



# Power of Choice Review Final Report Implementation Plan

## This implementation plan provides a high level summary of the final recommendations for the AEMC Power of choice review.

The recommendations for the review form a package of integrated reforms that aim to support the market conditions necessary to facilitate efficient DSP. The changes enable the market to use the demand side to meet consumers' needs as efficiently as possible (the lowest cost combination of DSP and supply side options is used to meet consumers demand for electricity services).

The recommendations in this plan fall into two groups. First, changes to the existing market and regulatory arrangements (ie the National Electricity Rules (NER), National Energy Customer Framework (NECF (including National Energy Retail Rules (NERR)) and other jurisdictional regimes. Second, advice for SCER and jurisdictions to consider consistent with their existing energy reform work programs.

The proposed recommendations from the review provide a range of actions for implementation. There are changes that can be made through the existing rule changes or jurisdictional processes/arrangements. Other recommendations will require ongoing work programs by relevant market bodies to consider details of implementation (see Table A).

For each recommendation, we have outlined the action required by SCER, the appropriate energy market bodies and the AEMC's view of the appropriate timetable for progressing reforms. We have also indicated, where appropriate, linkages to other work programs that complement the recommendations from the review.

The scope of the reform program requires leadership by SCER in implementing the agreed changes to the market and regulatory arrangements. The reforms should be implemented in a timely manner and be supported by an effective consumer awareness and education strategy.

The recommendations set out in this plan cover a number of priority areas:

1. Building consumer awareness, education and engagement.
2. Engaging with consumers – provision of energy management services to residential and small business consumers.
3. Consumer information – access to electricity consumption data.
4. Enabling technology (ie metering and metering services).
5. DSP in wholesale electricity and ancillary services markets.
6. Efficient and flexible pricing options for consumers.
7. Distribution network incentives.
8. Distributed generation.
9. Energy efficiency measures and policies that impact or seek to integrate with the NEM.



# Table A: Review recommendations – proposed rule changes and policy advice to SCER

Proposed rule changes (NER/NECF)	Policy advice for SCER and jurisdictional governments
<p><b>1. Building consumer awareness and engagement</b></p>	<p>SCER to develop a comprehensive communication/education strategy to support implementation of the reforms recommended in this review, and to more broadly improve consumer understanding of energy use and relationship to costs.</p> <p>SCER to direct the AEMC to review the existing NEM and jurisdictional arrangements regarding retailer switching arrangements to improve the process for consumers switching retailers. This will support consumer choice and competition.</p>
<p><b>2. Engaging with consumers – provision of energy services to residential and small business consumers</b></p>	<p>SCER to establish the framework in the NECF which sets out requirements for third parties offering energy services to residential and small business consumers. This would be supported by AER guidelines which outline NECF exemptions for these services.</p> <p>Jurisdictions to review their state based energy consumer protection arrangements to ensure consistency with any changes to national arrangements.</p>
<p><b>3. Consumer information – access to electricity consumption data</b></p>	
<p>Amend the NER to facilitate consumer access and use of their electricity use data (Chapter 7 entitlement to metering/energy data).</p> <p>Amend the NERR so that each residential and small business consumer can be provided with their consumption load profile.</p>	<p>Jurisdictions to review their state based arrangements relating to consumer access to electricity consumption and load profile data to ensure consistency with any changes to national arrangements.</p>
<p><b>4. Enabling Technology</b></p>	
<p>Amend the NER to introduce a framework that provides for competition in metering and related services for residential and small business consumers. This would be supported by SCER endorsed minimum functionality specification for smart meters.</p> <p>Amend the NER to require smart meters to be installed in certain situations such as new connections, refurbishments and replacements.</p>	<p>SCER to establish a framework for open access and common communication standards to support contestability in DSP end user services enabled by smart meters.</p> <p>SCER to consider removing the option of a government mandated roll out of smart meters in the National Electricity Law.</p>
<p><b>5. DSP in wholesale markets</b></p>	
<p>Establish a new demand response mechanism in the wholesale market. This includes changing the NER, developing the baseline consumption methodology, reporting requirements, and potentially a new category of market participant for non-energy services.</p> <p>Clarify the existing provisions in the NER regarding AEMO's role in demand forecasting for its market operational functions.</p>	<p>SCER to task AEMO with developing the rule change proposal for the demand response mechanism. AEMO's work would be supported by an advisory stakeholder working group.</p>



