



October 4 2012

The Chairman
Australian Energy Market Commission
Level 16, 1 Margaret Street
SYDNEY NSW 2000

By email to: submissions@aemc.gov.au

Dear Chairman,

Energy Market Arrangements for Electric and Natural Gas Vehicles

AGL Energy (AGL) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) *The Energy Market Arrangements for Electric and Natural Gas Vehicles Draft Advice* (Draft Advice). AGL has previously provided commentary on the AEMC *The Energy Market Arrangements for Electric and Natural Gas Vehicles Approach and Issues Papers*.

AGL is Australia's leading renewable energy company with the largest privately owned/operated renewable portfolio. AGL is also one Australia's largest retailers of gas and electricity with over 3 million customers in Victoria, New South Wales, South Australia and Queensland. AGL operates across the supply chain with investments in energy retailing, coal-fired electricity generation, gas-fired electricity generation, renewables and upstream gas extraction.

AGL notes the AEMC's statements regarding the direct link between the Draft Advice and the AEMC Power of choice Review. AGL asks that the AEMC consider our submissions to these reviews concurrently.

In its Draft Advice the AEMC states that it has based its recommendations in relation to electric vehicles (EVs) on a number of principles including the following; 'to facilitate consumer choice'; and 'to foster competition and innovation, including innovation among business models'. AGL is firmly of the view (as noted in its submission to the Approach Paper) that these principles could be effectively achieved through:

- the removal of retail price regulation and the introduction of price monitoring where competition is deemed to be effective; and
- the introduction of smart meters and dynamic pricing with appropriate safeguards for hardship customers.

As such, AGL considers that rather than making specific amendments to facilitate EV uptake, the market would be better served by addressing the fact that these issues remain unresolved. In fact, AGL views EVs as part of a broader group of appliances that consume electricity – regardless of the fact that EVs may also have the capacity to store it. By introducing specific amendments to facilitate the uptake of one form of load over any other, the market is at risk of being segregated by technology form.



In assessing the proposed amendments, AGL considers that the AEMC's recommendations are actually in conflict with its conclusion that 'energy market arrangements should be technology-neutral in that they should apply across all types of consumer appliances and not specifically to EVs'.

AGL considers that any recommendations arising from the Review should be broad based, facilitate consumer choice and be applicable to any new technology or appliance. AGL's specific concerns with the Review recommendations are addressed in detail in [Attachment A](#).

AGL also considers that all parties that participate in the supply and sale of electricity in the NEM should be subject to the same rules and obligations, regardless of the form of load being supplied or whether the supply and sale is the 'primary purpose' of the transaction. That is, there should be a level playing field for all participants in the NEM. Orchestrating alternative regulatory arrangements based on the provision of a specific service, for example, 'bundling' could distort the operation of the market and would be inequitable. This issue will be further addressed in AGL's submission to the Power of choice Review.

AGL supports the Draft Advice recommendation that the efficient uptake of natural gas vehicles (NGVs) requires no changes to energy market arrangements. However, AGL considers that an impediment to the uptake of NGVs is the *Taxation of Alternative Fuels Act 2011*. AGL considers that the tax does not encourage transport companies or users to transfer to cleaner fuels and that this issue should be brought to the attention of the Standing Committee on Energy and Resources.

In conclusion, AGL considers that: EVs are part of a broad range of devices that consume electricity; and segregating the NEM rules and regulations by technology type is inefficient, impractical and risks stifling innovation. For these reasons, AGL supports the concurrent AEMC Power of choice Review process and encourages the AEMC to view EVs in the context of this broader Review. In particular, assessing the benefits that can be achieved through cost reflective pricing and remotely read interval meters (with appropriate hardship safeguards).

Should you have any questions in relation to this submission, please contact Simon Camroux at scamroux@agl.com.au or (03) 8633 6967 or me at tanelson@agl.com.au or on (02) 9921 2516.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tim Nelson'.

Tim Nelson
Head of Economic Policy and Sustainability



Energy Market Arrangements for Electric and Natural Gas Vehicles: AGL's detailed comments

Pricing signals

AGL supports the AEMC's conclusion that pricing signals are a key means of facilitating demand side participation and further, that interval metering is necessary to deliver pricing signals to consumers.

