the Energy Charter on Powershop

"We have this culture that we love and that we all live every day. The biggest change for us has been a little bit more outward looking. A little bit of 'hang on a second, where are the gaps?' and we highlighted a few gaps. I think we have probably been a bit critical of ourselves in the report as to just the need to collaborate a bit more across the industry. We don't have a heap of resources to allocate to that type of stuff. So when you've got 18 Signatories and everyone's in the room. We've actually we've got this platform and everyone's there and we are talking about the same things. So I think the most important thing for us is how do we be a bit more outward looking? How do we learn from others? In terms of how we have changed. We have started putting those platforms in place to discuss and to work out what's going to be next."

Catherine Anderson – Acting CEO, Powershop

- Designing simpler tariffs.

"We have acknowledged and the feedback from customers is it is a high engagement and very unique model. There is a lot more learning. It's not traditional. So if someone has been at AGL or one of the traditional retailers for 5 years and then jumps over to Powershop it is a big learning curve. Being able to help customers and make sure that's the right product for them. But also now which is what we've learnt offering other products..... So that one's there to offer an alternative so that people can still be with Powershop. Because a lot of people are with us for our green credentials but they don't have to have that high engagement model because it isn't for everyone as we have acknowledged."

Lauren Kane – Marketing Manager, Powershop

"That was definitely a big learning for us. We love that high engagement model. But it got to the point where we couldn't ignore that for a certain cohort of the market they just didn't want to be that engaged....people are telling us that they don't want to have to. 'I'm joining you guys because you are green I don't want to have to shop with you'. By the time you get all that feedback and then actually develop a new solution and we were desperate to get in market. We don't want to stop there though. As the more we have looked at that and the more we have learnt from adding that new experience in is there is probably another cohort of the market that we can help with something else. So we are just trying to work out what could be that next thing that is giving flexibility because one person wants to engage, one person doesn't want to engage at all but someone might be a bit in the middle so we need to really



navigate our way through that space and make sure we have got the right things for the right people.”

Catherine Anderson – Acting CEO, Powershop

- Being on the best tariff.

“The other unique thing about us, that I alluded to before, is that we don’t have this loyalty tax concept. We don’t have that. We haven’t had it since Day 1. So if you go on our Shopper experience in your distribution area you have the exact same tariff as someone who joined us on Day 1 in your distribution area. So if we do a price change, for example, everyone changes. So for the new customer coming in they’re being offered the exact same price as everyone else.”

Catherine Anderson – Acting CEO, Powershop

- Meeting regulatory requirements.

“We’re compliant but have we got the journey right for the customer? Yes, we are definitely ticking all those requirements but have we got it right for the customer?.....It hasn’t been too dramatic from that front. The biggest impact for us and the thing that we are probably most worried about is ‘are we articulating these new changes in the best way for customers because they’ve been brought in with the best intent Protecting customers and making things more comparable?”

Catherine Anderson – Acting CEO, Powershop

- Assisting customers facing vulnerabilities.

“We do have a specialised team as well for the vulnerable customers too but generally we try and deal with them in one phone call rather than passing them from person to person. If they need more help, like if there is anything else that we can offer like a grant or that kind of thing then we pass that over to them. But generally we just want to help them out when we can in the one call and they generally leave feeling a little bit better, we hope.”

Jordan Crawford – Team Leader, Powershop

- Customer switching.

“There are lots of different reasons customers leave and it does depend and it’s quite seasonal. I’m not sure whether there’s one specific reason. Affordability is always huge for customers and that’s completely something we get and that’s across the whole energy industry and we try to help with our energy tools. So affordability is one and if they can find a better deal and are being pro-active about it then that’s what everyone has been talking about for a long time so that’s fantastic. The other thing though that we have heard is that our experience can be confusing sometimes or just a bit too much for customers. And that’s ok as well. We’re not going to be right for every single person in Australia and that’s probably the other reason why people would leave. But we get that feedback so we do an exit survey with customers who leave.”

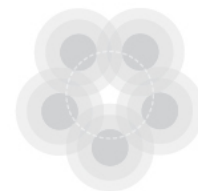
Lauren Kane – Marketing Manager, Powershop

- Measuring performance.

