

AEMC Review: Power of choice

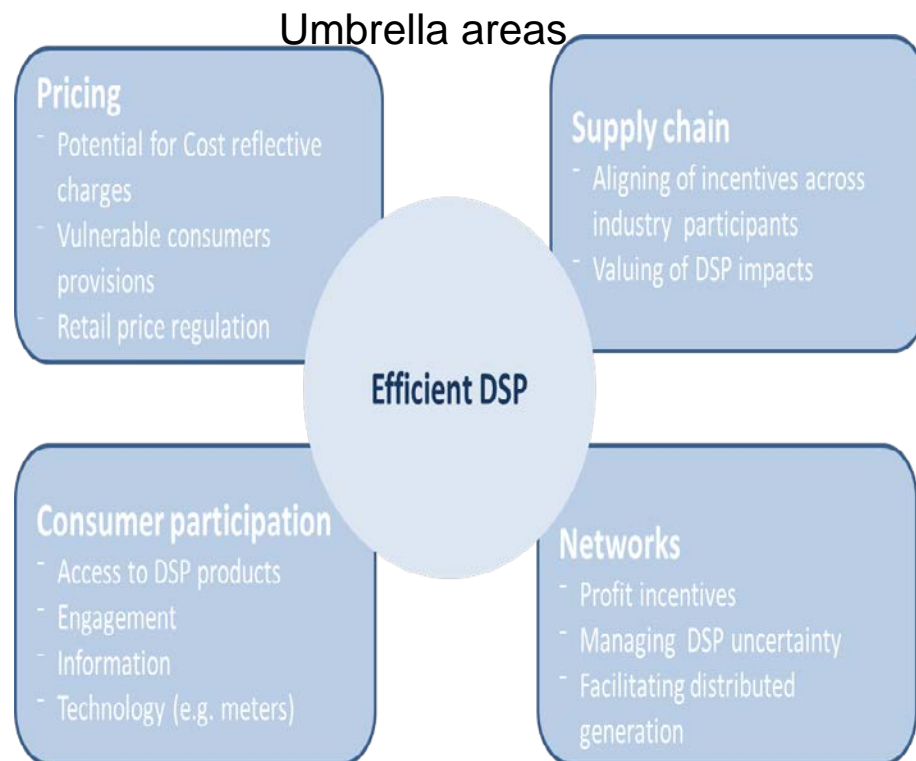
Stakeholder Reference Group
3rd Meeting



DSP TEAM
AUSTRALIAN ENERGY MARKET COMMISSION

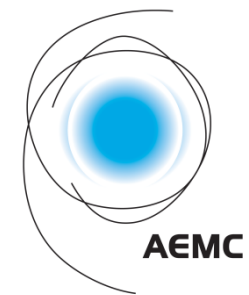
Overview – where we are at with the review

- Four umbrella areas identified to progress - suite of issues under each of these groups
- There are links and interactions between issues and solutions – need to be considered collectively and as a package
- Submissions closed on 4 May
- Working toward draft report and draft implementation plan



Meeting objectives

1. Feedback on 4 umbrella areas/issues – have we missed anything?
2. Engage SRG on potential solutions to issues under two of the umbrella areas - break out groups on some potential views on options
3. Present and engage SRG on evidence on some issues based on consultant work
4. Update SRG on other key areas of work and workshops
5. Wrap up of outcomes of day
6. Next SRG meeting – areas and issues to be covered



