

15 January 2021

AEMO Stakeholder Relations

Submitted by email: stakeholderrelations@aemo.com.au

Submission to Renewing AEMO's Engagement Model Response Paper

Key messages

- » **Transparency and collaboration:** Energy Networks Australia (ENA) welcomes AEMO's proposed adoption of an appropriate consultation framework that seeks to collaborate, not merely inform, and its acceptance of the need for clear objectives, reporting of outcomes and accountability in the operation of its forum and working groups.
- » **Adequate time to consider papers and topics:** ENA welcomes AEMO's recommendation to adopt a more "collaborative, transparent and dynamic" approach to stakeholder engagement and its commitment that sufficient time be provided for consideration of papers and positions. The initial timeframe of 11 days allowed to respond to the review paper did not reflect this objective, however we welcome AEMO's subsequent recognition of this and willingness to provide an extension.
- » **Governance arrangements:** ENA welcomes the commitment to also undertake a separate governance review. We encourage AEMO to ensure an appropriate consultation period is provided and genuine engagement is undertaken with industry to help shape a suitable model as part of this review. Appropriate oversight arrangements will be needed to support the recommended stakeholder engagement model, particularly the proposed new Budget and Finance Committee.
- » **ENA strongly supports the development of the Budget and Finance Committee.** ENA and the Australian Energy Council have commissioned Cambridge Economic Policy Associates to consider the design of the proposed committee. This report will be finalised late January to help guide further collaboration in relation to AEMO's governance review.
- » **Industry peak bodies involvement in key committees:** ENA members seek clarity about whether industry association representatives will be invited to participate in key forums, including the proposed new AEMO Stakeholder Forum and the Budget and Finance Committee
- » **Consumer representation:** ENA supports the maintenance of the Consumer Forum. ENA recommends appropriate consumer representation is included on the Budget and Finance Committee

Energy Networks Australia (ENA) welcomes the opportunity to comment on the Australian Energy Market Operator's (AEMO's) Reviewing AEMO's Engagement Model Response Paper.

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Transparency and Collaboration

ENA's members appreciate AEMO's recognition of the need to reform its stakeholder engagement processes and are broadly supportive of the recommendations provided in the response paper.

We welcome acknowledgment of the need for AEMO to undertake genuine consultation. Above all else, AEMO's members and energy customers will benefit from a cultural shift to an approach that seeks to collaborate and genuinely engage, not merely inform, and to apply transparency in the reporting of outcomes.

The establishment of detailed terms of reference and clear objectives for consultation groups and processes is also an important and welcome reform.

Adequate time to consider papers and topics

The 'Five-point action plan' provided in the response paper includes a commitment that: "Stakeholders will have adequate time to consider papers and topics and, where company positions are requested, have ample time to come to meetings prepared to have informed conversations."¹

ENA strongly supports this action as it is an essential component of genuine engagement; however, if the objective is to be achieved, it must be applied in practice.

The commitment seemed at odds with the 11 business days initially allowed by AEMO for comment on the engagement model response paper, with a detailed briefing being provided to ENA members just four days before this deadline. However, we welcome AEMO's willingness to hear feedback on this issue and subsequently to provide an extension.

Given the review response includes major new elements of AEMO's engagement structure that were not canvassed in the original discussion paper – i.e., the Budget and Finance Committee and governance review – appropriate time to consider and provide feedback on these proposals is important.

It is anticipated further opportunity and a fulsome engagement process will be undertaken by AEMO into any proposed new governance arrangements, as flagged in the engagement model response paper.

¹ Reviewing AEMO's Engagement Model Response Paper P11.

Governance arrangements

ENA strongly supports AEMO undertaking an open and transparent governance review. We consider this an inextricable component of AEMO's engagement processes, especially where those processes consider the formulation of the budget and fees that are charged to members and ultimately passed on to customers.

It seems premature to finalise an engagement model when the governance structures that will apply to it (or aspects of it) are still in development and have not been considered by stakeholders.

It is recommended the proposed engagement reforms are considered in the context of the governance review to enable a fulsome consideration of appropriate oversight arrangements to support the engagement model. This is particularly pertinent in relation to the proposed new Budget and Finance Committee. While the establishment of such a committee is strongly supported, it is a new feature of the model that was not canvassed in the original consultation paper.

AEMO Budget and Finance Committee

ENA strongly supports the development of a Budget and Finance Committee (the committee). ENA and the Australian Energy Council have jointly commissioned Cambridge Economic Policy Associates (CEPA) to consider the design of the proposed committee.

CEPA's report will consider the design elements of scope, composition, standing, process and communication, and be guided by the following proposed principles:

1. **Clear** – The committee's purpose, scope and processes should be clearly documented to promote a shared understanding of its work.
2. **Transparent** – committee business should be conducted as openly as possible, so stakeholders can understand what decisions have been made and why.
3. **Effective** – committee processes should support informed, inclusive and participative discussion and review of strategic and budgetary decisions.
4. **Collaborative** – The committee should reflect AEMO's stakeholders to promote balanced decision making and contain a mix of skills and experience appropriate to its scope.
5. **Proportionate** – committee processes should be adequate to meet the other design principles, while ensuring the time and resources required to support its work are reasonable given AEMO's costs.

The CEPA report is being finalised and will shortly be available publicly. ENA looks forward to continuing collaboration with AEMO on the development of the committee and with the broader governance review.

Industry peak bodies' involvement in key committees

As articulated in ENA's submission to AEMO's July Renewing AEMO's Engagement Model options paper, we and our members consider it important that industry association representatives can be included on key forums and committees. It is unclear from the response paper whether industry associations can represent their members on working groups. For example, Section 3.1 *Introduce a new AEMO Stakeholder Forum*² which proposes the new group will focus on 'key priorities' - including the proposed Budget and Finance Committee for 'early consultation on AEMO's budget and fees. This says 'all market participant organisations would be invited to nominate a representative' but is not clear whether this nominee may be an industry association representative.

Allowing industry associations to participate in strategic committees offers the opportunity for an agreed, collective industry position to be presented on behalf of the sector participants from a single conduit. This offers efficiency and ensures a broader reflection of industry views.

The proposal that AEMO will seek support from industry associations in selecting the Budget and Finance Committee is strongly supported. ENA considers that all stakeholders should have the opportunity to nominate their representatives on committees/working groups, rather than the representative being chosen by AEMO.

Consumer representation

ENA strongly supports the maintenance of the Consumer Forum and recommends appropriate consumer representation is also included on the budget and fees sub-committee.

Given the fees charged by AEMO to market participants are ultimately passed on to customers, it is considered appropriate that a consumer voice be included in budget and fee considerations.

Committee and working group structure

ENA is broadly supportive of the proposed changes to the committee and working group structure and the five-point action plan.

The establishment of terms of reference and clear objectives for engagement is considered essential for the effective operation of working groups and committees. In addition, a reporting framework to ensure input provided by stakeholders is incorporated into outcomes or, where it is not, that an explanation is provided is also a welcome reform.

As noted above, it remains ENA's strong view that while improving the structure of AEMO's working groups and committees is valuable, it is far more important that the quality of the engagement is genuinely collaborative, transparent and accountable.

² Reviewing AEMO's Engagement Model-Response Paper, P8.

We welcome AEMO's commitment to undertaking this reform and look forward to the opportunity to have further input into the organisation's governance review.

If you wish to discuss any issues raised in this submission, please contact Tamatha Smith, General Manager Corporate Affairs, tsmith@energynetworks.com.au.

Yours sincerely,



Andrew Dillon
Chief Executive Officer