“I will caveat there everybody does measure NPS slightly differently. So even though it is a simple metric. We do ours every day for example some people just do it once a year.....Just be careful when you are comparing NPS across different industries or different companies.”

Catherine Anderson – Acting CEO, Powershop

“There’s no incentives around average call handling nor around the NPS Score....The number is great and it’s really inspiring but probably what we use the Net Promoter process for is



more the comments and that's why we really wanted them in this report. The score is awesome and we love it but actually everyone just stands at that board and watches the comments come through. So it's the themes of the comments and the actual words of the customer that are much more important to us."

Catherine Anderson – Acting CEO, Powershop

Powerlink

- Creating a new culture.

"Certainly the benefit for us out of The Energy Charter is about converting from being a knowledge based organisation to more of a learning organisation, particularly understanding customers needs and expectations better more clearly and fully across the organisation. Ultimately our success as a business is gauged by our response to our customers and not just through the profit line."

Kevin Kehl – CEO, Powerlink

- Customer feedback on the revenue determination.

"We actually went in with a reduced capital and operating expenditure program. No. Our objective then and our objective this time again is that we want a revenue proposal and revenue determination that's acceptable to our customers, to the AER and to Powerlink. So we are seeking to balance all of the stakeholder's and customer's objectives in our revenue reset proposition. That was Powerlink's position last time and it's certainly our position going forward into the next one. And to support that we actually engaged our customers and stakeholders in a very early session about how to design that customer engagement program for the next determination so we can get their ideas early."

Kevin Kehl – CEO, Powerlink

"We undertook a co-design approach to actually develop our engagement strategy for our next revenue determination. As a regulated business, that's probably the best opportunity for our customers to come in and talk with us and to influence our future revenue allocations. We are the first network business in Australia to ever bring the customers in right from the word go and members of the AER as well..... We have an engagement plan that we are proud of – it's like a partnership between our customers about this is how we are going to engage and we actually believe it will give them and ourselves the best possible chance of submitting a revenue proposal first up that is capable of acceptance by the AER, by our customers and by Powerlink."

Gerard Reilly – General Manager Communications, Powerlink

- Acting on customer feedback.

"I remember that clearly because I was actually the person in front of the room when that happened. I have the pleasure of facilitating our Customer Panel and the members are all outlined at the start of our Disclosure statement. Obviously best intention we did this great piece of work and we developed this Customer Service Charter and it got signed off by the Executive and went to the Board and we thought 'this is great, what a great document, our customers are going to love this'. And I remember standing up in front of our Customer Panel and we put it up and go 'isn't this great?' And they're there going: 'Why didn't you talk to us about this?' And I just stood still and said 'we should have, we absolutely should have.'

And so what we said is 'hang on we'll press pause'. And then we turned it from a 'inform' this is what we have done to 'let's have a chat about this. What are your thoughts? How can we improve it better and make it more suitable to yourself?' And to our credit and to our Board's credit we then updated it and changed that Customer Service Charter based on feedback



from the Customer Panel and then we put it back up through the Board process. Now executives, as you know they don't like putting things back up twice in front of boards unless they really have to. But I think that goes to show the genuine commitment within Powerlink, that we were happy to put our hand up, admit we made a mistake, go back and have the conversation and then make good on what we committed. That was a trigger I think also for the co-design. The earlier we can have those conversations the better outcomes we believe we will get."

Gerard Reilly – General Manager Communications, Powerlink

"We find the targeted consultation, particularly through the Customer Panel, invaluable. Certainly they help us to ensure that the logic and the positions we are taking are informed initially and then when we take it to the broader customer group we can make better use of the information."

Kevin Kehl – CEO, Powerlink

- Creating a new culture.

"It's a cultural change. It's not a structural change it's a cultural change. We started our Customer Panel back in 2015 and when we did that one of my greatest fears was 'what are we going to talk to these people about?' Whereas now I'm literally knocking back people from our business because our agendas are so full.....At a senior leadership level people have gone from consultation fear to I can see the value in putting in time and effort up front to have conversations with the relevant people because not only will it save work and streamline work down the back but it will actually lead to better. That's something that has transitioned across the business."

