



Discussion Paper

A deliberative approach to consumer engagement in the energy sector

UnitingCare Australia

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Preface

This paper is intended to encourage discussion among utilities, regulators, and consumer advocacy organisations, including within the UnitingCare network, about the scope for greater engagement of consumers in the energy policy decisions that affect them, through the use of deliberative democratic tools.

UnitingCare Australia would like to acknowledge the assistance received from Professor Lyn Carson and Dr Carolyn Hendriks in reviewing and advising on this paper. In addition we would like to thank the UnitingCare Australia network for contributing to the development of this paper. This report may be updated based on future advice and discussions with key stakeholders.

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The views expressed in this document do not necessarily reflect the views of the Consumer Advocacy Panel or the Australian Energy Market Commission.

Executive Summary

For the vast majority of households, energy expenses are an essential, recurrent expense. Consumers depend on power companies to sell them energy in order to do things like warm or cool their homes, cook meals, power computers and provide lighting. UnitingCare services regularly provide support for people who are under financial stress and are struggling to afford essential services, such as power to their homes.

In recent years, energy use in Australia has contracted with contributing factors including the impact of energy efficiency programs and subsequent take up of energy efficient appliances and buildings and the response of electricity consumers, especially residential consumers, to higher electricity prices.¹ Yet, over the five years to 2013 the average Australian power bill has increased by 70 percent, when inflation increased by only 12 percent.²

This rapid rise in energy costs is particularly damaging for low income households who have a smaller discretionary income. As essential costs such as power have risen, household budgets are struggling to balance. Households with an annual disposable income of less than \$18,000 are spending roughly 5.4 percent of that disposable income on electricity while households with an annual disposable income of over \$121,000 are spending only 1.3 percent of that income on electricity.³

One of the major reasons for the rise in energy costs is the substantial increase in network tariffs that has taken place.⁴ Network tariffs are the charges associated with the supply and maintenance of electricity—the poles and wires and work that is done to enable people to access electricity. While consumers can choose between a range of competitive electricity suppliers (who purchase electricity from the network and sell it on to consumers), network businesses function as natural monopolies meaning that single companies are responsible for the provision of the network.

Because of the risk that monopolies might not charge fair prices, the Australian Energy Regulator (AER), the Australian Energy Market Commission (AEMC) and the Australian Energy Market Operator need to ensure that the long term interests of consumers are being protected. The AER is responsible for the economic regulation of electricity networks in Eastern and Southern Australia and the AEMC is the “rule maker” for electricity markets in Australia.

Despite the existence of these bodies, more needs to be done to adequately reflect consumers’ interests. Current methods of consumer engagement are dominated by focus groups, surveys and willingness to pay studies. However UnitingCare believes that consumers can be given a stronger role in the policy and regulation of energy.

Deliberative Processes

Deliberative processes allow for a range of stakeholders to engage meaningfully in decision making. Deliberative democracy involves citizen participation in the development and adjudication of public

¹ H. Sadler, *Power Down: Why is electricity consumption decreasing*, The Australia Institute, December 2013.

² T. Wood and L. Carter, *Fair pricing for power*, Grattan Institute, Australia, 2014.

³ UnitingCare derived from ABS unpublished data from *Household Expenditure Survey: Summary of Results*, Australian Government, Canberra, 2010.

⁴ T. Wood and L. Carter, *Fair pricing for power*, Grattan Institute, Australia, 2014.

decisions. In deliberative democracy, diverse views from the community are brought together for reflection and debate. Through a robust representation of community preferences, greater public confidence in the outcome of decisions is generated.

Deliberative processes have a lot to offer in relation to energy policy and pricing. If citizens are given an opportunity to consider solutions in conjunction with decision makers there is greater likelihood of decisions being accepted as legitimate and a higher chance of consumer needs being thoroughly understood and catered for.

Essential elements of a deliberative process include:

1. *Deliberation*: The process should provide open dialogue, access to information, respect, space to understand and reframe issues, and movement towards consensus.
2. *Influence*: The process should have the ability to influence policy and decision making.
3. *Inclusion*: The process should be representative of the population and inclusive of diverse viewpoints and values, providing equal opportunity for all to participate.⁵

Other typical features of a deliberative process include:

- Facilitators – who are not experts and are impartial to assist with and facilitate discussion
- Participants – who are not experts and may have previously been unengaged or disengaged
- Information – provision of balanced and impartial information to participants, which may include information from experts and from stakeholder organisations.

Deliberative forums that utilise random selection ensure that a sample is obtained that is not self-selected or stakeholder determined. Random selection may utilise stratified random sampling, particularly for smaller groups, to ensure that the sample reflects the demographics of the larger population (in terms of socio-demographic relevance: for example, sex, age, occupation, geography, education).

Next steps

UnitingCare Australia believes that deliberative processes should be trialled in energy policy in Australia. Deliberative processes have been used in other monopoly utility service settings, such as in the Yarra Valley in 2012, where Yarra Valley Water undertook an extensive program of research and engagement, including some deliberative processes to guide the development of their 5 year water plan.

UnitingCare Australia believes that deliberative processes can ensure more effective citizen engagement in energy policy and regulation, supporting more equitable outcomes for energy consumers, particularly low income and vulnerable households.

By developing a deliberative consumer engagement process that can be used in energy policy and regulation, we believe that the needs of low income and vulnerable households will be better taken into account.

⁵ L. Carson & J. Hartz-Karp, 'Adapting and combining deliberative designs: Juries, Polls and Forums', in Gastil, J. & Levine, P. (eds) *The Deliberative Democracy Handbook*, Jossey-Bass, San Francisco, 2005, p.122.

A framework needs to be developed for applying deliberative processes in future energy policy and regulatory determinations. The next step is to trial a deliberative engagement process for a specific topic or current issue relevant to energy policy and regulation. For example, rather than seeking stakeholder feedback on issues papers, deliberative engagement methods could be employed to ascertain richer information and enhance consumer engagement. UnitingCare Australia is seeking support for such a trial.