Whereas the AEMC notes the importance of these elements in relation to Electric Vehicles (EVs), AGL considers that the broader adoption and facilitation of these principles is fundamental to improving overall market efficiency. That is, the introduction of pricing signals and remotely read interval meters would provide consumers with transparency as to the actual costs of their electricity consumption which would, in turn, allow them to respond accordingly.

By proposing amendments to improve EV consumer choice, the AEMC has not addressed a key issue – the continued use of retail price regulation in NEM States (aside from Victoria). Investors in any new technology will simply be unprepared to put significant capital at risk when retail price regulation is continued (often using uneconomic frameworks) despite legal agreements (the Australian Energy Market Agreement) requiring the practice to be discontinued where competition is effective.

Metering: embedded networks, parent/child metering, multi-element metering and multiple FRMPs

The Draft Advice notes that the Power of choice Review will provide further advice on cost reflective pricing and remotely read and controlled interval meters. AGL supports the AEMC draft advice on this matter and will respond to issues raised through the Power of choice process accordingly.

AGL welcomes a review and clarification of embedded networks, including the associated concepts of parent/child metering, multi-element metering and multiple FRMPs. However, these issues cannot be effectively addressed without also considering the Responsible Person roles and responsibilities, and how these relate to other stakeholders. For this reason, it is premature to make any draft recommendations for EVs, and more appropriate for consideration as part of the Power of choice Review.

Of concern to AGL, however, is AEMC's proposal (in the context of 'parent/child' meters) that both financially responsible market participants (FRMPs) 'have the power to disconnect the consumer's total load'. The AEMC's disconnection proposal could create significant financial risks for the parent meter FRMP (should the child meter FRMP disconnect the consumer) and may (depending on the child meter FRMP customer hardship arrangements) place vulnerable customers in greater difficulty. Accordingly, AGL recommends that the AEMC not pursue this recommendation further.

Bundled services

AGL considers that any entity that interacts with a customer in relation to a device that consumes electricity (where the supply or sale of electricity is provided in the product) should be subjected to the same regulatory obligations as those already in the sector performing this role. Fundamentally, AGL considers that it is in the consumers' best interests that its electricity supplier has a retail licence and is obligated to meet all relevant retail regulations.



AGL considers that not placing an obligation on the supplier of electricity to hold a retail licence as they are providing a 'bundled' product:

- would potentially expose the retail customer to greater risks; and
- is inequitable – as it provides a competitive advantage to the 'bundled' product supplier as they would not incur all of the transaction costs associated with holding a retail licence.

In response to question 10 of the Draft Advice, AGL considers that the AER *should* be required to specify how it will determine whether a bundled service provider is selling a good or service that constitutes a legal sale of electricity¹.

AGL questions the AEMC's conclusion that 'a particular consumer who uses a bundled service provider for its EV load while using an authorised electricity retailer for its non-EV load could be subject to two sets of consumer protection regimes: the energy market specific consumer protections for its non-EV load; and (if the bundled service provider is not involved in the sale of electricity) the Australian Consumer Law for its EV load. However, we consider that, in practice, this is not a material issue as these frameworks are complementary and attempt to achieve similar consumer protection objectives'.

Retail electricity licence obligations are comprehensive and contain a number of requirements including: retailers supply customers connected to the grid; assist customers experiencing financial difficulty; and comply with detailed disconnection procedures and marketing provisions. The suggestion that such requirements are adequately covered by Australian Consumer Law does not accurately reflect the differences that exist between consumer law and retail licensing obligations.

Retail exemptions

AGL considers that any exempt retail licence holder should also be subject to the same market settlement processes and metering installation compliance obligations as incumbents. This includes those contained in the National Electricity Market procedures as well as access to market systems. AGL considers that this approach would ensure that a level playing field exists and would not provide a competitive advantage to an exempt licence holder.

¹ Question 10: Do you consider the AER should be required to specify how it will determine whether a bundled service provider is selling a good or service that constitutes a legal sale of electricity, for example, through a guideline?