Gerard Reilly – General Manager Communications, Powerlink

- Customer feedback on the Regulatory Investment Test for Transmission (RIT-T).

"We understood that going from almost radio silence to so much information out there – we also understand that a lot of our customers and stakeholders just don't have the time or the energy to sift through these quite complex documents. We had a session with our Customer panel where we said let's put together a simple engagement matrix where we are going to try and break down these projects into three simple categories. That then set some engagement expectations. Minor, normal and complex are the three categories on our RIT-T engagement matrix.....We developed this matrix and again think we were the first people in the NEM to come up with an engagement matrix like this and I think other network businesses are following a similar process now. It's about helping people outside of Powerlink concentrate their time and energy on the most appropriate projects to them. So it's about making it accessible because these are fairly inaccessible documents....."

RIT-Ts are very important for us as they pretty much cover around 80% of our capital expenditure. Our Customer Panel kept on coming to us saying how do we get better insights and influence on the day to day investment decisions that we are making."

Gerard Reilly – General Manager Communications, Powerlink

- Working with customers facing vulnerabilities.

"It might not seem so. However, even our large directly connected customers at times have vulnerabilities. And whilst they might be commercial in nature certainly we are working with a number of them in terms of some particular circumstances and what we can do within our framework to assist during these more troublesome periods. We have a one to one relationship so for each of our large customers we have our Customer Relationship Manager so we normally know when something is not right and we then work with them about what are



the options on that.....normally they reach out to us as they know more about their internal operations than we do.”

Kevin Kehl – CEO, Powerlink

“The co-ordinator was talking about how he managed the landowners and what he took into consideration around timing the work so we didn’t muck up their paddocks and had access during the times when they were between cropping etc. to minimise the impact on those landholders. And for me that’s a more clear indication of what we can do with our customers whose livelihoods are interlinked with the management of our assets.”

Kevin Kehl – CEO, Powerlink

Stanwell

- Recognising the need to change their approach and the role of the Energy Charter.

“We initially signed up to the Energy Charter because quite frankly where the industry was going, expectations of consumers and I use that word more broadly we knew that we had to do something differently to have a frank and transparent discussion around where we were as an organisation and some of the constraints and issues that we actually have to deal with. But we saw this as an opportunity as a tool to be open and honest and transparent.”

Richard Van Breda – CEO, Stanwell

“.....it’s essential that we do have open and transparent conversations. Certainly where the industry is going – that is absolutely essential. If you pick up today’s AFR [Australian Financial Review] – splayed across the first couple of pages is an absolute diabolical mess and everybody blaming everybody else and quite frankly we just need to get on as an industry and we need to make it work. The things that we can agree on we need to find that middle ground and we just need to get on with it.

This was a tool for us rather than the be all and end all. This was a great opportunity for us to listen to other organisations to see what they were doing, how they were going about it and to leverage off that. We are firm believers in not reinventing wheels and taking advantage of other people’s experiences.”

Richard Van Breda – CEO, Stanwell

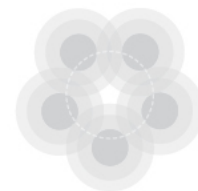
- The role of the Energy Charter.

“So our vision ‘together we create energy solutions’ is what we hold up and we have developed that and certainly our people aspire to it. Backed up by our values, which are very simple, we see this as a tool to have those broader conversations around how we impact our communities, our people, our customers more generally, the market, regulators and our stakeholders up the road and how we balance some of their conflicting needs and issues that they expect us to address.”

Richard Van Breda – CEO, Stanwell

- The role of leadership.

“The answer to that is just supporting the organisation. It’s keeping messages very simple. It’s actually trying to bring people along and get them to understand why as an organisation we need to do things differently. And this is really important we need to balance and more recently we have had the discussion around balancing affordability and profitability. The reality is that if we don’t have customers we don’t have a business. If we are not profitable we



don't have a business so how do we get that balance right. And it's those frank discussions that we have needed to have across the organisation."

Richard Van Breda – CEO, Stanwell

- Hearing stakeholder feedback.