The environment is ripe for the consideration of innovative consumer engagement methods that enable consumers to consider the complex issues at play in the national energy market. UnitingCare Australia proposes a deliberative democracy approach to consumer engagement that enables greater participation of consumers in the decision making process. We believe that deliberative engagement that reduces conflict, integrates with existing processes, and meets business objectives and consumer engagement requirements, would be beneficial for all stakeholders.

1. Introduction

Over the five years to 2013 the average Australian power bill increased by 70 per cent⁶, when inflation increased by only 12 per cent. This occurred for a range of reasons, with one major reason being a substantial increase in network tariffs.⁷ The burden of increasing energy costs is falling especially heavily on some power consumers, such as low income households. UnitingCare services regularly provide support for people who are under financial stress and are struggling to afford essential services, such as power to their homes. Our role in supporting these people includes a concern that their interests are adequately represented in energy policy and regulation.

The interests of consumers could be represented in a more effective way by changing the approach to consumer engagement around energy policy and regulatory decision making. The recent introduction of consumer engagement strategies for the Australian Energy Regulator (AER)⁸ and Network Service Providers (NSPs) indicates a growing concern that the stated objective of the AER and Australian Energy Market Commission (AEMC), to promote outcomes that serve the long term interests of consumers, is not being addressed.

This paper sets out the issue of energy costs for low income Australians and outlines a method for better consumer engagement which can produce fairer energy policy and pricing outcomes.

2. Energy affordability

Since 2007, Australian electricity prices have been rising over and above inflation. For higher income households this represents a small component of their average household spending, but for low income households this significantly impacts their household budget and results in energy-related financial stress. People most affected by rising energy prices include:

- Households living on fixed and inadequate incomes (such as pensioners, retirees, people on Newstart and Youth Allowance)
- People who are at home during the day (parents of young children, carers, people not in the workforce)
- People with high energy needs (people living with chronic illness, large families).⁹

Increasing energy prices have occurred in tandem with an overall decrease in the household use of energy, with average household consumption falling by about 6 percent over the past two years. Reduced energy demand has occurred for a range of reasons including more energy efficient appliances and buildings, persistent tariff increases and the increased use of solar photovoltaics (PV) and solar hot water.¹⁰

⁶ T. Wood, and L. Carter, *Fair pricing for power*, Grattan Institute, Australia, 2014, p.1.

⁷ Ibid, p.4.

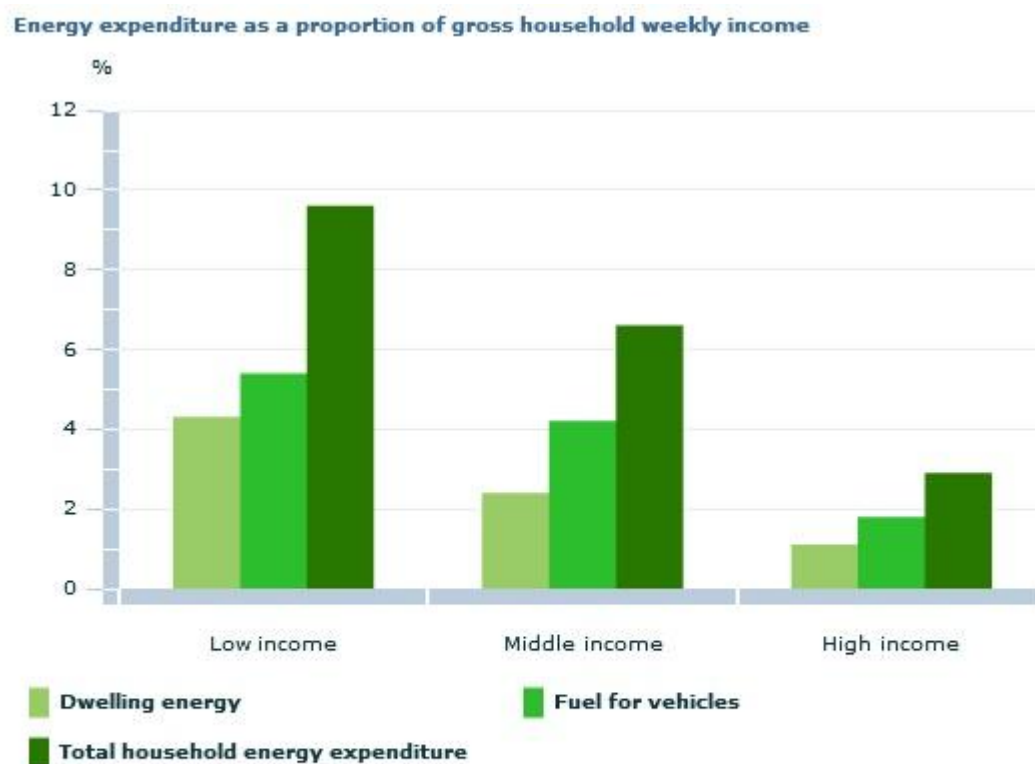
⁸ Australian Energy Regulator, *Australian Energy Regulator's Consumer Engagement Guideline for Network Service Providers*, Australian Government, Canberra, 2013. & Australian Competition and Consumer Commission and Australian Energy Regulator, *Stakeholder Engagement Framework*, Australian Government, Canberra, 2013.

⁹ UnitingCare Australia. *Position Statement: Energy affordability to power a decent life*, Canberra, 2013.

¹⁰ Simshauser, P. and Nelson, T., *The Consequence of Retail Electricity Price Rises: Rethinking Customer Hardship*, *The Australian Economic Review*, vol.47, no.1, 2014, pp 13.

Energy expenses are a significant and recurrent component of total living costs. Low income households on average spend almost 10% of their gross household weekly income on total household energy costs¹¹, compared to high income households who are only spending around 3 percent of their gross household weekly income on energy costs¹² (see Figure 1 below).

Figure 1



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Source: ABS, *Household Energy Consumption Survey: Summary of Results*, Australian Government, Canberra, 2012.