Consumer participation and engagement



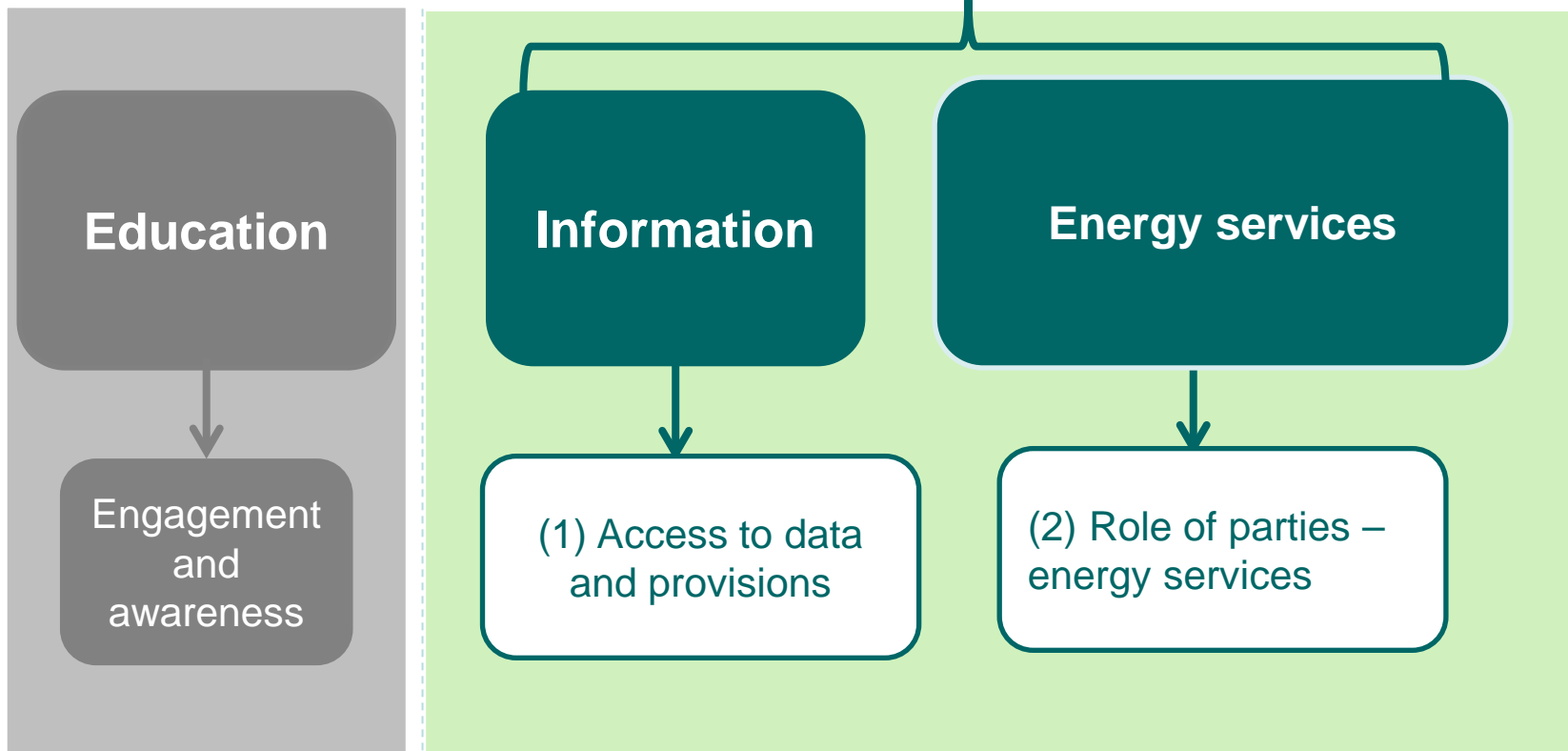
Consumer participation

What did the directions paper say?

- Improvements can be made to existing level of consumer understanding on impacts of energy use and costs and participation.
- Information on consumption (load profiles) important to enable choices on tariff options, products and services:
 - » Consumers have the right to access their electricity consumption data to make informed choices about tariff or products and services they may choose;
 - » Consumer decides who can use or access their consumption data; and
 - » Consumption data should be relevant, transparent and provided in a timely manner – usefulness of data.
- Technology advances in metering and web based portals/devices will enable consumers to access consumption data either in real time or post validation processes.
- Information and technology also likely to enable innovation and diversity in offers, products and energy services - role of parties in engaging with consumers and providing energy services.

Consumer participation

Focus of today's discussion



Consumer participation – focus of discussion

1. Consumer direct access to their consumption data

- Real time v ex-post validated data by AEMO?
- What changes to national electricity rules are needed?

2. Third party access to consumer's consumption data (consumer agent)

- Concept of “informed consent” – how this works in practice?
- Accreditations and provisions to apply – market and regulatory?

3. Role of parties - energy services

- What do we mean by energy services?
- What provisions should be in place?
- Role of distribution businesses?
- Contact with the consumer, and how are the offers made available to consumers?

1. Consumer direct access to consumption data (1)

What type of consumption data available now based on metering technology

- Accumulation metering data (ex post validated and historical)
- Real time half hourly data
- Ex-post validation real time half hourly metering data

Focus is on ex post validated accumulation or half hourly data.

What provisions are in place now:

- All consumers are able to access their validated data under:
 - *NER 7.7 (a)* –
 - No clarity on timeframes that the data has to be provided by retailers to consumer.
 - *NECF* - requires a retailer to provide historical billing data (up to 2 years and at no cost).

