

Power of Choice

Public Forum

Summary of meeting–12 April 2013

Held via video link and teleconference between the Australian Energy Regulator's (AER) Adelaide, Brisbane, Canberra, Melbourne and Sydney offices.

On 12 April 2013, the AER, as part of its *Better Regulation* package, hosted a public forum on the Power of Choice work stream. The AER Chairman, Mr Andrew Reeves, chaired the forum. A full attendee list can be found in Attachment A. This summary outlines the key topics discussed at the workshop, including views expressed at the workshop, without ascribing particular comments to any one individual or organisation.

1 Introduction

The AER's 'Power of Choice' work stream was included as one of the work streams in the 'Better Regulation' program. Under this work stream the AER will be consulting on how best to adapt our regulatory processes to ensure that demand side participation (DSP) reforms make a positive contribution to promoting efficient demand-side activity.

The AER's purpose in holding the public forum was to update stakeholders of the work currently underway within the Power of Choice work stream and provide an opportunity to ask high level questions about this work.

The AER Chairman noted that, unlike most of the other work streams under Better Regulation, the Power of Choice work stream is expected to continue beyond 2013.

2 General matters raised

a) Power of Choice rule change update

A staff representative from the Department of Resources, Energy and Tourism (DRET) provided stakeholders with an update on the progress of Power of Choice rule changes. DRET noted that the Standing Council on Energy and Resources (SCER) Power of Choice package was considered by the Council of Australian Governments (COAG) in December 2012. COAG identified certain areas of reform to be prioritised. These include:

Metering—rule change is already underway. The Australian Energy Market Commission (AEMC) is also developing open access standards.

Pricing— SCER agreed in principle the jurisdictions providing for time of use pricing. State governments will undertake the primary work for distribution pricing.

Demand management and embedded generation connection incentive scheme (DMEGCIS)—it was agreed to continue to reforms in this area.

Consumer rights and education—the focus is on improving consumer access to information.

Demand forecasting—the Australian Energy Market Operator (AEMO) is currently working on this issue.

Electricity and national gas review—SCER has agreed to look at third party providers operating in this area.

All other issues are not prioritised.

Industry representatives asked about the timing of the proposed rule changes. DRET stated it was difficult to indicate the timing. This is because the rule change process may involve issues being considered that are subject to negotiation by SCER working groups. DRET noted that SCER meetings are scheduled to occur at set times. There is no timing for any specific line items.

Consumer representatives noted that most issues seem to have State jurisdictions playing a role. This has the potential to create inconsistencies across jurisdictions. DRET stated that although a uniform approach is preferred, State governments may still have influence on how the reforms should be implemented in their particular jurisdictions.

The AEMC stated that when it receives the rule change proposals, it will commence the usual rule change consultation procedures.

b) Update on work stream components

The AER provided forum participants with an update on each of the Power of Choice work stream components.

Regulatory investment test for distribution (RIT-D)

AER staff gave a brief overview of the purpose of the RIT-D and the AER's work to date in developing the new RIT-D and application guidelines.

Government representatives questioned whether distribution network service providers (DNSPs) would adhere to the \$5 million threshold set out under the National Electricity Rules (NER) governing the RIT-D. AER staff indicated that the NER intended for this threshold to be met. This prevents DNSPs from breaking larger projects into smaller projects where a RIT-D would not be required. Government representatives noted that there are differences between transmission and distribution investment activities which may impact on the regulatory investment test. AER staff indicated the submissions on the RIT-D issues paper had identified this as an issue. The AER will take this issue into account when developing the RIT-D application guidelines.

Consumer representatives asked whether consumer engagement was included in the process for RIT-D. AER staff indicated that there would be two workshops (held in different locations) to discuss a pre-draft of the RIT-D and RIT-D application guidelines. Following the workshops, the AER will formally release a draft for consultation. The AER will add the timing for the RIT-D consultation process in the Better Regulation calendar.

Network incentives including the demand management and embedded generation connection incentive scheme

AER staff gave a brief overview of its intended approach for applying a DMEGCIS for the ACT/NSW transitional regulatory control period. The overview also outlined the intended approach for developing a new DMEGCIS consistent with the AEMC's Power of Choice final report draft specifications. It is intended that this new scheme will be applied for the ACT/NSW subsequent regulatory control period, although this may mean the AER pursuing transitional arrangements as part of any AEMC rule change.