The impact of increasing energy prices on low income households includes the deferral of other spending to pay for energy bills, energy-related debt, bill defaults, energy rationing and (in extreme situations) disconnection from energy services.¹³

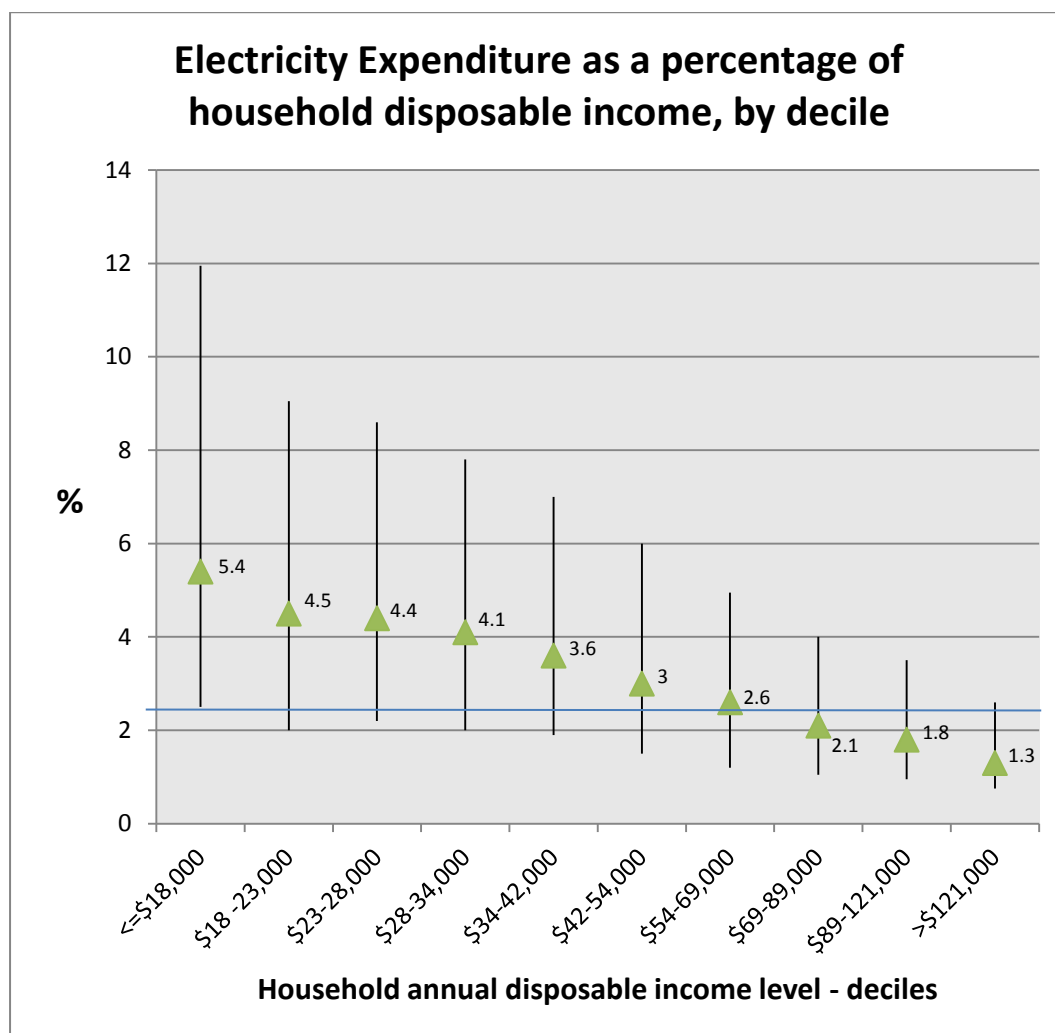
¹¹ This includes fuel for vehicles. Australian Bureau of Statistics, *Household Energy Consumption Survey: Summary of Results*, Australian Government, Canberra, 2012.

¹² Similarly, energy costs as a proportion of gross weekly household income were higher for low wealth households (6.3%) than for higher wealth households.

¹³ Australian Council Of Social Services (ACOSS), *Preventing shocks and addressing energy poverty: ACOSS Discussion Paper*, ACOSS, Strawberry Hills, 2014, p.4.

Figure 2 below shows electricity expenditure as a percentage of household income and highlights the fact that it becomes an increasing component of the household budget as incomes decrease. Low income households face barriers to reducing energy consumption such as being unable to afford energy saving appliances or household repairs/improvements, the need for health-related use of heating and cooling and life support equipment, and the presence of children.¹⁴

Figure 2



Source: UnitingCare Australia derived from ABS unpublished data from *Household Expenditure Survey: Summary of Results*, Australian Government, Canberra, 2010.

UnitingCare Australia is concerned that businesses and regulators are not doing everything they can to ensure prices are affordable. We think more needs to be done to give consumers appropriate options to use power, and pay bills, consistent with their incomes and budgets. Consumers currently have little interaction with regulators around the pricing decisions that affect them.

¹⁴ L. Chester, *The impacts and consequences for low-income Australian households of rising energy prices*, University of Sydney, 2013.

2.1. National Electricity Market

The National Electricity Market (NEM) delivers electricity to the southern and eastern states of Australia.¹⁵ Electricity is transported from generators, to the transmission and distribution network (transformers, substations and distribution lines) with retailers purchasing the power and charging consumers. Within this system, transmission and distribution networks, also known as Network Service Providers (NSPs), operate as monopolies in the regions that they service.

The products that NSPs offer are essential services for most consumers and as a consequence consumers have little choice but to accept the service price and quality offered by the provider. Regulations govern what NSPs can charge consumers and are designed to prevent the former taking advantage of their position as monopoly businesses.

3. Consumer engagement in the energy sector

The Australian Energy Regulator (AER) and Australian Energy Market Commission (AEMC) have a responsibility to promote outcomes that serve the long term interests of consumers.¹⁶

In the past two years there has been a renewed emphasis on the long term interests of consumers, in an environment of lowering energy demand and increasing prices. This includes introduction of Consumer Engagement Guidelines¹⁷ for Network Service Providers, a proposed new consumer advocacy body Energy Consumers Australia¹⁸ and recognition that consumers need a clear voice in the regulatory regime.¹⁹

The Consumer Challenge Panel²⁰ has also recently presented to the AER Board on the effectiveness of consumer engagement by network businesses and recommended that the AER consider an evaluation of the network businesses approach to consumer engagement to ascertain their effectiveness. This stems from concern that current consumer engagement practices could be improved and do not support business expenditure proposals.