1. Consumer direct access to consumption data (2)

Improvements identified in directions paper?

- Amend national electricity rules to provide clarity around consumer direct access to validated consumption data - timeframes, format and costs?.

Focus for break out session

- Change to 7.7 (a) – initial strawman proposal:
 - Consumer owns its consumption (metering) data
 - Retailers must provide consumers with their consumption (metering) data upon request within 10 working days
 - Retailers must provide data in format that suits consumer (or agent acting on their behalf), [excel] format sought be consumer [interval periods]
 - Retailers must provide consumption data at [no charge]/[fee of [x]].

2. Third party access to consumer consumption data (consumer agent)

Improvements identified in the directions paper?

- Greater clarity required on whether third parties (consumer agents) can access data directly from a retailer under existing rules?
- Can DBs provide consumption data directly to consumer/agent?

Note: How data is held and accessed more broadly by third parties (i.e. central repertory concept) is a separate issue and should be considered in context of role of parties in providing energy services. The principles on how consumer has access to its data and shares that data with different service providers should be same, irrespective of how data is managed.

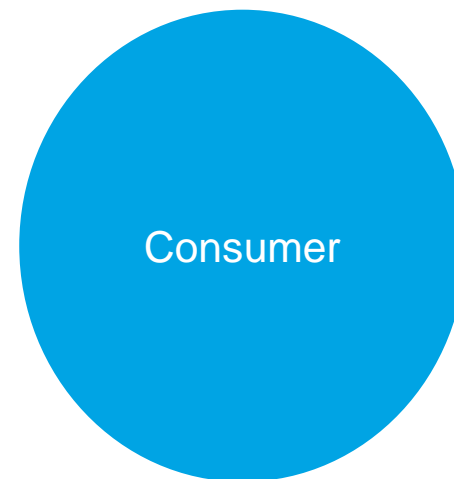
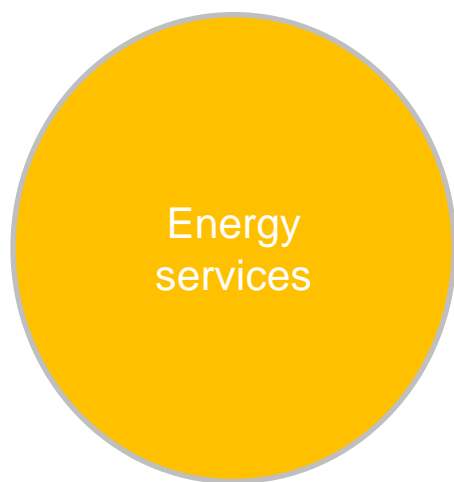
- More generic information on load profile should be made available to the market to support competition

Focus for break out session

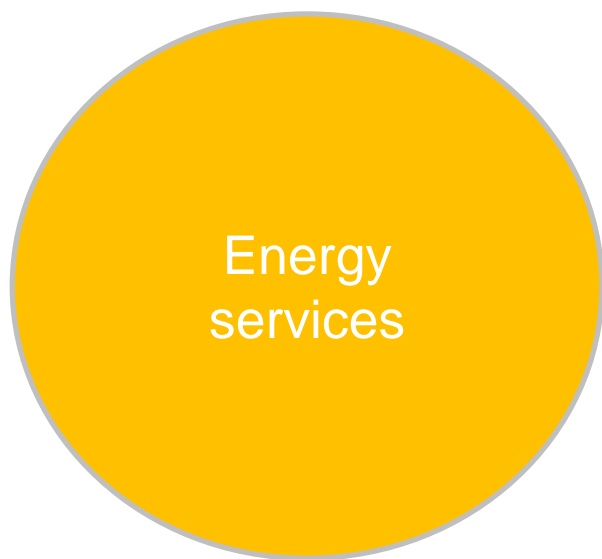
- Rules enabling third parties acting on behalf of consumers to access consumption (metering) data?
- Arrangements to ensure to ensure safeguards are in place for the consumer - consent provisions and accreditations?

3. Role of parties – energy services (1)

Role of parties



3. Role of parties – energy services (2)



What do we mean by energy services?

