

# The Power of Choice – giving consumers options in the way they use electricity

## **Outcomes of first meeting - 8 June 2011, Sydney.**

The objective of this first meeting was to inform members of the Stakeholder Reference Group of the Commission's approach for this review and to gather initial views on the key issues for input into the Issues paper (due to be published in July 2011).

### ***General comments***

Members made the following initial high-level observations:

- the review should focus not only on consumer choice, but also on the role of incentives on the behaviour of market intermediaries (e.g. network operators, energy services providers).
- a need to recognise that consumer choices should be structured in a way that is useful and not does not add to complexity of decision making.

## ***Objective, definitions and scope of the review***

AEMC staff provided an overview of the objective, scope and proposed definitions for the review.

Members were generally supportive of the proposed objective and scope of the Review, however raised the following key issues:

- the review should consider heuristics and habits and how consumer decisions are actually made.
- the objective of the review should include identifying “barriers” to demand side participation (DSP).

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## ***Methodology for the Review***

AEMC provided an outline of the proposed methodology for the Review. Members noted the proposed approach, and highlighted the following:

- in evaluating costs/benefits it is important to be mindful of the metric used (i.e. \$/MWh or \$/MW).
- that a long term perspective should be held in developing solutions.
- in undertaking cost/benefit analysis, consideration should be given to distributional impacts.

## ***Investigations to support the Review***

AEMC outlined the proposed information and evidence likely to be sought to support the Review.

Members noted the array of information to be collected and analysis to be undertaken, however considered that there may be some commercial in-confidence issues in obtaining information on pilots and trials.

Some members considered that it was important to ensure international case studies are included in information supporting the Review.

## **Stakeholder Presentations**

Six members, representing a range of stakeholder views, made short presentations (available on AEMC website). A summary of comments made by members is thematically presented below.

### *Consumer Participation*

Members raised the following key issues: That there is a need to:

- enhance energy literacy (particularly through community education) to improve the consumption decisions made by consumers, which could help address concerns about affordability.
- capture demand side benefits for a more diverse range of consumers.

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## *Focus on whole supply chain*

Members generally noted that there is a need for more collaborative approaches/dialogue to solve barriers to demand side participation. This includes focus on distribution businesses and suppliers.

## *Nature of demand side response*

Members made the following comments:

- demand side responses work on a range of time scales, and benefits can accrue to different participants at different times, particularly over the long term.
- predictability is the key to reducing energy market costs.
- there is a need to consider a business model where competitive energy services companies are separate from retailers and conceivably network businesses may offer energy services too.

## *Measures to facilitate demand side participation*

Members noted the following issues:

- there is a need to ensure that there are appropriate tariff arrangements in place.
- it is necessary to have an open access framework to information, technology, and to third parties.
- the market should be allowed to develop – caution of over-regulation or picking winners.

## **Concluding comments from Chair**

The Chair reiterated that the focus of review will be on consumer choice and incentives to facilitate this choice.

The Chair also stated that nodal pricing, spot/dispatch price intervals and capacity markets are out of scope for this review.