



Monitoring as a key tool to improve energy policy & markets

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The Australian Energy Regulator

- ❖ We regulate energy markets and networks covering most of Australia
- ❖ We have some 140 staff around Australia and an independent Board of 3 members
- ❖ Our objective is to promote:
 - efficient investment in, and efficient operation and use of energy services,
 - in the long term interests of energy consumers,
 - with respect to price, quality, safety, reliability and security of supply.



The AER's monitoring & regulatory roles

- ❖ We regulate and/or monitor:
 - the wholesale energy market - annual turnover of \$12 bn & 280 market participants;
 - 39 energy networks – in 2015, revenue proposals requesting \$46 bn from 10 networks
 - retail markets to enforce retail laws - 55 authorised energy sellers & over 4 million household and business energy users

- ❖ We provide a wide range of monitoring reports and resources covering:
 - Energy Made Easy – comparator site for retail market offers
 - market activity
 - compliance and enforcement
 - performance by network and retail service providers
 - network specific information



Designing a monitoring regime

- ❖ clarity of the problem and objective of the exercise
- ❖ refining information requests to make it meaningful
- ❖ assessing the cost and burden of monitoring
- ❖ managing expectations and getting stakeholder buy in
- ❖ leveraging off other organisations or they off us
- ❖ measurement of value added



Case study 1 – retailers' customer hardship policies

- ❖ Our role, powers and concerns:
 - ❖ We authorise retailers hardship policies
 - ❖ We have no enforcement powers beyond ensuring compliance with minimum requirements
 - ❖ We can't regulate for quality beyond the minimum, nor effectiveness of policies
 - ❖ We monitor market trends relating to hardship with a wide range of indicators
 - ❖ We know the number of hardships cases is increasing and have concerns about effectiveness of the programs



Clarity of problem & objective

- ❖ What is the problem you are trying to solve
- ❖ What is the objective of the regulatory intervention
- ❖ Will monitoring solve the problem
- ❖ Will it give you the information you need to solve the problem



Case study 2 – benchmarking performance of networks

❖ Our role, powers and concerns:

- We regulate network revenues within an incentive framework which aims for ongoing efficiency and performance improvement
- We have information gathering powers and monitor a range of performance indicators to assess how networks are responding to these incentives
- Our aim is to inform stakeholders and improve performance by revealing areas of poor performance
- Our traditional approach to assessing efficient revenues had significant limitations which we have sought to address
- We have extended the information we collect and have used it for benchmarking networks in terms of efficiency and performance in our revenue setting process



Making information meaningful

- ❖ Build on what you have
- ❖ Refine information requests to make it meaningful not just a wish list
- ❖ Justify the compliance costs
- ❖ Embed assessment of costs and benefits of extra data requests
- ❖ Optimise the process by having internal systems to manage data collection & analysis



Managing expectations

- ❖ Manage expectations & reputational risk
- ❖ Get stakeholder buy in – what's in it for them
- ❖ Consult early, widely & meaningfully
- ❖ Leverage off other organisations



Measuring the value added

- ❖ Measurement of value added is essential to closing the loop
- ❖ Is the resource use justified by the outcome
- ❖ How would we assess this
 - It may not be quantifiable
 - Has the problem been addressed
 - Is there any observable change in outcomes/behaviour



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