Provision of electricity v provision of energy services

When does a bundled energy service is not a sale of electricity

3. Role of parties – energy services (3)

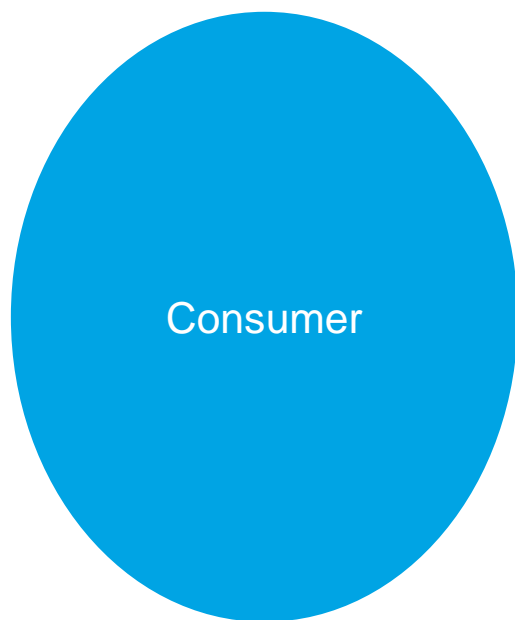


What provisions should apply if not selling electricity – market code (as under NECF)?

What is the role of distribution businesses:

- provision of energy services for network support only? Is Direct load control a regulated network service or a competitive activity?
- Option: treat as network services – but should be provided through a retailer

3. Role of parties – energy services (4)



Who should be able to provide energy services to consumer?

What safeguards/protections should apply?

Options:

(a) Any service provider (general market -)
ACL and NECF provisions (market code)

(b) Retailers - provisions to apply on retailers to ensure competition/best service for consumers. What should these be?

(c) How should the market transition to this?

Break out session

1. Consumer direct access to their consumption data

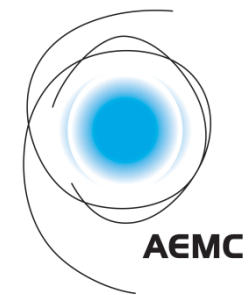
- How to change to 7.7 (a). Do you agree with our straw-man amendments?

2. Third party access to consumer's consumption data (consumer agent)

- Changes to market and regulatory arrangements:
 - Informed consent provisions required for third parties acting as consumer agents?
 - Accreditation provisions required for third parties acting as consumer agents?
 - Any changes to AEMO procedures?

3. Role of parties - energy services

- What do we mean by energy services?
- What safeguards/protections should be in place if not selling electricity?
- Role of distribution businesses - energy services for network support?
- Contact with the consumer:
 - market v retailer only option?
 - provisions required to retailer only?