Table A: Review recommendations – proposed rule changes and policy advice to SCER (continued)

Proposed rule changes (NER/NECF)	Policy advice for SCER and jurisdictional governments
<p><b>6. Efficient and flexible pricing options for consumers</b></p> <p>Amend the NER to improve the distribution network pricing principles to provide better guidance for setting efficient and flexible network prices. This includes improving the existing procedures for networks to consult on proposed network price structures.</p> <p>Amend the NER to require that a residential and small business consumer's consumption (where they have a meter with interval read capability), is settled in the wholesale market using the interval data and not the net system load profile.</p>	<p>SCER to agree to a gradual phased approach for introducing efficient and flexible retail electricity prices for residential and small business consumers through the introduction of cost reflective electricity distribution network pricing structures.</p> <p>Jurisdictions to develop transition plans to give effect upon SCER decision, noting that consumer awareness and education strategy should be undertaken before implementing reforms.</p> <p>State regulators to review their regulation/arrangements for standing offers to include cost reflective electricity distribution network pricing structures.</p> <p>Jurisdictions to review their concession/rebate schemes in line with existing SCER-SCO agreed principles framework.</p> <p>The Australian Government and jurisdictions to review their energy efficiency programs/schemes so that they better target support/information to consumers that have limited ability to respond or change their consumption.</p>
<p><b>7. Distribution network incentives</b></p> <p>Amend the NER to provide new principles for applying the existing demand management and embedded generation connection incentive scheme.</p> <p>Minor amendments to the NER to provide clarity and flexibility for how the AER treats networks' DSP expenditure.</p>	
<p><b>8. Distributed generation</b></p>	
	<p>SCER to consider, as part of the review of national approach to feed in tariffs, the value of time varying feed in tariffs to encourage owners of DG to maximise the export of their energy during peak demand periods.</p>
<p><b>9. Energy efficiency measures and policies that impact or seek to integrate with the NEM</b></p>	
	<p>Greater coordination of energy efficiency schemes and DSP options available so as to achieve greater recognition of the value of peak demand reductions.</p> <p>Improve reporting and availability of publicly accessible data on the load shape impacts of energy efficiency measures on both peak and average electricity demand.</p>



