

# Contestability of energy services

## Draft determination

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Public forum – 27 September 2017

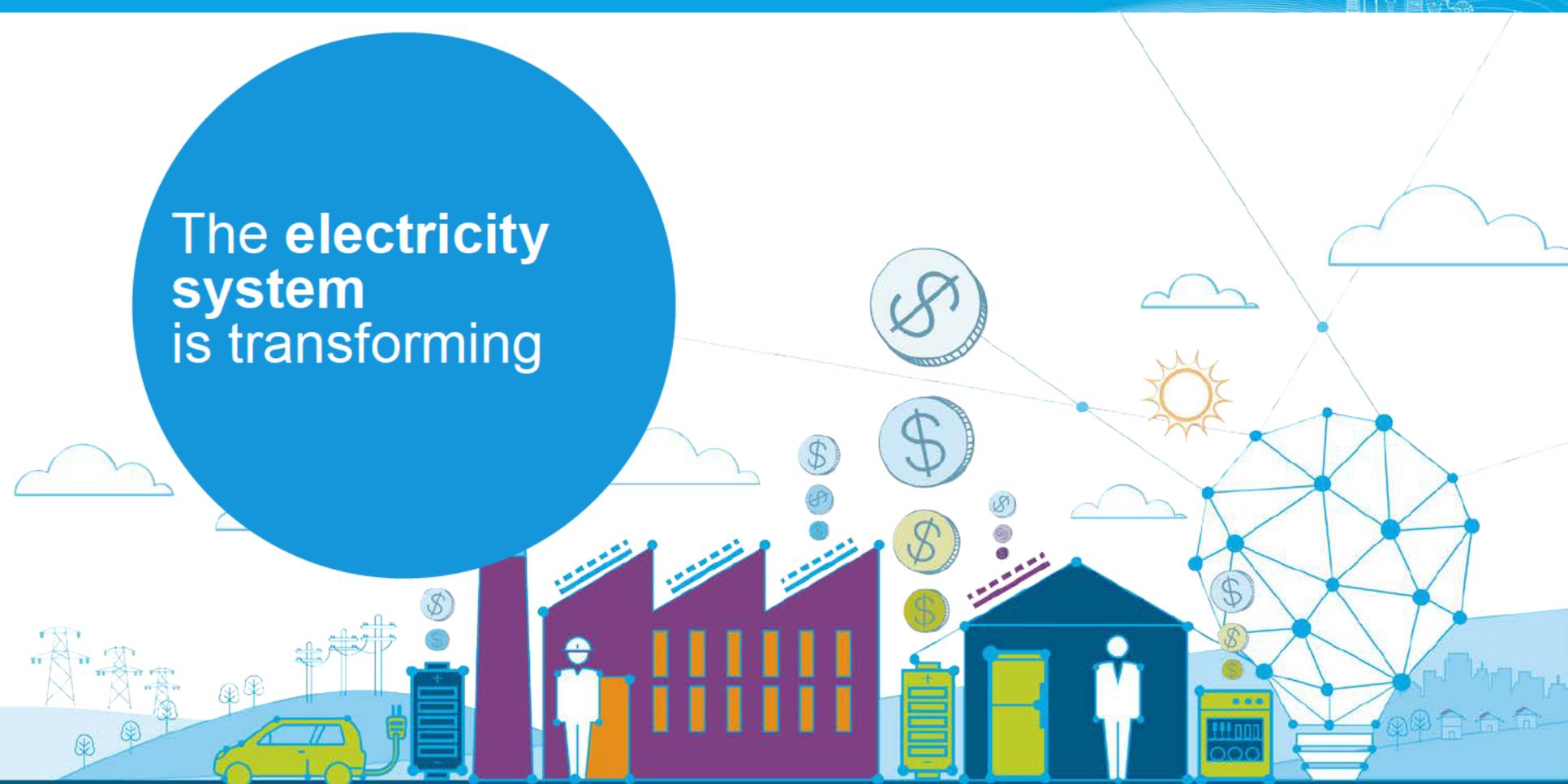
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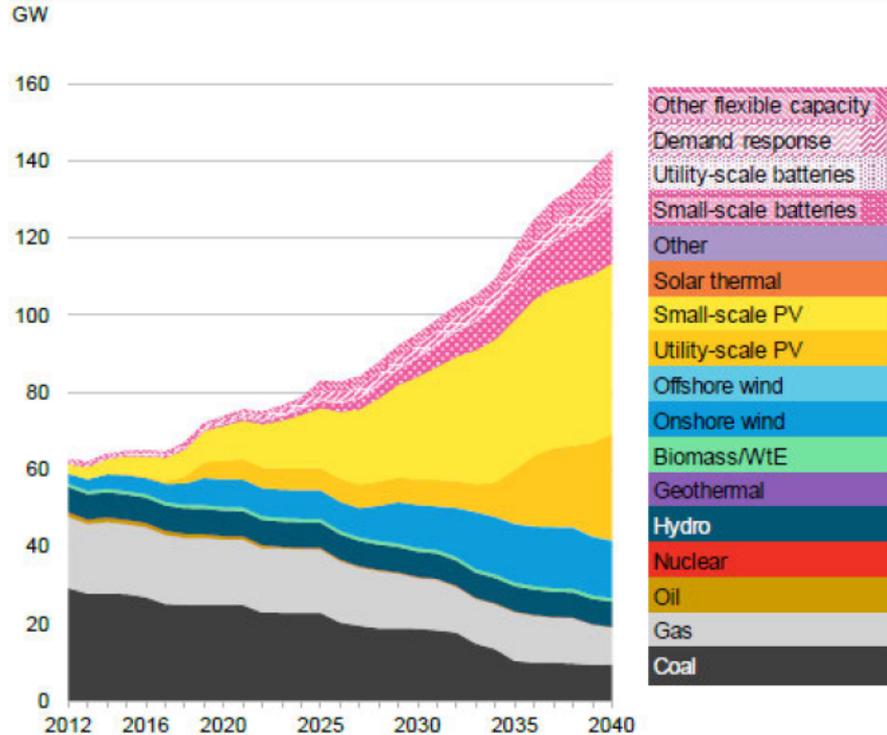