Current consumer engagement approaches in the electricity sector generally inform consumers and seek input through collecting consumer data or feedback. This may occur through communication and consultation methods such as fact sheets, websites, surveys, focus groups or public meetings. These methods however, do not typically bring consumer concerns into policy discussion or

15 Western Australia and Northern Territory are not connected to the NEM primarily due to the distance between networks.

16 The National Electricity Objective (NEO) includes that it is to "promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity..."

17 AER, *Consumer Engagement Guideline for Network Service Providers*, November 2013.

18 On 13 December 2013, the Standing Council on Energy and Resources (now the COAG Energy Council) agreed to outlining the process to establish a national energy consumer advocacy body. Public consultation on a legislative amendments package to establish the ECA closed in September 2014.

19 See recommendation 21.5 from the Productivity Commission Electricity Network Regulatory Framework Report No.62, April 2013.

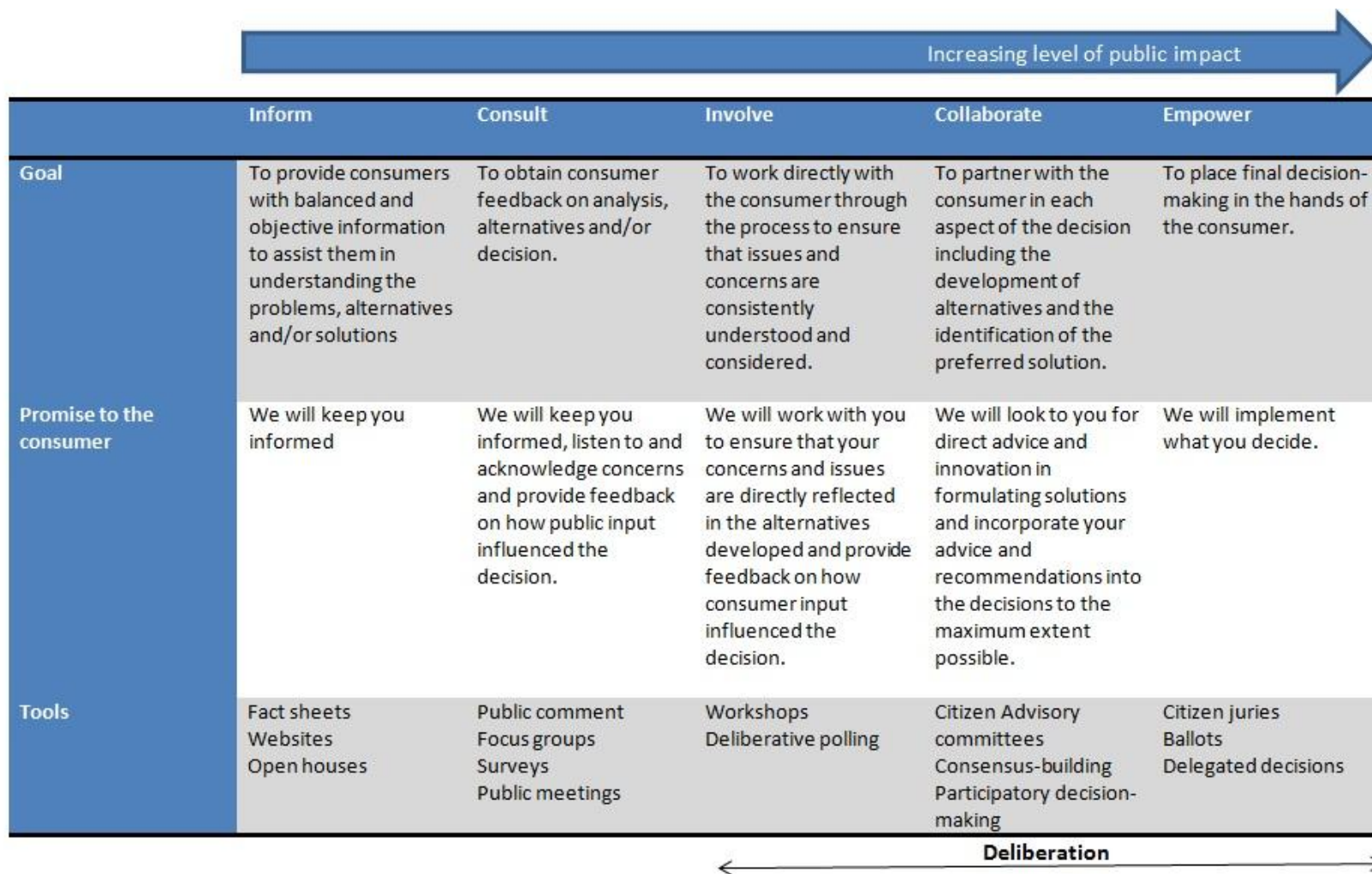
20 The Consumer Challenge Panel was established in July 2013, with the purpose to challenge the AER and network businesses on whether the NEO is being achieved.

decisions. They also generally do not encourage consumers to deliberate on, or discuss, the key issues involved.

Historically there have been low levels of consumer engagement with the energy sector. Complex and technical information has made it hard for consumers to become informed. Other barriers may include a lack of time, disinterest or a perception of being unable to impact on decision making outcomes. Finding methods that genuinely engage and reflect consumer viewpoints presents an ongoing challenge.

Current methods of engagement within the energy sector are dominated by focus groups, surveys and willingness to pay studies. On the consumer engagement spectrum (see Figure 3), these fall within the 'inform' and 'consult' categories of the spectrum, where consumers are given information and provide feedback on analysis, alternatives or decisions. However other techniques can be used that go further and participation in these processes can change participant's perspectives on an issue, due to access to additional information.