# AEMC POWER OF CHOICE REVIEW FINAL REPORT IMPLEMENTATION PLAN

Reform Area 1:	Final recommendations	SCER action	Implementation
<b>Building consumer awareness, education and engagement</b>	<b>Develop a comprehensive communication/ education strategy to support implementation of the recommendations for reform from the review (especially for pricing and metering).</b>	Commitment to develop a communication/education strategy based on recommended principles in the power of choice final report.	SCER decision at its December 2012 meeting. SCER to establish a working group (with key stakeholders) to develop and manage application of the strategy. The group would be established by early 2013. Building consumer awareness and engagement should commence in advance of implementation of pricing/ metering reforms.
	<b>A strategic and coordinated approach is required to build consumer confidence, enable consumers to make informed consumer decisions and quantify impacts of consumption decisions</b>	Commitment to review existing government education/ information programs to: <ul style="list-style-type: none"> <li>• ensure appropriate focus on different capacities and preference across and within consumer sectors; and</li> <li>• support the communication/education strategy developed for power of choice review reforms.</li> </ul>	SCER decision at its December 2012 meeting. The Australian Government and jurisdictions to review their energy efficiency programs/schemes as appropriate.
	<b>Review existing retailer switching arrangements to better support consumer choice and to make consumer switching retailers more efficient. The review should assess whether a maximum day limit could be introduced in the NEM.</b>	Direct the AEMC to review the existing NEM and jurisdictional consumer/retailer switching arrangements.	SCER decision at its December 2012 meeting. The AEMC to establish, upon SCER direction for a review, an advisory stakeholder working group. The AEMC to provide advice to SCER no later than December 2013.
Reform Area 2:	Final recommendations	SCER action	Implementation
<b>Engaging with consumers – provision of energy management services to residential and small business consumers</b>	<b>Amend the NECF to establish the framework governing third parties (non-retailers and non-regulated network services) providing energy services to residential and small business consumers. That framework should determine which aspects of the NERR should apply and in what circumstances.</b>  <b>AER guidelines would be developed to outline NECF exemptions for these services.</b>	SCER to determine the changes necessary to NECF, with advice from appropriate market bodies.	SCER decision to review NECF at its December 2012 meeting. An agreed framework by SCER should be in place by the end of 2013. The AEMC to progress necessary rule changes as provided by SCER. The AER to develop guidelines as appropriate and in consultation with industry.
<b>Linkages to other work</b>	<b>The SCER Smart Meter, Consumer Protection and Safety Work Program</b>		



Reform Area 3:	Final recommendations	SCER action	Implementation
<b>Consumer information – access to better electricity consumption data</b>	<b>Amend the NER to clarify the arrangements and provide a framework for consumers to access their electricity consumption data and share with third parties (in accordance with explicit informed consent arrangements).</b>	Agree to submit a rule change proposal to the AEMC based on draft specifications in the power of choice final report.	SCER decision at its December 2012 meeting. New rule arrangements in place by the end of 2013.
	<b>Amend the NERR to provide each residential and small business consumer with their consumption load profile. At a minimum this should be on a consumer’s bill.</b>	Agree to submit a rule change proposal to the AEMC based on draft specifications in the power of choice final report.	SCER decision at its December 2012 meeting. New rule arrangements in place by the end of 2013.
<b>Linkages to other work</b>	<b>The Australian Government scoping study for a consumer data access system.</b>		
Reform Area 4:	Final recommendations	SCER action	Implementation
<b>Enabling Technology (metering)</b>	<b>Introduce a framework in the NER that provides for competition in metering and related services for residential and small business consumers. This would be supported by SCER endorsed minimum functionality specification for smart meters.</b>	Commitment to the policy framework as recommended in the power of choice final report. Agree to submit a rule change proposal to the AEMC based on draft specification in the power of choice final report.	SCER decision at its December 2012 meeting. AEMO to establish a retailer – distributor working group to manage transition to any new arrangements. New arrangements in place by the end of 2014.
	<b>Establish a framework for open access and common communication standards to support contestability in DSP end user services enabled by smart meters.</b>	Commitment to the policy principles as recommended in the power of choice final report. Direct the AEMC to develop the implementation details for the framework.	SCER decision at its December 2012 meeting. The AEMC to establish as part of implementation work, an advisory stakeholder working group. This is to build on the work of the national smart metering program by the National Stakeholder Steering Committee. AEMC to provide implementation proposal to SCER no later than December 2013.
	<b>Require smart meters to be installed in defined situations (ie new connections, refurbishments and replacements).</b>	Agree to submit a rule change proposal to the AEMC based on draft specifications in the power of choice final report.	SCER decision at its December meeting 2012. New arrangements in place by the first quarter of 2014. Jurisdictions to review their metrology procedures to ensure consistency with any changes to national arrangements.
	<b>Remove the option of a government mandated roll out of smart meters in the National Electricity Law. This will provide certainty to the market for commercial investment.</b>	Commitment to review and remove option from the NEL.	SCER decision at its December 2012 meeting. SCER to progress changes to the NEL. The amendments to the NEL should be undertaken in parallel to work on the policy framework for competition in metering and related services.
	<b>Linkages to other work</b>	<b>SCER Smart Meter, Consumer Protection and Safety program</b>	