Network service providers (NSPs) queried the timing around the next ACT/NSW distribution determination. In particular, the timing for having a new DMEGCIS in place for the subsequent

regulatory control period. AER staff indicated that depending on the rule changes, by the time the ACT/NSW proposal for the subsequent regulatory control period was due in April 2014, it would have an idea on the designs of any new DMEGICS. The AER invited feedback on its proposed approach for the subsequent regulatory control period, especially on logistical issues which may arise for DNSPs. AER staff clarified that it will also liaise with the AEMC and, if necessary, seek transitional rules as part of the DMEGICS rule change.

NSPs noted that the AEMC's Power of Choice Final Report (Final Report) was specific in relation to the reforms to the DEMGICIS. NSPs queried whether the rule change was likely to differ too much from the Final Report. The AEMC noted that usually rule change proposals reflect recommendations contained in a final report. In the present circumstances this may only differ if the SCER working group decides to vary the proposals in some way.

Industry representatives queried the extent to which the AER can create a level playing field to the benefit of all consumers.

The AER Chairman noted that its and the AEMC's work aims to achieve the National Electricity Objective (NEO). The AER Chairman acknowledged there is an asymmetry in application of demand management benefits. The enforcement of the RIT-D allows demand management to be taken into account. However, the AER notes that the governance of demand management activities may not result in positive outcomes for creating a level playing field in the short term. This is supported by the outcomes set out in the demand management innovation allowance (DMIA) progress report that will be released by the AER.

Consumer representatives stated it is difficult to undertake demand management as it is very diverse and scattered. Customer representatives noted that DNSPs resist demand management because there is no benefit attributed to them. There is a need to ensure consumers can add to the process.

Industry representatives asked if the AER has considered Ofgem's low carbon networks fund. AER staff indicated that, although it was aware of this fund, it was still early days in developing a demand management incentive scheme.

Efficient and flexible network pricing

AER staff provided an overview of proposed distribution network pricing reforms. These reforms include the introduction of efficient and flexible network tariffs and ensuring greater distributor engagement with consumers on tariff design.

Industry representatives observed that in the past there has been a disconnect between network and retail pricing. In most jurisdictions, the State government regulates retail pricing. Industry representatives questioned whether this would continue under the new reforms. AER staff recognised the process of introducing reforms will depend on the retailer and pricing policy is still subject to decisions by State governments. The pricing reforms will firstly focus on network pricing, whereas retailers may not just focus around price but also on services when offering packages to consumers.

Consumer representatives raised issues relating to setting peak demands and transferring the usage between users. The AER Chairman acknowledged that sometimes these issues that are based on a local level, lead to local solutions, such as the deferral of the load. NSPs noted that focusing on local issues is not necessarily straight forward.

NSPs queried whether the AER's consultation would be dependent on the rule change. AER staff indicated informal consultation would occur in parallel with the AEMC rule change process for both the DMEGICIS and pricing reforms. Once the rule changes are finalised, the AER will formally commence its consultation process.

NSPs observed that it was difficult for consumers to access their usage data in order to make an informed choice about the most appropriate pricing package for them.

DRET representatives noted that the proposed reforms in this area would give consumers greater power over their own data. It will also place additional obligations on retailers. The AEMC stated that

this rule change proposal had received a general consensus from SCER. The rule change covers changes to the NER to facilitate consumer access to their own metering data. NSPs noted that the costs of undertaking data management would need to be included when considering access to data.

Industry representatives noted that there is too much focus on time of use pricing. The geographical location needs to be looked at along with time of use pricing. AER staff acknowledged that time and location are both elements in efficient pricing. Both elements are part of the current AEMC reform package and will be considered. However, it was noted that there is a trade-off between more cost reflective pricing and other social objectives that governments have considered important. These other considerations are reflected in the fact that there are jurisdictional specific constraints in the national electricity rules that constrain moves toward greater locational based pricing.

Government representatives asked whether any participants were aware of any work which was being undertaken on the issue of temporal and location specific pricing. Industry representatives suggested that negative pricing needed to be kept in the mix. Industry representatives also indicated that there were two studies that addressed temporal and geographic elements. One study was being conducted by the Future Group Forum, the other by Smart Grid Australia. NSPs said these issues were supposed to be dealt with under Chapter 5 of the NER (clauses. 5.3 and 5.4 of the NER).