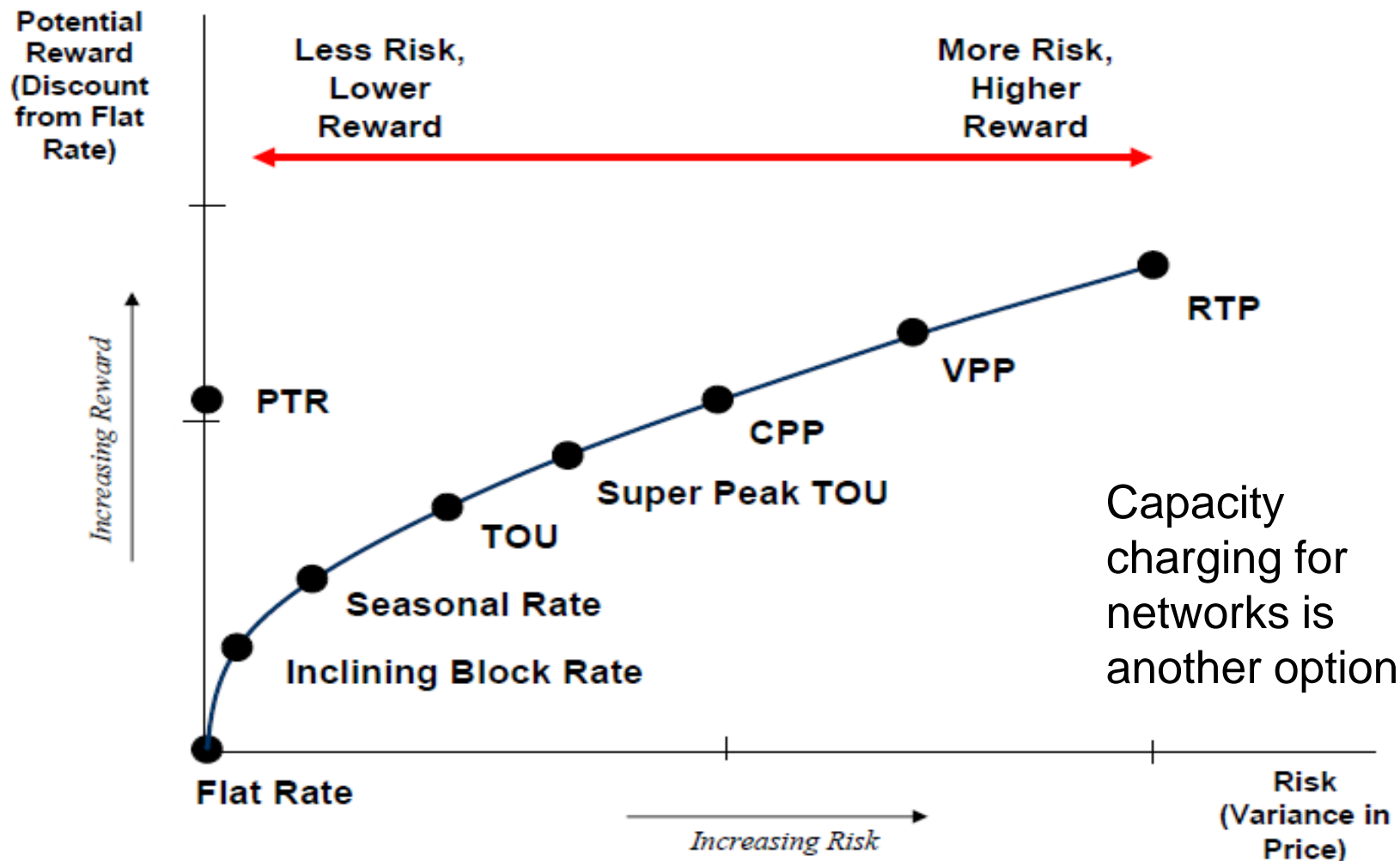
Cost reflective pricing



The benefits of cost reflective pricing

- **What did the directions paper?**
 - sets out what cost-reflective pricing means
 - why it is desirable from the perspective of the NEO
 - different pricing options

Consumers should have the capacity to choose



Capacity charging for networks is another option

How do we get there?

- **If cost reflective prices are to be implemented we will need to:-**
 - manage impacts on consumers;
 - address any regulatory or economic barriers network businesses and retailers might face in providing more cost reflective pricing;
- **Our approach :**
 - maximise opportunities for markets to work and/or harness incentives where possible
 - avoid mandating outcomes or add further layers of regulation
 - recognise that cost-reflective pricing is only part of the story

Addressing vulnerable customers will be key

- **Moving to more time sensitive tariffs will require appropriate consumer safeguards**
 - making time sensitive tariffs voluntary may not isolate vulnerable consumers from the impacts;
 - some consumers may still face a significant deterioration in their ability to pay and have limited capacity to respond
- **So what additional safeguards can be put in place to protect vulnerable customers?**

Building consumer safeguards - SCER work

- **SCER focus is to consider options to support consumer choice in phase of transition to smarter markets.**
- **These include:**
 - review existing hardship provisions in the rules, concession regimes, CSOs
 - ability to choose between a range of retail tariffs; including standing offer flat tariff
 - reversion rights in early years to switch tariffs without penalty to increase consumer confidence
 - enhance monitoring and AER price comparator website to reduce complexity of information on tariffs/products available

Networks and cost-reflective pricing

- **The directions paper identified some concerns with cost reflective pricing incentives in the rules:**
 - for transmission, the split between locational and non-locational components in the pricing methodology; and
 - pricing side-constraints (2% requirement)
- **A broader range of issues for distribution:**
 - clause 6.18.6 constrains average tariff revenue in one year from exceeding revenues in the previous year,
 - 6.18.5 requires price responsiveness to be taken into account in tariff setting;
 - jurisdiction specific limitations on geographic price variation
 - Remaining incentives to increase consumption under price cap regulation

Networks and cost –reflective pricing

- **So what are the potential options?**
 - amend pricing principles
 - greater role for retailers and consumers in developing appropriate tariff structures
 - make aspects of the tariff structure part of the revenue cap process
- **Will changing commercial incentives help ?**
 - being considered in network expenditure work (to be discussed in next SRG)
- **What about transmission?**
 - IR-TUOS rule change consultation

