Mr Jonathan Gawthorne
Principal Analyst
Independent Pricing and Regulatory Tribunal
PO Box K35, Haymarket Post Shop
NSW 1240

20 September 2024

Dear Mr Gawthorne

Monitoring the NSW retail energy markets 2023-24 – Consultation paper

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Independent Pricing and Regulatory Tribunal (IPART) in response to its consultation paper for its 2023-24 review of the performance and competitiveness of the retail electricity and gas markets for small customers in NSW.

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet which includes renewables, gas-powered generation, diesel peakers, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE provides its retail customers with access to innovative products that have a focus on consumer energy resources (CER), such as residential virtual power plants (VPP) and electric vehicle charging. ENGIE is also currently collaborating with several distribution network service providers (DNSPs) regarding opportunities for network-owned, retailer-leased, community batteries.[1]

In this submission, ENGIE has provided feedback on the additional topics that IPART has stated it will include in its 2023-24 monitoring report.

Changing pricing structures, including time-of-use and demand tariffs

As IPART would be aware, the mandated smart meter rollout program is due to commence in late-2025, which will accelerate the shift of customers from flat tariff network structures to time-of-use and demand network tariff structures. This is due to the NSW DNSPs approved tariff assignment policies, which set time-of-use and demand network tariff structures as the default for premises with smart meter

[1] In NSW, ENGIE has an agreement with Ausgrid to operate three community batteries. More information is available at - https://www.ausgrid.com.au/About-Us/News/Simply-Energy-agreement

installations.[2] Unlike other volatile costs that retailers manage on behalf of customers, such as wholesale costs, retailers do not have any tools to hedge against the variability of network tariffs on behalf of their customers. For this reason, retailers typically ensure their retail offers are designed with tariff structures that match the underlying network tariff structure.

The Australian Energy Market Commission (AEMC) recently published a directions paper that consulted on options to delay customers being shifted to non-flat retail tariff offers when a smart meter is installed at their premises.[3] In our submission to the AEMC's consultation, we have urged the AEMC to include network tariff assignment policies in the scope of its review. By focusing solely on retail tariff assignment strategies, the AEMC would be requiring retailers to face a mismatch between the retail structure provided to customers (i.e. a flat tariff) and the network tariff structure (i.e. typically set as a default time-of-use or demand tariff).

If the AEMC's proposal were to be introduced, a prudent retailer may uplift the overall price of their flat tariff energy offers to manage the risk of network and retail tariff mismatches. The potential for higher retail prices arising from mismatches between network and retail tariff structures was acknowledged by the AEMC in the directions paper[4] and by the Australian Competition and Consumer Commission in its most recent Inquiry into the National Electricity Market Report.[5]

ENGIE notes that the AEMC has also self-initiated a review into 'electricity pricing for a consumer-driven future', which will consider how current arrangements for network and retail pricing should evolve or be redesigned.[6] ENGIE supports this review and considers it is an important opportunity to reset the industry's approach to tariff setting, so that network tariff signals and structures are designed in a way that can be reasonably understood by the customer cohorts they are applied to. In our view, complex tariff structures should largely be targeted to customer cohorts that have access to smart technologies that can be used to optimise consumption to more efficiently utilise the network.

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[2] Ausgrid 2023, Tariff Structure Statement Compliance Document, November, p. 30-35, accessed at; https://www.ausgrid.com.au/-/media/Documents/Regulation/Pricing/PList/Tariff-Structure-Statement-Compliance-Document----November-2023.pdf?rev=0eac7f130b6c4fcc99869e555d769d0c

Endeavour Energy will allow a small customer to remain on their existing tariff for 12-months after a smart meter installation before reassignment. Endeavour Energy 2023, Tariff Structure Statement: 2024-29 Regulatory Control Period, 30 November, p. 31-36, accessed at; https://www.endeavourenergy.com.au/__data/assets/pdf_file/0019/6067/TSS_REVISED_Final-231130-Final-Decision.pdf

Essential Energy 2023. Essential Energy 2024-29 Revised Tariff Structure Statement, November, p. 29-30, accessed at; https://www.essentialenergy.com.au/-/media/Project/EssentialEnergy/Website/Files/About-Us/2024-29-Revised-Tariff-Structure-Statement.pdf?la=en&hash=7257A6A9D276275C323994EA13C0AB2B8463AEDA

[3] Australian Energy Market Commission 2024, Directions paper – National Electricity Amendment (Accelerating smart meter deployment) Rule 2024, 15 August.