"One of the things that we have just done, and we were a bit scared to do to be honest, is we had a 2-day strategy workshop, again with those most senior people in the business. But we tried to flip it on its head and take that outside in approach. So we invited a number of our stakeholders to come and speak to us and we had environmental representatives, community representatives, technical experts, legislative and regulatory experts come and talk to us and tell us why our strategy wouldn't work and pick it to pieces. Then we asked them to stay with us for the 2 days and be part of building that strategy back up. So we have come up with a new strategy that I don't think we would have come up with without that outside in approach."

Stephanie McMahon – General Manager Strategy and Engagement, Stanwell

- Stanwell's mandate.

"I'm not sure if the Panel realizes as a Government owned corporation we have a very, very specific mandate. And that mandate and particularly after 31st October means that we are principally a coal-fired generator. We do not have the authority at this stage to actually build renewables or participate in renewables beyond PPAs or contract arrangements. As an organisation that is predominantly engineering and focused on maintaining, operating and trading plant and big generation assets that is quite difficult for us and that goes to our emissions profile and it goes to our emissions intensity over the next however many years, but because we are constrained we have to think about other things. And I think that is the challenge for us. Within that mandate, how do we influence our shareholders so that they can see the importance of us participating with our experience and knowledge in a market that is changing so dramatically and so quickly?"

Richard Van Breda – CEO, Stanwell

- Stanwell's mandate and transitioning to renewables.

"Yes we have done it. There are projects we've done, we still need approval. And it's interesting because that mandate was developed in 2016. Subsequently the CleanCo announcement has happened and that mandate is currently under review. We know the shareholders are busy working on that but it's actually getting I suppose the flexibility within the mandate to actually do other things. The challenge for us as I said we are principally an operating and maintaining organisation. We have 1100 people across the organisation, our power stations have a finite life and so the challenge for us is what are those people going to do into the future and as an organisation how do we maintain our relevance. So yes the mandate does allow us to do that, the old mandate does, but again it's actually the parameters.

Because there are various opportunities to take on those PPAs."

Richard Van Breda – CEO, Stanwell

"So we are looking at those novel solutions that will make us relevant going forward. It would also help and I'm probably punching my own message here a little bit, having a portfolio like ours and trading expertise like ours would make the integration of renewables into the portfolio so much easier. We have had that firming of generation and we can balance things up in the market and certainly what we have seen in the last 2 months with negative prices, volatility of pricing certainly in North Queensland, there is a need for renewable energy to have that firming support as well. That's critical and we can actually provide it."

Richard Van Breda – CEO, Stanwell



- Developing products.

“We did have a customer looking for long load and in particular they wanted a green element to that load to but when it came down to the crunch it was actually about price. They are running large industrial organisations, price is very important to them. So how do we balance those things that up. The feedback was good, it was around flexibility to provide bespoke solutions but one of the concerns was really how do you provide more of a lower carbon type product. And that is going to be a challenge for us going forward. And potentially it could be buying in green through PPA arrangements and that certainly is something we have actively looked at but I think on the whole the feedback was very positive.”

Richard Van Breda – CEO, Stanwell

- Stanwell’s bidding behaviour.

“I think we have copped quite a bit in the press over the last couple of years around our size and the role we play in the market and have we used our market power. Some of that unfortunately I think it’s been a challenge for the organisation. And there is no doubt that 2017 was a particularly challenging time in the market: with the closure of Hazelwood, gas prices going where they are, the shortage of gas. To some extent, some of the narrative has been distorted. There was no late bidding. It was all in pre-dispatch. It was all adequately disclosed and certainly the AER and the ACCC have been through it and through us like a dose of salts. I think what that has made us realize is that we do have an important role to play and we actually have to be above reproach in how we participate in the market. While we didn’t do anything wrong.....One of our EGMs has a wonderful little saying you can be right but you can still be divorced. That’s exactly right in this thing we can be right but it needs to actually stand up.”

Richard Van Breda – CEO, Stanwell

TransGrid

- Recognising direct and indirect customers.

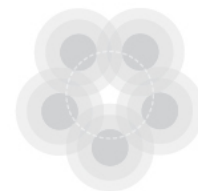
“We have direct and indirect customers. We have 31 what we call direct customers and millions of indirect customers. So our wind farms, generators and some large loads they typically typify our direct connections and customers. But it’s probably not the extent of our customer relationship or those that we see our accountability to. Clearly our direct accountability is for the end users – the folks out there paying the bills. Our relationship extends to them....we have very direct relationships with 20,000 odd landowners in NSW. We are on their properties, we are managing easements, we are managing public safety risk, bush fire control. So for a lot of them it’s more direct than others.