Reform Area 5:	Final recommendations	SCER action	Implementation
<b>DSP in wholesale electricity and ancillary services markets</b>	<b>Introduce a demand response mechanism that pays demand resources via the wholesale electricity market. This will require changes to the NER.</b>	Agree to the policy recommendation and draft specifications in power of choice final report. Direct AEMO to develop details for a rule change proposal and required procedures, including the baseline consumption methodology in accordance with the draft specifications included in the power of choice final report.	SCER decision at its December 2012 meeting. AEMO to establish an advisory stakeholder working group upon SCER direction. AEMO to submit rule change proposal to the AEMC no later than December 2013. AEMO develop guidelines and procedures in parallel to rule change process. The mechanism should commence no later than early 2015.
	<b>Introduce a new category of market participant for non-energy services in the NER.</b>	Agree to policy recommendation and draft specifications in final report. Direct AEMO to consider any overlaps with this proposal with the demand response mechanism.	SCER decision at its December meeting 2012. AEMO to submit rule change proposal to the AEMC no later than December 2013.
	<b>Clarify provisions in the NER regarding AEMO's role in demand forecasting for its market operational functions.</b>	Agree to submit a rule change proposal based on draft specifications in the power of choice final report.	SCER decision at its December 2012 meeting. New arrangements should be in place by the end of 2013.



Reform Area 6:	Final recommendations	SCER action	Implementation
<p><b>Efficient and flexible pricing options</b></p>	<p><b>A gradual phase in of efficient and flexible retail pricing options for residential and small business consumers through the introduction of cost reflective electricity distribution network pricing structures. The phase in of cost reflective network pricing would be through segmenting these consumers into three different consumption bands and applying flexible, (ie time varying) retail pricing options in different ways:</b></p> <ul style="list-style-type: none"> <li><b>– Large residential and small business consumers above a defined annual consumption threshold will be required to have an efficient and flexible network tariff as part of their retail price offer (this group of consumers are referred to as band 1).</b></li> <li><b>– Medium residential and small business consumers – with an annual consumption level below the band 1 threshold but above a small consumers defined threshold, will transition to a retail price offer that includes an efficient and flexible network tariff. These consumers (band 2) will have the option not to move to a flexible retail pricing offer but instead remain on their existing retail price structure. This only applies to those consumers who already have a meter with interval read capability which enables such flexible retail price offers.</b></li> <li><b>– Small consumers (ie all other residential consumers and small businesses) – with consumption below the small consumer threshold will remain on their existing retail price structure (band 3). Those consumers in this band which have with the appropriate enabling metering technology will be able to choose an efficient and flexible retail price offer, if they so wish.</b></li> </ul>	<p>Commitment to gradual phase in of efficient and flexible retail pricing options for consumers through applying cost reflective network charges.</p> <p>Agree to the principles and guidance for jurisdictions to set consumption bands as recommended in the power of choice final report.</p>	<p>SCER decision at its December 2012 meeting.</p> <p>Jurisdictions to develop transition plans for implementing flexible pricing options that includes the following:</p> <ol style="list-style-type: none"> <li>1. Building consumer education and awareness through targeted information/communication strategy. (year 1 of transition plan).</li> <li>2. Review of energy concession/rebate schemes (year 1 of transition).</li> <li>3. Review and design of targeted government energy efficiency programs to assist those consumers with limited capacity to respond (year 1 of transition).</li> <li>4. Review state price regulations regarding standing offers to support efficient and flexible pricing options (year 1 of transition).</li> <li>5. Develop and apply consumption bands in accordance with agreed principles (year 2 of transition).</li> <li>6. Introduction of the new retail standard price offers to consumers through retail regulations/codes (year 2 of transition).</li> </ol>