Figure 3 - Consumer Engagement Spectrum



Source: adapted from iap2 public participation spectrum

4. Deliberative consumer engagement

4.1. What is deliberative consumer engagement?

Deliberative processes provide an opportunity to include unengaged voices in energy policy and regulation issues. ‘Deliberation’ is defined as the critical examination of an issue involving the weighing of reasons for and against a course of action. Deliberation can involve a single individual, but the deliberative processes under discussion in this paper involve group deliberation. Thus, we define a ‘deliberative process’ as a process allowing a group of participants to receive and exchange information, to critically examine an issue, and come to a collective view that will inform decision making.²¹ Deliberative processes provide forums that allow for balanced information sharing, within a framework that enables the outcomes to be utilised in decision making.

Deliberative democracy involves citizen participation in decision making that focuses on gathering diverse views from the community and encouraging reflection and debate, leading to recommendations for action. Through more robust representation of public preferences it aims to encourage greater public confidence in decision making, by producing reasoned, reflective community views on important issues. Its key attribute is that it does not merely harvest opinions, but draws a range of citizens into a process of reflecting on information and making collective judgements.

Deliberative democratic processes can be used for the development of regulation, and to support the making of public policy decisions.

Essential elements in the design of a deliberative process include:

1. *Deliberation*: The process should provide open dialogue, access to information, respect, space to understand and reframe issues, and movement towards consensus.
2. *Influence*: The process should have the ability to influence policy and decision making.
3. *Inclusion*: The process should be representative of the population and inclusive of diverse viewpoints and values, providing equal opportunity for all to participate.²²

Other typical features of a deliberative process include:

- Facilitators – who are not experts and are impartial to assist with and facilitate discussion
- Participants – who are citizens rather than experts or lobby group representatives, and may have previously been unengaged, or have become disengaged
- Information – provision of balanced and impartial information to participants, which may include information from experts and from stakeholder organisations.

To ensure that deliberations are utilised in decision making, the process and outcomes will ideally be endorsed or supported by elected officials.

²¹ Fearon, J.D.. Deliberation as Discussion. In J.Elster (Ed.), *Deliberative Democracy*, Cambridge University Press, Cambridge 1998. pp. 44-68.

²² L. Carson & J. Hartz-Karp, ‘Adapting and combining deliberative designs: Juries, Polls and Forums’, in Gastil, J. & Levine, P. (eds) *The Deliberative Democracy Handbook*, Jossey-Bass, San Francisco, 2005, p.122.

Deliberative forums that utilise random selection, ensure that a sample is obtained that is not self-selected or stakeholder determined. Random selection may utilise stratified random sampling, particularly for smaller groups, to ensure that the sample reflects the demographics of the larger population (in terms of socio-demographic relevance: for example, sex, age, occupation, geography, education).

Deliberative processes can be adapted and combined to create a unique process specific to a particular issue, project or stakeholder groups. Maintaining the essential elements of an effective deliberative process is important to ensure that the key attributes of deliberation, influence and inclusion are always present.

Appendix A compares different consumer engagement methods according to the above essential elements for deliberative processes.

4.2. Why use a deliberative approach?

Deliberative techniques allow a cross-section of consumers to participate in policy making or regulation. Citizens can consider solutions in conjunction with decision makers. Deliberative democracy promotes justice by including people from many facets of society.

One of the key arguments for using deliberative engagement processes is that they bring together different perspectives and viewpoints and ensure all are considered. Within electricity markets, consumers are poorly organised and not well represented in traditional advocacy approaches or conventional stakeholder consultation processes. Deliberative engagement processes, in contrast, are aimed at including everyday citizens; as opposed to 'stakeholders' (who are typically well organised advocacy groups). Deliberative processes are therefore particularly well suited to 'hard to reach' groups.

A deliberative decision making process moves consumer engagement towards a more involved and increased level of public impact. Rather than simply informing or consulting with the community, the community participates and is highly involved in the decision making process. It creates a deliberative space in which citizens can hear information and views from stakeholders, and then reflect collectively upon and critically consider what they have heard.

Methods that contribute to increasing levels of public impact involve participants more directly and ensure that participants concerns are directly reflected in the alternatives developed. They also allow participants to provide direct advice in formulating solutions and create greater confidence in the process by seeing their recommendations implemented.

Deliberative engagement could give a cross-section of consumers the opportunity to be fully involved in decisions about the way energy prices are structured or other energy policy decisions.

4.3. Deliberative engagement methods

4.3.1. Citizen juries

Citizen juries are one-off events that involve members of the public in making informed decisions on complex issues. A sample of individuals from the community – a citizen jury – is selected to consider

information and advise on an issue. They are brought together, and hear from a variety of experts, cross-examine them, deliberate the topic and present their findings at the end of the event. The end outcome is a Citizens Report which presents a collaborative and consensus view and responds to the issues presented. A Citizen jury aims to produce rational and reasoned debate and can utilise a variety of activities for enquiring into an issue including field trips, reflection, and discussion and prioritisation of issues. This allows consumers to question experts and build a consensus without people having to choose sides.²³ The numbers of people engaged to participate can vary, and may depend on the nature of the issues, and the diversity of the population that needs to be represented.

4.4. Hybrid approach

A hybrid approach is when a range of deliberative techniques are used and/or adapted to suit the specific topic and audience. This allows various deliberative techniques to be tailored to the issue and expected participants. The benefit of this approach is that it can be designed to suit the specific topic under consideration and the available resources. Utilising surveys at the beginning and end of the process can also enable assessment of whether participant views have changed through the deliberative process. The timeframe and number of participants can also be adapted to the topic. Enough time must be provided to ensure genuine deliberation, and there needs to be sufficient support (including remuneration, where appropriate) to ensure all citizens are able to engage.

4.5. Negotiated settlements

Negotiated settlements are an established process used in the North American energy sector to determine prices, incentives and expenditures (amongst other things) for services provided by electricity and gas monopolies. The core feature of negotiated settlement is agreement by negotiation of the various factors that define the services provided by monopoly service providers and the price that they charge for them.