I think that one’s of the challenges of the Energy Charter for a business like ours is to make sure that we identify with the end user really directly and not to use that lack of contracted or commercial relationship as some form of an excuse for avoiding an energy dialogue. We know we represent a part of the Bill, we certainly know we have a lot of employees placed in the communities in which they live, we have a regional work force. We understand in great detail our transition to renewables and the impacts that will have over time on consumers, the cost curve the challenges of energy security, the challenges of safety and the challenges of reliability. It’s an important one for us – we’re closer than what people may think.”

Michael Gatt – Executive Manager, Works delivery, TransGrid

- Building customer relationships.

“Accountability through to consumers is actually quite clear. But because we’re regulated that’s really our opportunity. We have seen that relationship come to the front with our



advisory committees in our larger projects where we are looking at trying to find ways where we can have a more direct relationship with the end user. Sometimes it's very challenging, I'll say very openly it's very hard. It's hard because sometimes identifying with those people are difficult, particularly on large transmission lines where often the conversation is with people directly affected by the fact you want to put an asset on their land, as opposed to those people in the broader context that may be being impacted on by price.

We learnt a lot in our last regulatory determination. We set up an advisory council, which took the opportunity to engage consumer groups in a conversation about our business. But more importantly than only a one-way conversation it's a 2 way conversation and it's also our chance to understand directly from energy consumers, the things that were of most interest to them. And that includes sometimes the complexity of understanding the price stack, what you need to build a particular project in the revenue cycle. Asset risk why does it really matter? Why would you choose to invest in assets after an amount of time? All the things that go into that profile of your capital expenditure: replacement, augmentation, operating efficiencies as well as that combined with an incentive based regime for the businesses that incentivise you to perform better. And that is actually at the heart of the conversation the industry needs to have more broadly. It's the heart of what we want to talk to consumers and groups about because ultimately it's never a one way conversation. Businesses are there for a very important purpose in the supply chain but it's not in isolation of the consumer dialogue."

Michael Gatt – Executive Manager, Works delivery, TransGrid

"We're looking for ways to work with the regulator to have more community engagement and more consumer engagement in the arguments around the transmission line and the benefits to the community, as opposed to just running down the regulatory pathway. That's different than where we have been historically. It's different because it's outside of the regulatory cycle and timing but it's timely right now. And it's timely now – this is on the back of a fairly extended outage in South Australia and shortcomings in supply in Victoria which have been experienced, it certainly warrants a deeper level of engagement than what we've had to date. And I think that's a different policy context than where we have come from."

Michael Gatt – Executive Manager, Works delivery, TransGrid

- Measuring performance and links with customer outcomes.

"What I will say and it's actually something we are really proud of in the history of the business in that as a State owned Corporation and coming from public objectives, it's actually a really easy association for our staff to make. It's actually not difficult for them. They directly relate very easily to the public benefit and reliability. The challenge for us in the dialogue with them is to go from reliability based objectives to market based ones. That's a more difficult conversation to have with the good folks. Not impossible but a little more challenging. Challenging to say to those people there your remuneration is now contingent on that because then they'll say 'well what can I do to control that?' Which of course they can do things. They may not see that. The efficiency conversation and the more efficient we become in our tasks, our maintenance and our opex then ultimately that consumer benefit flows back through in term of price. Just a line of sight for those individuals can be more challenging."

Michael Gatt – Executive Manager, Works delivery, TransGrid

- Recognising the need for change.

"We will look for ways in terms of all our decision making to engage better."

Michael Gatt – Executive Manager, Works delivery, TransGrid

"I would say to you that the more of our business and others that understand our alignment and objectives and the alignment to that of consumers the better resourced the end product is. At the moment I don't think all the hearts and minds are completely aligned and I think



that's probably from the industry overall. That's one of our challenges in business. It's a challenge for us to find very direct relationships for all of our people with our purpose so we have been having two conversations. The Energy Charter has been great to initiate that dialogue with people in our business.It ignites a conversation but it's got to be a lot deeper than that. It gets you to the start it doesn't get you across the line. It's a big shift."

