

Retail Electricity Market Monitoring
Independent Pricing and Regulatory Tribunal
Haymarket, NSW, 1240

By email: http://www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission

30 June 2017

Information Paper – 2017 NSW Retail Electricity Market Monitoring

The Australian Energy Council (the Energy Council) welcomes the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal (IPART) Information Paper for its 2017 review of the NSW retail electricity market.

The Energy Council is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

Assessing the NSW retail electricity market

The information paper provides a description of the matters to which IPART must have regard in its assessment. The Energy Council supports these indicators being used to assess whether competition is effective in the retail market.

However, we also believe that there are important changes occurring in competitive energy markets that are not captured by traditional these indicators. These changes are producing a consumer led market, and leveraging the actions of energy consumers will be integral to delivering both electricity and electricity infrastructure in the future.

The changing consumer

Customer participation in the retail electricity market already extends beyond choosing their retailer. The uptake of solar PV in NSW means that around 15% of customers are individually or collectively producing and consuming their own electricity.¹ Further technology changes, and reductions in cost of customer owned and operated storage, means that as much as the traditional price and service assessment indicators are still useful, new indicators are also required. These new indicators are required for assessment as to the availability of new services such as demand response markets, or network support services markets. They are also required to assess the rights of consumers to access the grid to import and sell surplus electricity under fair terms, as the development of and access to these terms is critical to consumer participation.

Dynamic efficiency

Our objective is that consumers are able to manage and control their energy costs using all the available and emerging technologies. The grid connected nature of these technologies underpins

¹ APVI, Percentage of dwellings with a PV system by State/Territory. Accessed here: <http://pv-map.apvi.org.au/historical#4/-26.67/134.12>

the requirement for a common distribution network framework that provides consistency for consumers wishing to develop their own behind the meter (BTM) projects.

Our concern is that when local network providers compete to supply and/or own these projects that competitive neutrality in the provision of these services to customers is compromised. Over time, this could allow these network providers to dominate the market for these BTM services in their own service area.

Our view is that this will deny customers the dynamic benefits of effective competition in BTM services. This is not least because the local network provider will seek to retain as much of the value as possible, so any price differential will only be just enough to keep other competitors out. This is because the NSP can in practice access the network support benefits far more easily than other participants in the market, allowing them to offer the customer services at a lower cost.

There may be some short-term gains to customers from obtaining network provider offered BTM services slightly more cheaply in the near term, but over time the dynamic efficiency benefit would be expected to overtake the NSP provision benefit, and outweigh the short term gain.

Establishing an additional competition indicator

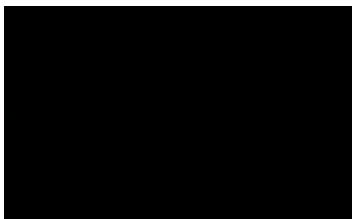
We expect in the coming decade that BTM activity will increase innovation, and give customers greater choice in and control over service, product and price. Examining the regulatory and non-regulatory impediments to consumer participation in BTM activity begins with an examination of:

- The ease by which customer projects have the right to access to the grid to import and sell surplus electricity on fair terms;
- The rivalry and price and product diversity in the provision of BTM assets and related services. This should extend beyond retail licensees to include businesses that have received an exemption under the AER's Retail Exempt Guideline;
- The competitive neutrality issues where local network providers are providing BTM assets and related services in their own service area.

Consumers will play a more direct role in the energy transition through BTM associated products and services that will form part of a modern, clean and efficient energy system. Measuring consumer participation in BTM activities should become a pro-forma part of retail electricity market monitoring.

Any questions about our submission should be addressed to David Markham, Corporate Affairs at email david.markham@energycouncil.com.au or on 03 9205 3111.

Yours sincerely,



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