Negotiated settlements can be quicker and less expensive than traditional regulation and can lead to better understanding and less adversarial relationships between users and service providers. Mutually beneficial gains can also be delivered because users are able to better determine the trade-offs that are important to them, than can regulators.²⁴ Negotiated settlements can share some attributes with deliberative democracy, such as systematic engagement with consumers who are provided with evidence through a process mediated by a regulator or facilitator. However, they are not deliberative in the sense that they are founded on bargaining among affected parties, rather than on reasoning and reflection among citizens.

The use of negotiated settlements in Australian energy policy and regulation would require a change to existing institutional frameworks, including laws, rules, guidelines and procedures. For negotiated settlements to be successful, consumer advocates would need to have confidence in their knowledge of the electricity industry and their ability to negotiate successfully with network service providers. The AER would also need to change its approach, to give preference to settlements, with

²³ Carson, L. Consult your community: A guide to using citizens' juries, PlanningNSW, Sydney, 2003.

²⁴ B.R. Mountain, A summary of evidence and thinking on negotiated settlements in the regulation of energy network service providers, CME, Melbourne, March 2013.

traditional regulation a method of last resort. The National Electricity and Gas Laws and the electricity and gas rules would need to be changed to give primacy to settlement.²⁵

UnitingCare supports the further exploration of negotiated settlement as another innovative approach to consumer engagement. However, given the required institutional and regulatory changes needed to allow for negotiated settlement, and the questions that arise over the capacity for small consumers, particularly disadvantaged families, to be effectively engaged in this type of process, they are not considered further in this paper.

4.6. Deliberative engagement case studies

Deliberative engagement can be used effectively in the utilities sector as demonstrated by the examples below.

In 2012, Yarra Valley Water in Victoria held a deliberative forum with residential customers. This process sought to discuss proposed service levels and prices contained within the five year Water Plan. A deliberative forum was chosen due to the wide range of topics and complexity of concepts to be considered. The forum was held on a Saturday for six hours with 39 residential customers, comprising a cross-section of different customer segments. The timeframe allowed for a mix of different techniques including individual voting, open forum and table-based discussions. This process was also supported by a roundtable forum and online survey. It was found that customer perspectives altered as a result of the information presented and the ensuing discussions. Issues discussed included proposed investments in relation to service levels, standard tariff structures and perspectives on optional tariffs and options for different pricing paths over the five-year Water Plan period.²⁶ Reporting of the process outlined the issues discussed, the information provided and the customer response. Importantly it also outlined how deliberation and feedback was then used in decision making. Further information is provided at [Appendix B](#).

In the UK, a deliberative process commissioned by Consumer Focus²⁷ (the statutory consumer champion in the UK) sought to understand consumer attitudes to social and environmental taxes and charges on energy bills. The process involved three deliberative workshops in different locations, with each workshop consisting of 24-30 consumers. Discussions were separated into consumer segments, identified as environmentally motivated, fuel poor and general population. Contextual and technical information was presented to participants at various points in the workshops, to inform the discussions. Consumers were also asked to vote on specific questions at three points during the day, with the same questions asked at the beginning of the day and repeated at the end, to assess how attitudes had changed due to deliberations. Interestingly, over the course of the day, support for vulnerable consumers rose by 10 per cent and support for renewables rose by 16 per cent. The use of deliberative processes also allowed participants to move toward considering options from a 'citizen' perspective (thinking about society as a whole) as well as from an individual (consumer or personal) perspective. By giving consumers sufficient time and space to

²⁵ Ibid, p.28.

²⁶ Yarra Valley Water, Yarra Valley Future Water: Water Plan 2013/14 to 2017/18, October 2012.

²⁷ Accent for Consumer Focus, Deliberative research into consumer attitudes to social & environmental taxes and charges, December 2012. Accessed online on... <http://www.consumerfutures.org.uk/reports/who-pays-consumer-attitudes-to-the-growth-of-levies-to-fund-environmental-and-social-energy-policy-objectives>

deliberate they were able to discuss their personal experiences and attitudes, develop ideas and opinions, and work collectively to prioritise options and generate new ideas. Further information is provided at [Appendix C](#).

In 2012, a Citizens Jury was utilised for the NSW Parliament's Public Accounts Committee Inquiry into the economics of energy generation. This process enabled Members of Parliament to hear a broader set of perspectives than they would normally hear from. Deliberation outcomes surprised some Members of Parliament as they assumed everyday citizens would be disinterested in complex policy issues and would be primarily concerned with keeping energy prices low. However this process revealed citizens' concern about complex issues and interest in participating in governance.²⁸ Outcomes from this process included recommendations from the Citizens Jury that there needs to be increased utilisation of renewable energy beyond Federal targets and greater certainty so that renewable technologies can compete on merit. The Jury recommended (amongst other things) that the NSW Government prioritise development of a Smart Grid, that there be legislative change to support and enable decentralised energy productions and that long term legislative certainty for investment in renewables is needed. Further information is provided at [Appendix D](#).

28 Hendriks, C. M. *Research Report: Elected Representatives and Democratic Innovation. A study of responses to citizens' juries embedded in the NSW Parliament's Public Accounts Committee*. Prepared for newDemocracy Foundation. August 2013.

5. What next?

UnitingCare Australia wants to see deliberative processes trialled in energy policy, with a view to proving the efficacy of the concept, and considering its application in a range of appropriate settings. We believe these processes can embed consumer engagement in energy policy and regulation, supporting more equitable outcomes for energy consumers, particularly low income and vulnerable households.

By developing a deliberative consumer engagement process that can be used in energy policy and regulation processes, we believe that the needs of low income and vulnerable households will be better taken into account by government, regulators and industry and that their knowledge, needs and preferences are integrated into policy and regulatory decisions that affect energy prices.

These aims align with those of the AEMC and AER which state that they are committed to promoting outcomes that serve the long term interests of consumers. The National Electricity Rules (NER) also require consideration of the extent to which proposed expenditure by NSPs addresses consumers' relevant concerns identified during the service provider's engagement with consumers.²⁹

Given recent changes to the NER to ensure more direct consideration of consumer interests, this is an opportune time to consider consumer engagement processes that better represent consumer viewpoints. Ultimately a framework for applying deliberative processes in future energy policy and regulatory determinations would facilitate engagement with a broader range of consumers, including those not engaged by current processes. Options for trialling deliberative engagement process in the energy sector are explored below.