Michael Gatt – Executive Manager, Works delivery, TransGrid

- Improving decision making on assets.

"Asset analytics and information. One of the key things that has happened in the capital programs in the last period is the ability of the businesses to obtain real time information about their assets and make better informed decisions regarding the risk. That's been a very significant area of growth in the last period of time. The data that we have on our assets today if you can imagine an asset fleet that are 50+ years old – transformers and circuit breakers and things in critical parts in the network. You have to design a capital and replacement program to manage those risks associated with that network really well. I think what we'll find in the next regulatory cycle is a lot of smarter businesses in short. The information that we've got and our ability to manage risk and make better decisions compared to the last regulatory cycle has changed out of sight. That would be the key thing. If we do experience a period of significant growth, and it's likely that we will, I'm fairly confident that the decisions that will be made will be far better."

Michael Gatt – Executive Manager, Works delivery, TransGrid

- Working with customers facing vulnerabilities.

"Put really simply it will be very challenging for us to do it alone. We would be more likely to have relationship with distributors and retailers than with end users."

Michael Gatt – Executive Manager, Works delivery, TransGrid



Appendix 4 – List of Submissions

Written Submissions

The Panel received Submissions from:

1. Anglicare Tasmania
2. ANZECON
3. Australian Council of Social Service
4. Council on the Aging
5. CQMS Razer
6. End User Consultative Group
7. Energy Consumers Australia
8. Energy Users Association of Australia
9. Erica Eele
10. Good Shepherd
11. John Green COTA Volunteer
12. Peak Services
13. Queensland Conservation Council
14. Queensland Consumers Association
15. Queensland Farmers Federation
16. Tasmanian Council of Social Service
17. Total Environment Centre
18. Voices for Power

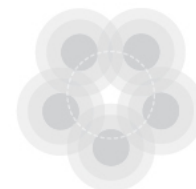
Public Forums

Forums were held in Brisbane, Sydney and Melbourne, in addition to a webinar. The Panel has considered verbal Submissions made in these Forums in our assessment.

The Panel accepted a supplementary disclosure from AGL following the Forums.

Links to all written Submissions, as well as audio recordings of Forums, are available at:

<https://theenergycharterpanel.com.au/public-consultation/>



Appendix 5 – Suggested Improvements to Disclosures

The Recommendations in the body of the Report relate to actions Signatories should take in order to better meet the Energy Charter Principles and improve customer outcomes.

The Panel separately considered the form of Disclosures and here, it outlines areas where the style, format and choice of content in Disclosures might be improved in future.

Disclosures should:

A	Include an introduction which clearly identifies customers and directly-impacted communities, as well as the relevant grouping of those customers for the Signatory and includes a summary of the Disclosure development and approval process.
B	Include clear and specific self-reported areas for improvement, including acknowledgement that current as well as past performance may be below the levels demanded by the Energy Charter.
C	Target shorter Disclosure length, indicatively a maximum of 20 pages in a minimum of 10-point font.
D	Only briefly summarise and refer onward to other publications (such as Annual or Sustainability Reports) if relevant.
E	Avoid repetition where a single matter may span multiple Principles or Principles in Actions. Describe appropriately once and cross-reference.
F	Link choices to disclose activities with stakeholders other than end-consumers of energy clearly to improved outcomes for end-consumers (or directly-impacted communities).
G	Avoid reference to outcomes which are related to compliance with energy law, rules or regulations.
H	Avoid detailed reference to initiatives which are very early-stage and unable to demonstrate a clear path to improved customer outcomes.
I	Ensure discussion on the affordability, safety, sustainability and reliability considers the customer experience of these attributes – which may be different from a Signatory’s perceptions based on regulatory or other external or internal metrics commonly used.
J	Provide clarity about how KPIs and incentives for staff, and staff (and other stakeholder) engagement is directly relevant to measurable improvement in relevant customer outcomes (in PiA 1.3).
K	Ensure balance across the safety of people, the community and the environment rather than drawing too heavily upon internal workplace safety examples (in PiA 3.1).