Retailers and cost – reflective pricing

- **Introductory comments**

A key focus of this review is consider what market conditions are required to encourage transition to more time sensitive tariffs in retail markets, that is:

- *Are there any risks or disincentives retailers might face under existing arrangements which prevent them from providing time sensitive tariffs?*

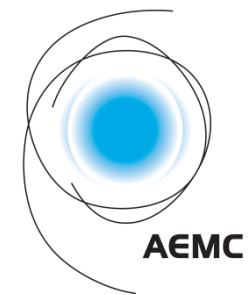
- **Presentation – Frontier economics**

Load profiling by AEMO

- **Presentation – Oakley Greenwood**

Breakout Session

1. What additional incentives (or rules) can we provide network businesses and/ or retailers to provide time sensitive tariffs?
2. What additional **customer safeguards** do we need to provide in transition to time sensitive pricing:
 - Are existing hard ship policies and concessional programs sufficient
 - Retailer requirement to provide menu of options ; and
 - Include a vulnerable customer tariff - how would this be determined, and what would it look like (i.e., discount to flat tariff)?
 - Transitional reversion rights (back to flat tariff if on time sensitive)
 - Education and information (price comparator websites)
3. Is it worth improving methodology for calculating NSLPs in transition to full roll out of interval meters



Metering work update



Metering issues

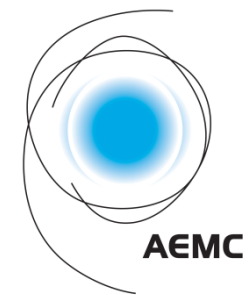
Metering issues

- Interval meters can enable various forms of time of use pricing and other forms of demand side participation
- AEMC held a workshop on metering issues related to EVs on 29 February
 - some of the electric vehicle (EVs) business models require separate interval metering charging (and potentially fed in)
 - options for separate and subtractive metering arrangements were examined
- Many small consumers have an accumulation meter that does not readily accommodate time of use pricing
- Many interval meters are still being manually read
- National minimum functionality for smart meters developed

Metering workshop in Melbourne next week

Metering workshop

- AEMC is holding a second metering workshop in Melbourne on Wednesday 16 May
 - follow up issues raised in February workshop related to EVs
 - expanded to include demand side issues
- Remove potential barriers to EV and demand side business models (without promoting specific models)
- Promote consumer choice in metering requirements and functionality
- Examine possible mechanisms to encourage a commercial or regulated roll out of interval or smart meters

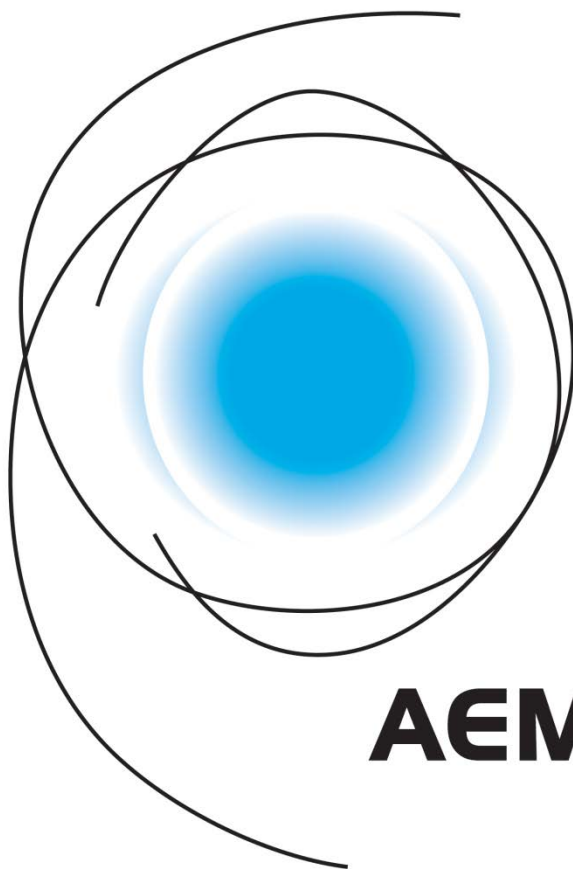


Network incentive work update



Next steps

- Next SRG meeting 28 May - Sydney
- Umbrella areas to be covered:
 - Network incentives
 - Supply chain
 - Energy Efficiency
 - Access to wholesale market
 - Update from metering workshop
- We will prepare final draft proportions and actions
- Draft report due June 2012
- Public Forum post release of draft report



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