Participants in deliberative processes need enough time to engage properly with the issue they are being asked to consider. They are most likely to agree to participate when they know that their efforts will feed directly into decision making, because the decision-maker has made a commitment to consider their input and demonstrate how it has influenced decision making outcomes.

As a starting point, UnitingCare Australia is seeking support from key stakeholders to trial a deliberative process in the energy sector. Our organisation wishes to see broader discussion of how deliberative processes could work in the sector, including discussions with energy businesses, and the trialling of a deliberative engagement process before the end of the 2015/16 financial year.

5.1. Deliberative engagement options

There are many possibilities for trialling a deliberative process with energy consumers. Deliberative engagement options that could be most readily utilised in the energy market include Citizens Juries or a hybrid approach where deliberative methods are adapted to suit the situation. However the exact process would be determined by regulatory needs, the nature of the issue, and the advice from an advisory committee.

²⁹ National Electricity Rule, Cl. 6.5.7 (5A)

Deliberation may be utilised for specific topics or processes such as proposals for regulatory resets or for broader changes to energy market processes, such as the introduction of time of day pricing and smart meters.

Matters arising through regulatory reset processes may provide topics for deliberation. For example the AER as part of the ACT ActewAGL regulatory resets issues paper has sought stakeholder and consumer feedback on matters such as the expected rate of return and opex/capex forecasts. Given the complexity of such issues and the limited understanding that the average consumer has of these matters, deliberative engagement could enhance consumer engagement and ensure that consumers are in a position to genuinely provide feedback on these matters.

The benefits of utilising deliberative engagement for existing processes such as regulatory reset negotiations, is that it can give assurance to the regulator that consumer preferences have been considered and provide an opportunity for consumers to give a considered response with access to unbiased information and sufficient time to consider trade-offs.

5.2. Advisory committee

The establishment of an Advisory Committee would ensure a level of endorsement of any process, maintain procedural integrity and add rigor and legitimacy to the process.³⁰ An Advisory Committee would consist of a range of representatives from different backgrounds including academic representatives (with a research focus on deliberative engagement), peak body representatives and consumer advocacy representatives.

Advisory Committee tasks could include:

- identification of appropriate opportunities for trialling deliberative processes
- selection of service providers to administer the process itself
- selection of trial participants
- compilation of presenter list
- development of briefing materials
- selection of facilitators and evaluators
- carrying out of media and public relations activity.

The aim would be to gain agreement from major stakeholders on a process that would achieve community engagement while meeting required regulatory objectives.

³⁰ Hendriks, C. 'Consensus conferences and planning cells: Lay citizen deliberations' in Gastil, J. & Levine, P. (eds) *The Deliberative Democracy Handbook*, Jossey-Bass, San Francisco, 2005, p.84

6. Conclusion

The current state of the Australian energy sector includes upward pressure on prices, overall decreasing demand for energy, and a growing concern with ensuring consumer engagement and decision making that reflects the long term interests of consumers. These conditions have created an environment ripe for the consideration of innovative consumer engagement methods that enable consumers to consider the complex issues at play in the national energy market.

UnitingCare Australia proposes a deliberative democracy approach to consumer engagement that enables greater participation of consumers in the decision making process. Ideally this process would be supported by relevant peak bodies, regulatory agencies and key academics and contribute to the establishment of a robust and rigorous process that could be replicated to ensure meaningful consumer engagement in supporting energy policy and regulatory decisions.

We believe that deliberative engagement that reduces conflict, integrates with existing processes, and meets business objectives and consumer engagement requirements, would be beneficial for all stakeholders.

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Appendix A – Comparison of consumer engagement methods

This appendix gives a brief sketch of the benefits and costs of different consumer engagement methods. It is not meant to be precise, but to illustrate that deliberative techniques have a relatively high impact that can be worth the cost to participants.

Method	Benefits			Costs		Net impact (benefits less costs)
	Inclusion	Deliberation	Scrutiny	Dollar cost	Time	
Fact Sheet	0	0	0	1	1	-2
Website - static	1	0	0	1	1	-1
Surveys	1.5	0	0	1	1.5	-1
Website – 2.0	1	0.5	0.5	2	2	-2
Focus Groups	1	0.5	0.5	2	2	-2
Deliberative Poll	2	1	2	1	2	2
Public Meeting	1.5	1.5	2	2	2	0.5
Citizens Jury	2	3	3	2	3	3

Inclusion/Deliberation/Scrutiny/Influence 0 = poor 1 = fair 2 = good 3 = excellent

Cost/Time 0 = very low 1 = low 2 = moderate 3 = high

Inclusion: how representative are the participants of the wider population. The method should ensure inclusiveness of diverse viewpoints and values, providing equal opportunity for all to participate.

Deliberation: do participants have the opportunity to reflect on the information before them and discuss the matter with each other before responding? The process should provide open dialogue, access to information, respect, space to understand and reframe issues, and movement towards consensus.

Scrutiny: do the participants have the opportunity to ask their own questions about the subject matter and receive answers before responding to the question?

Appendix B – Case Study 1: Yarra Valley Water

Yarra Valley Water undertook an extensive program of research and engagement in 2012, to guide the development of their 5 year water plan. This included the use of deliberative processes to ascertain customer perspectives and gauge support for proposed investments.

In particular, a six-hour deliberative forum was held with 39 residential customers, comprising a cross-section of different customer segments. A deliberative forum was selected due to the wide range of topics to be considered and complexity of concepts. The longer time frame allowed a mix of techniques to be utilised including individual voting, open forum and table-based discussions. The forum was chaired and facilitated by an independent body, and presentations were given by senior executives of Yarra Valley Water. Participants were divided into five tables where moderators facilitated roundtable discussions about key information and proposals contained in the draft Water Plan.

Handheld audience response devices were used throughout the forum to gather individual responses to quantitative questions. Some questions were asked at the beginning of a session and then repeated at the end, to measure changes in attitudes throughout the day.