Appendix 6 – Energy Charter Accountability Framework

In the 2019 process, the Energy Charter Independent Accountability Panel consists of:



Wendy Craik AM
Panel Chair



Andrew Richards (EUAA)
C&I Customer Representative



Cassandra Goldie (ACOSS)
Small Consumer Representative



Phil Weickhardt (ex-MD, Orica)
Industry Representative

David Heard (Finncorn Consulting) serves the Panel as the Energy Industry expert.

Further details about the Panel may be found at www.theenergycharterpanel.com.au.

Reproduced below are:

1. The Accountability Framework for the Energy Charter, and
2. The Terms of Reference for the Panel.

Accountability Framework⁸¹

Accountability refers to how energy businesses who commit to the Energy Charter will be evaluated for their progress against the Principles and Principles in Action set out in the Energy Charter.

It is critical that energy businesses are transparent and accountable for their disclosure reports and commitments. Development of the Energy Charter identified the importance of an independent process to evaluate and assess each signatory business's disclosures against the Energy Charter Principles, and to report on findings and make recommendations so as to encourage continuous improvement in customer outcomes by reference to the Energy Charter Principles.

An independent Accountability Panel is responsible for this evaluation process. The Panel will be hosted by an independent organisation able to provide secretariat and organisational resourcing and support, with costs fully covered by fees from Energy Charter signatory businesses.

Energy Consumers Australia will be the Accountability Panel Host in 2019.

Independent Accountability Panel

The Panel will have an important role to play in constructively evaluating performance of signatory energy businesses and the energy sector as a whole over time. It will 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.

The terms of reference for the Panel articulate the Panel's processes. These terms will reflect the Panel's assessment/evaluation role and opportunities for individual businesses to appropriately engage with, and receive feedback and guidance from, the Panel. This recognises that the Panel's findings will be an important part of facilitating the continuous improvement of businesses and the industry as a whole.

The Panel will be transparent, open and constructive, focused on:

- Continuous improvement of the Energy Charter signatories.
- Identifying appropriate industry 'best practice'.

⁸¹ This is taken directly from The Energy Charter in Operation (First Edition, January 2019), see: https://www.theenergycharter.com.au/wp-content/uploads/2019/04/TheCharter_20190328.pdf



- Providing opportunities for exchanges of key learnings that draws on the various skills and areas of knowledge of different members.
- Considering what actions have been taken over the prior reporting period and the priorities and objectives the business has identified as part of its own Energy Charter Principles maturity assessment.
- Opportunities for the energy business to improve by reference to feedback from customers and stakeholders.

The opportunity for customer, consumer and other stakeholder input into the Panel’s evaluation process is a feature of the Panel’s terms of reference.

The Panel’s report will be published and made available to all interested parties via the Energy Charter website. The report will provide insight on both industry and business specific performance. The Panel has no directive authority over signatories, however, it will be able to identify opportunities for improvement and, over time, note where suggested actions have not been taken up.

Energy Charter signatories are expected to engage their Board on the findings of the Accountability Panel to ensure that the Energy Charter is embedded in its culture over time.

Composition of the Accountability Panel

The Panel will be a 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; and,
- *Optional* independent expert nominee.

Terms of Reference for the Panel

The following Terms of Reference were accepted by the Panel.

1. Introduction

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.

Signatories are committed to working towards a common vision - ‘Together, deliver energy for a better Australia’. In that context the Energy Charter is encouraging businesses to put customers at the forefront and foster collective accountability for customer outcomes.

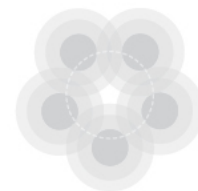
The Energy Charter is about improving business practices and delivering better outcomes for customers that are mutually beneficial for energy businesses. It recognises that energy businesses must be commercially strong and viable over the longer term, in order to deliver products and services for customers.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

The Energy Charter is available at www.theenergycharter.com.au.

It is critical that Energy Charter signatories are transparent and accountable for their statements and commitments in relation to the Energy Charter. Accountability refers to how the how signatories will be evaluated for their progress against the Principles and Principles in Action set out in the Energy Charter.