[4] Australian Energy Market Commission 2024, Directions paper – National Electricity Amendment (Accelerating smart meter deployment) Rule 2024, 15 August, p. 10.

[5] Australian Competition and Consumer Commission 2024, Inquiry into the National Electricity Market – June 2024 Report, 3 June, p. 61

[6] Australian Energy Market Commission 2024, Draft Terms of Reference – Electricity pricing for a consumer-driven future, 25 July.

Virtual Power Plant programs in NSW

In March 2018, ENGIE established VPPx in South Australia, which was an ARENA-funded project to build the first VPP that integrates with a distributed energy market platform. ENGIE collaborated on the project with several partners, including GreenSync (technology vendor) and SA Power Networks. ENGIE published the lessons learned during the program on the ARENA project page, which included findings in relation to transitioning VPP customers from a highly subsidised program to an unsubsidised VPP offer.[7]

Since the conclusion of the VPPx trial, ENGIE has expanded its VPP beyond South Australia and now provides VPP retail energy offers in several jurisdictions, including in NSW. ENGIE's current VPP retail energy offer is available to customers that have a smart meter and have installed, or are installing, an eligible battery and a solar PV system.[8] ENGIE does not directly sell or install batteries for customers and instead provides customers with benefits if they install batteries through one of our preferred installers.

ENGIE's current VPP retail energy offer comprises of an upfront sign-up credit and an ongoing monthly credit for continuing to participate in the VPP.[9] This provides battery owners with an additional financial benefit from the purchase of a battery, beyond the ability to maximise self-consumption of solar generation and having a backup energy source during a power outage.

In our experience, customers do not solely participate in a VPP for the direct financial benefits. The customers participating in the VPP to-date tend to be early-adopters that are highly engaged and technically savvy. These customers view the community aspect of VPPs as extremely important and are interested in understanding how their batteries are being used to contribute to the reliability and stability of the network.[10]

Battery uptake and VPP participation is still in its infancy in Australia. For that reason, ENGIE is supportive of the NSW Government's introduction of new incentives for households and small businesses to install and operate batteries through the new BESS1 and BESS2 activities in the Peak Demand Reduction Scheme. ENGIE welcomes government initiatives that can help drive increased customer uptake of batteries and mainstream adoption of VPP participation.

ENGIE is also investigating other opportunities to harness customer flexibility and share these benefits with customers. One example is SA Power Network's 'Market Active Solar Trial' in South Australia, which seeks to trial how a distributor's flexible export initiative can operate in parallel with retailer offerings to actively

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[7] More information on ENGIE's VPPx, including its knowledge sharing publications are available at; https://arena.gov.au/projects/simply-energy-virtual-power-plant-vpp/

[8] An example of the typical special terms and conditions (including eligibility criteria) for ENGIE's VPP offers are available here - https://engie.com.au/sites/default/files/2024-02/SIM_B12065-24_VPP_TCs_Doc_Special_Conditions%20Update_297x210mm.pdf

[9] Details of ENGIE's current VPP retail energy offers are available here - https://engie.com.au/residential/energy-efficiency/engie-vpp/new-solar-battery

[10] Simply Energy 2022, Simply Energy – Lesson Learnt Report, December, p. 7. Accessed at; https://arena.gov.au/assets/2022/12/simply-energy-vppx-lessons-learnt-2.pdf

manage the output of a customer's solar inverter in response to electricity wholesale price signals. ENGIE is one of the retailers partnering with SA Power Networks in this trial and will provide trial participants with benefits for enabling their solar output to be limited at certain times, such as when the electricity wholesale price is negative.[11] The 'Market Active Solar Trial' is in its early stages and learnings will be shared via the ARENA project page, which should provide valuable information for other jurisdictions on the customer experience of participation in solar management schemes.[12]

Concluding remarks

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, [redacted]

Yours sincerely,

[redacted]

[11] SA Power Networks provided detailed background on the Market Active Solar Trial in its application to the Australian Energy Regulator for a waiver from the ring-fencing guideline. This information can be accessed at; https://www.aer.gov.au/industry/networks/ring-fencing/sa-power-networks-ring-fencing-waiver-market-active-solar-trial-january-2024/initiation

[12] ARENA, Projects, SA Power Networks Market Active Solar Trial, accessed at; https://arena.gov.au/projects/sa-power-networks-market-active-solar-trial/