This deliberative forum complemented other consumer engagement approaches including a two-hour roundtable forum with over 100 business customers. Forum attendees also provided feedback on the plan by completing a written survey. An on-line quantitative survey was conducted with 800 customers, representing a cross-section of the customer base. Two focus groups were also conducted to assess future price path options, as well as a workshop with stakeholders including metropolitan water authorities, consumer peak bodies and social service organisations. The purpose was to understand emerging issues and community responses to impacts from utility price increases and determine the way forward for managing the impact of increasing prices on customers.

Finally, throughout the consultation period, an on-line portal was provided that allowed customers to access relevant information, ask questions and provide feedback on proposals.

Yarra Valley Water noted how *“customer perspectives altered as a result of the information presented and ensuing discussions.”*³¹ Their plan indicated areas in which consumer feedback received through the deliberative process influenced the policy decisions included in the final plan, but also explained a case where they had to set aside the feedback in the short term, instead intending to respond to it in a later planning process.

One thing that did not appear to be included in the Yarra Valley model was external input – the only expert views made available on the day appeared to be those from within the utility. A more robust process might include exposing the deliberating citizens to a wider range of perspectives.

For more information see the Yarra Valley Water Plan 2013/14 to 2017/18

<https://www.yvw.com.au/yvw/groups/public/documents/document/yvw1003860.pdf>

³¹ Yarra Valley Water, *Yarra Valley Future Water: Water Plan 2013/14 to 2017/18*, October 2012, p.15.

Appendix C – Case Study 2: Deliberative engagement on energy bills

In 2011, Consumer Focus³² commissioned Accent to undertake deliberative research into consumer attitudes to social and environmental taxes and charges on energy bills. Deliberative workshops were held in three different locations with each workshop consisting of 24-30 consumers and a total of 82 consumers participating. Consumers were informed during recruitment that they would be talking about energy.

The workshops sought to understand consumers' views on:

- the use of charges on consumer bills to pay for environment or social objectives as opposed to general taxation or shareholder funds
- the acceptability of using consumer charges for different environmental and social problems
- transfers between different classes of consumer
- the structure of the charges (a flat rate, a rate proportionate to usage or rising block tariffs).

Discussions took place at separate tables for each of three consumer segments: environmentally motivated, fuel poor and general population. Stimulus material was presented to the audience at various points of the workshops; this provided context or technical information to inform the discussions. At three points during the day consumers were asked to vote on specific questions. The questions asked at the beginning of the day were repeated at the end, to assess how attitudes had changed as a result of the deliberations, with a different set of questions used in the middle of the day. Responses were collected on electronic voting pads, to ensure anonymity.

The main findings included that consumers:

- Are unaware that their energy bills include levies to pay for social and environmental programmes.
- Desire greater transparency, but admitted they do not read the material that energy companies send them.
- Believe energy companies make too much profit and that these profits should be ploughed into investment in renewable energy.
- View the government and the regulator as ineffective at restraining the behaviour of energy companies, particularly with respect to energy price rises.
- Accept there is shared responsibility to pay for social and environmental outcomes: investment in renewables is something which energy companies should bear responsibility for, while improving the energy efficiency of homes is the responsibility of homeowners, though the Government or local authority should assist where affordability is a problem.

Interestingly over the course of the day, support for vulnerable consumers rose by 10 per cent (from 57 to 67 per cent) and support for renewables rose by 16 per cent (from 46 to 62 per cent). Further information is available at <http://www.consumerfutures.org.uk/reports/who-pays-consumer-attitudes-to-the-growth-of-levies-to-fund-environmental-and-social-energy-policy-objectives>

³² the statutory consumer champion for England, Wales, Scotland and (for postal consumers) Northern Ireland

Appendix D – Case Study 3: NSW Parliament’s Inquiry into the economics of energy generation

In 2012, a Citizen Jury was utilised for the NSW Parliament’s Public Accounts Committee (PAC) Inquiry into the economics of energy generation. This process enabled Members of Parliament to hear a broader set of perspectives than they would normally hear from. The objective of this process was to return an agreed community view on *“the potential for, and barriers to, development of alternative forms of energy generation (eg: tidal, geothermal) in NSW.”*

The process was designed with the assistance of the newDemocracy Foundation and resulted in two concurrent Citizen Juries: one in an urban centre and another in a rural centre. Participants were drawn from responses to invitations sent to 8000 randomly selected citizens in the Sydney and Tamworth regions, with a total of 54 citizens combined participating in the groups.

Both juries met four to five times over a 10 week period between June and August 2012. The remit of both juries was the same, and more specific than the PAC’s, with participants asked to: *“agree on an order of preference, barriers to adoption (including financial aspects and public perception issues) and recommended course of action with regard to alternative forms of energy generation in NSW.”*

Deliberation outcomes surprised some Members of Parliament as they assumed everyday citizens would not be interested in complex policy issues and would be primarily concerned with keeping energy prices low. However this process revealed citizens concern about complex issues and interest in participating in governance. The report by the juries was extensively relied upon by the parliamentary committee in its report.

Recommendations included that:

- A strategic framework with targeted stages be developed to achieve a goal of 100% sustainable, renewable/green energy mix, promoting flexible technology choices for energy productions.
- The NSW government develop a strategy for efficient integration with the national grid.
- Governance of the NSW energy market needs to be revised to facilitate improved market access for renewable energy.
- Parliament should adopt a multi-partisan approach to energy policy and regulation.
- Policy should recognise and reward efficiency in generation and consumption.
- Generation policy needs to set clear environmental and health benchmarks that meet community expectations.
- Infrastructure provision should focus on efficient and cost effective energy outcomes.
- The electricity grid needs to be transformed into a decentralised network, with increased investment in a smart grid to help lower peak demand.
- Separate electricity generation from retail sectors to remove the monopoly that at present restricts access at the wholesale levels of alternative energy. Energy generation, the

wholesale energy market and the retail energy market need to be totally independent from each other. Ensure strategies to aid the disadvantaged in the community.³³

³³ New England and Sydney Citizens Juries on Energy Economics and Security for the NSW Parliament Legislative Assembly Public Accounts Committee, August 2012.