Consumer representatives noted the complexity of consumer protection issues within the context of DSP. They queried which forum would be the most appropriate for these types of issues to be discussed. The AER Chairman considered these issues raised policy questions. However, the AER noted that the National Energy Customer Framework (NECF) was probably the best place for dealing with consumer protection issues.

DRET noted that smart meter consumer protection measures were being carried forward as part of the reform process. DRET indicated there has been criticism that there is no single body consumers can raise issues about any problems they experience. The new consumer advocacy body may have some role moving forward consumer protection measures as part of the reform process. DRET observed that from a policy perspective, the new consumer engagement strategies are at the forefront of the Power of Choice implementation. Consumer representative noted that the concerns about consumer protection extended beyond the NECF to other DSP activities.

c) Concluding comments

The AER Chairman thanked all attendees for their participation and expert consultation. The AER indicated that it would give advance notice for the next meeting of the Power of Choice work stream and noted that this may be some time away.

Attachment A: Attendee list

Adelaide office

Name	Organisation
Andrew Staniford	Envestra Limited
Chris Rae	SA Power Networks
Ben Birch	SA Power Networks
Heather l'Anson	South Australian Farmers Federation
Mark Henley	UnitingCare Australia
Bruno Coelho	AER

Brisbane office

Name	Organisation
Mark Paterson	CSIRO
Sue Lee	ENERGEX Limited
Ray Panam	ENERGEX Limited
Rachel Collins	Ergon Energy
Mark Ainsworth	Queensland Department of Energy and Water Supply
Peter Wall	Queensland Department of Energy and Water Supply
Robyn Lowien	AER

Canberra office

Name	Organisation
Chris Bell	ActewAGL Distribution
Peter Cunningham	ActewAGL Distribution
Robert Walker	ActewAGL Distribution
John Anthony	Department of Energy, Resources and Tourism
Zak Rich	Department of Energy, Resources and Tourism
Patrick Lockwood	Department of Energy, Resources and Tourism
Jeevika Makani	AER
Kurt Stevens	AER

Melbourne office

Name	Organisation
Craig Memery	Alternative Technology Association
Anna Skarbek	Climate Works Australia
Bev Hughson	Darach Energy Consulting Services
Sangeetha Chandrashekeran	Department of Natural Resource Management and Geography, University of Melbourne

Belinda Sandilands (nee Crevilli)	Energy and Water Ombudsman of Victoria
Lee Evans	Energy Australia
Paul Troughton	EnerNOC Pty Limited
Jon Fazio	Futura Consulting
Bonnie Fulford	Futura Consulting
Kambiz Vessali	Jemena
Siva Moorthy	Jemena
David Headberry	Major Energy Users, Inc
Dianne Shields	Simply Energy
Kelvin Gebert	SP AusNet
Verity Watson	United Energy and Multinet Gas
Chris Pattas	AER
Andrew Reeves	AER

Sydney office

Name	Organisation
Alex Cruickshank	AGL Energy Limited
Scott Young	APA Group
Robert Millar	Ausgrid
Robert Smith	Ausgrid
Ro Evans	Australian Council of Social Services
Lisa Nardi	Australian Energy Market Commission
Katrina Lee	Choice
Sam Chen	Endeavour Energy
Susan Streeter	Energy Networks Association
Dave Lee	Energy Retailers Association
Ramy Soussou	Energy Retailers Association
Helen Scott	Ethnic Communities Council of NSW
Chris Dunstan	Institute for Sustainable Futures
Jenni Downes	Institute for Sustainable Futures
Mike Martinson	Networks NSW
Tyson Vaughan	Office of Environment and Heritage, Department of Premier and Cabinet NSW
Keith Tarlo	Office of Environment and Heritage, Department of Premier and Cabinet NSW
Felipe Kovacic	Origin Energy /Cogent Energy
Deke Faile	Simons Green Energy and Simons Boiler Co.
Mark Byrne	Total Environment Centre
Samantha Christie	Transgrid
Allan Aaron	Technology Venture Partners
John Skinner	AER
Shalini Prasad	AER
Joanne Pickering	AER

Telephone hook in

<i>Name</i>	<i>Organisation</i>
Damien Sullivan	Brotherhood of St Laurence
Bill Jackson	ElectraNet
Paul Rainer	Transend