Reform Area 6:	Final recommendations	SCER action	Implementation
<b>Efficient and flexible pricing options (continued)</b>	<b>To complement gradual phase in of efficient and flexible retail pricing options, a review of energy concession schemes and targeted government energy efficiency programs would be undertaken before transitioning to greater flexible pricing. This is to ensure adequate information and protections are in place for those consumers with limited capacity to respond/change their consumption.</b>		
	<b>Amend the NER distribution pricing principles to provide better guidance for setting cost reflective distribution network charges. This includes improving the existing consultation requirements to ensure that consumer impacts are taken into account in price structures/design.</b>	Agree to submit a rule change proposal to the AEMC based on draft specifications in the power of choice final report.	SCER decision at its December 2012 meeting. AEMC rule change to have regard to jurisdictional implementation plan and timetables.
	<b>Amend the NER to require that a residential and small business consumer's consumption (where they have a meter with interval read capability) is settled in the wholesale market using the interval data and not the net system load profile. This will be the case irrespective of the consumers' retail tariff structure.</b>	Agree to submit a rule change proposal to the AEMC to set type 5 accumulation meter boundary to zero MWh per annum for all jurisdictions.	SCER decision at its December 2012 meeting. Jurisdictions to review their metrology procedures to ensure consistency with any changes to national arrangements.



Reform Area 7:	Final recommendations	SCER action	Implementation
<b>Distribution network incentives</b>	<b>Reform the application of the current demand management and embedded generation connection incentive scheme to provide an appropriate return for DSP projects which deliver a net cost saving to consumers. This includes creating separate provisions for an innovation allowance.</b>	Agree to submit a rule change proposal to the AEMC based on draft specifications in the power of choice final report.  Changes regarding network profit and DSP incentives can be achieved through the proposed rule changes to a) demand management and embedded generation connection incentive scheme; and b) distribution pricing principles.	SCER decision at its December 2012 meeting.  The AER is to reform the supporting guidelines for the demand management incentive scheme.  New arrangements for demand management incentive scheme in place by the end of 2014.
	<b>Minor amendments are made to the NER. These include:</b> a) <b>clarity that AER can have regard to non-network market benefits when assessing efficiency of expenditure; and</b> b) <b>flexibility in annual tariff process to manage potential extra volatility of DSP costs.</b>	Agree to submit a rule change proposal to the AEMC based on draft specifications in the power of choice final report.	Rules changes to be implemented via other recommended rule changes.  New arrangements in place by early 2014.
Linkages to other work	AEMC consideration of the AER/Energy Users rule change proposals on Economic Regulation of Network Service Providers		
Reform Area 8:	Final recommendations	SCER action	Implementation
<b>Distributed generation</b>	<b>In developing a national approach to Feed in Tariffs (FIT), the value of time varying feed in tariffs should be included. This is to encourage owners of DG to maximise the export of their energy during peak demand periods.</b>	Commitment to include time varying tariffs as part of national approach to FIT.	SCER to address in accordance with FIT review timeframes.
Linkages to other work	AEMC consideration of the rule change proposal – connecting embedded generators and technical standards review		
Reform Area 9:	Final recommendations	SCER action	Implementation
<b>Energy efficiency measures and policies that impact or integrate with the NEM</b>	<b>Greater coordination of energy efficiency regulatory schemes and DSP options available. The objective is to achieve greater recognition of the value for peak demand reductions and the changes to the load profile from the existing energy efficiency schemes.</b>	Commitment for greater coordination of energy efficiency measures and policies and DSP options.	SCER to review recommendations and provide advice as appropriate into Australian Government work on development of NESI.
	<b>Improve reporting and availability of publicly accessible data on the load shape impacts of energy efficiency measures on both peak and average electricity demand.</b>	Commitment to improve publicly available information and data obtained through government pilots and trials to inform demand forecasting and policy development.	Australian government and jurisdictions to make appropriate data available for use as required (ie. Solar cities).
Linkages to other work	Australian Government scoping work for a National Energy Savings Initiative (NESI)		