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Australian Energy Market Commission
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AEMC Energy Market Arrangements for Electric and Natural Gas Vehicles

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Australian Energy Market Commission's (AEMC) draft advice on energy market arrangements for electric and natural gas vehicles.

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 36 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 51,000 people and contribute \$16.5 billion directly to the nation's Gross Domestic Product.

Electric vehicles (EVs) and natural gas vehicles (NGVs) present potential new opportunities and challenges for Australia's energy supply industry. The AEMC's draft advice raises a number of concerns and also provides a positive indication of the role that time-of-use pricing can play to encourage more efficient use of energy.

Pricing

The AEMC's draft advice also comments on pricing to encourage efficient EV charging behaviour. It is encouraging that the AEMC proposed market-based solutions rather than "mandating specific price structures for residential EV consumers". Shifting to market-based pricing for electricity is important to encourage efficient use of energy irrespective of whether it is for an EV or another appliance.

The AEMC's recommendation of "some form of geographical variation" of network costs is also a positive step to ensure that the true costs of a user's behaviour is reflected in the price they pay for energy. The esaa considers that such a proposal should not necessarily be limited to EV charging.

Metering Arrangements

The Association is very concerned about the possibility for consumers to be engaged with multiple Financially Responsible Market Participants (FRMP). In particular, the esaa is troubled by the proposal to allow one FRMP to disconnect the entire load including the load of other FRMPs at one connection point.

Electricity is considered an essential service, and as such there is a robust set of arrangements in place to ensure that disconnection only occurs as a last resort. This,

along with financial penalties for wrongful disconnection, aims to ensure that disconnection can only occur after a process which aims to maintain a connection. Many energy retailers do more than they are obligated to do in order to maintain a customer's connection. Some particular restrictions on disconnection may only apply to one FRMP rather than all. In cases such as these, a situation could arise where one FRMP was able to disconnect the customer while another was not. It appears that the AEMC has not considered the complexities of such arrangements.

AEMC's proposal for multiple FRMPs at one connection point raises the questions of what the essential service component of electricity is. The Draft Advice raises the prospect that failure to pay for energy associated with an EV could lead to the disconnection of an essential service.

There is a clear difference in the supply of energy as an essential service compared with for EVs charging. Even if both FRMPs were subject to the National Energy Customer Framework (NECF), there is no rationale to grant both entities the same rights to disconnect a household. The esaa considers that the best way to ensure customer protection and avoid wrongful disconnections is to ensure that only one FRMP – the one with primary responsibility for supply – has the right to disconnect a single connection point.

There is also a range of incremental system costs associated with allowing for multiple FRMPs at the one connection point. This could be acceptable where the benefits of such arrangements outweigh the costs. However, if the benefits accrue to a third party while the costs are borne by the retailer then there is a mismatch in the design of the system. As the AEMC's draft advice stands, the proposals for parent/child metering and multiple FRMPs would lead to costs for retailers, while the benefits would fall to EV charging companies or similar entities.

The Association contends that a cost-benefit analysis of the AEMC's proposed arrangements for EVs is important in order to better understand the cost impacts associated. Currently, it is unclear how the costs will be spread across energy businesses and consumers, and whether there will be any broader benefits to the market.

The esaa does not oppose third parties, such as EV charging providers, entering the retail energy market space per se. Competition, where it has been allowed to flourish, is the best way to keep energy prices at an efficient, cost-reflective level. However, the policy settings need to be correct in order to avoid unnecessary costs and complexity. The Association is concerned that the AEMC's proposals will create a system which provides rights to parties such as dedicated EV charging businesses without requiring them to have any of the responsibilities that existing energy supply businesses face.

Consumer protections and definitional issues

We are also concerned by the AEMC's decision to defer to the Australian Energy Regulator (AER) and Western Australia's Economic Regulation Authority (ERA) in determining whether bundled EV services constitute the legal sale of electricity. The AER does not have a regulatory policy development role but rather interprets existing rules only. As a regulator we question whether it is the right body to consider these

issues without direction being provided. The question is not simply confined to EV charging providers - it opens up an avenue for the provision of other bundled services such as cooling, heating or hot water. Such a decision could have far reaching effects on Australia's energy markets and should not be taken lightly. It is therefore crucial that the most appropriate body to make such a decision is given the direction and information required to do so.

This decision is important because it will determine whether particular charging arrangements are covered by the National Energy Customer Framework (NECF) rather than more general Australian Consumer Law. We are troubled that the AEMC's draft advice appears to suggest it would be sufficient to rely on the latter without considering the different levels of protection the two legal frameworks provide. The NECF was painstakingly developed over several years with input from a range of key stakeholders precisely to address the concerns that arise from electricity's status as an essential service. The rights and responsibilities that it affords both parties to an electricity supply contract should not be compromised by the application of more general consumer protections to certain sorts of EV charging services.

Western Australia

The key issue in Western Australia to facilitate the uptake of EVs is to see the state move to cost-reflective pricing. The current cost of electricity in WA is around 23 per cent below the cost of supply. Ensuring that users face the true cost of energy will encourage efficient behaviour. This scenario is not exclusive to Western Australia. Consumers in all states need to face the true costs of their energy use to encourage efficient behaviour.

Any questions about our submission should be addressed to Kieran Donoghue, by email to kieran.donoghue@esaa.com.au or by telephone on (03) 9205 3116.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matthew Warren', written in a cursive style.

Matthew Warren
Chief Executive Officer