2. Purpose of the Accountability Panel

The purpose of the Energy Charter’s Accountability Panel (the Accountability Panel) is to constructively evaluate individual performance of energy businesses that sign up to the Energy Charter (the Signatories) and the whole energy sector over time as against the Energy Charter Principles and Principles in Action. It will 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.



The Accountability Panel's findings and recommendations will be an important part of facilitating the continuous improvement of energy businesses and the industry as a whole against the Energy Charter Principles.

3. Scope

The Accountability Panel has a mandate to:

- consider what actions have been taken by Signatories over the prior reporting period
- identify opportunities for Signatories to improve, including by reference to feedback from customers (either directly or indirectly)
- recognise appropriate industry 'best practice'
- be forward-focused.

These activities should take account of the priorities and objectives the Signatories have identified as part of its own Energy Charter Principles maturity assessment.

The key activities to meet this mandate include:

- evaluating the annual disclosures by Signatories
- publishing an annual report about how Signatories are individually performing against Energy Charter Principles and observations at an overall industry level about consumer outcomes
- contribute to sharing experiences and learnings to encourage continuous improvement by Signatories.

4. Governance

The Accountability Panel is paid through an independent organisation, has an independent Chair and operates within a wider governance framework (see below). The independent organisation will be appointed by the Council of CEOs. The Governance Framework is available in Attachment A.

5. Decision Making

The Accountability Panel is a collaborative forum and the Independent Chair will encourage consensus about preferred course of action however, it has no directive authority over Signatories.

To the extent that recommendations are made within the Accountability Panel, these will be considered or agreed to in a manner that encourages participation and consensus-building (noting points of disagreement), rather than a voting process amongst the members.

6. Membership

The Accountability Panel members are selected on the basis of published selection criteria. It comprises of between three (3) to five (5) individual members, including an Independent Chair.

Members are appointed as individuals, rather than representatives of their organisations. A selection committee including the CEO Council Chair and the independent host will select and appoint members of the Energy Charter Panel including the Independent Chair, in consultation with the Governance Sub-Committee of the Industry Working Group of the Energy Charter. The Accountability Panel members are appointed for an initial period of 12 months.

The Independent Chair will provide leadership to the Accountability Panel members. The approach for Accountability Panel members is guided by three (3) principles:

- Continuous improvement of the Energy Charter signatories in achieving customer outcomes aligned with the Energy Charter
- Be transparent, open and customer-outcomes focused
- Provide opportunities for exchanges of key learnings with signatories that draws on the various skills and areas of knowledge of different members



7. Experts and Working Groups

The Accountability Panel may appoint experts or establish working groups from time to time to provide it with appropriate support (within a specified budget). Experts and working groups may play an important role in ensuring that the Accountability Panel is well informed on key issues associated with the Energy Charter.

8. Panel process

The Accountability Panel will meet at least four (4) times a year (this may be solely during the period when the signatories have provided their annual disclosures). The Accountability Panel may:

- Seek submissions and feedback from customers and their representatives
- Receive confidential information from signatories as part of disclosures, on the basis that the information remains confidential
- Request meetings with signatories both before and after, their annual disclosures

9. Reporting and media

The Accountability Panel will report on a yearly basis in the form of a written Annual Report that is available on a central website at www.theenergycharter.com.au.

Media enquiries will be managed by the Energy Charter, Director.

10. Operation and Timetable

Details regarding the operation and timetable of the Accountability Panel will be outlined in operational arrangements and will be supported by the independent organisation.

The timetable is set out above.

11. Competition and Consumer Act obligations

The scope of work by the Accountability Panel excludes matters relating to pricing and other nonregulated terms or arrangements for the supply or acquisition of goods or services by participants in a competitive wholesale or retail energy market.

Each panelist acknowledges, agrees and represents that by participating as part of the Accountability Panel:

- a. at all times they will comply with all applicable laws in respect of that participation. In particular, each participant acknowledges that they are subject to the Competition and Consumer Act 2010 (Cth), including Part IV, which includes prohibitions on cartel conduct as well as other restrictive trade practices; and
- b. they are aware of and understand their obligations under applicable laws (including those specifically referred to in paragraph (a) above).



Attachment A to the Terms of Reference