The electricity  
system  
is transforming



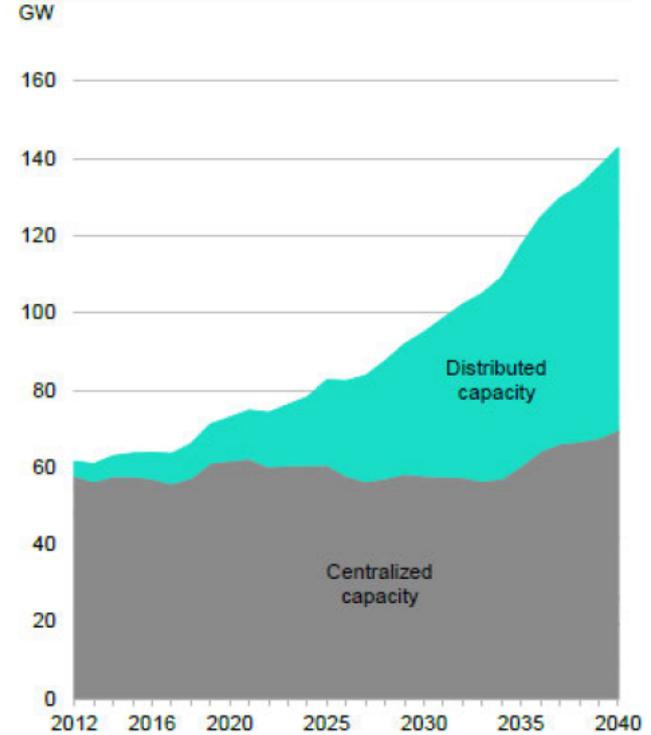


## Cumulative installed capacity (by technology)



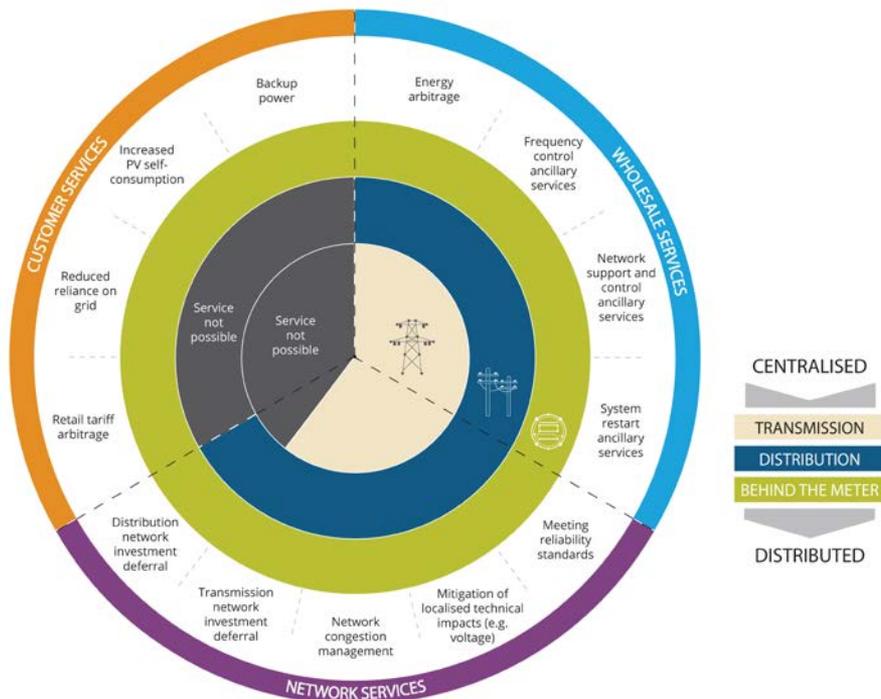
Source: Bloomberg New Energy Finance, New Energy Outlook 2017

## Distribution of capacity (centralised vs decentralised)





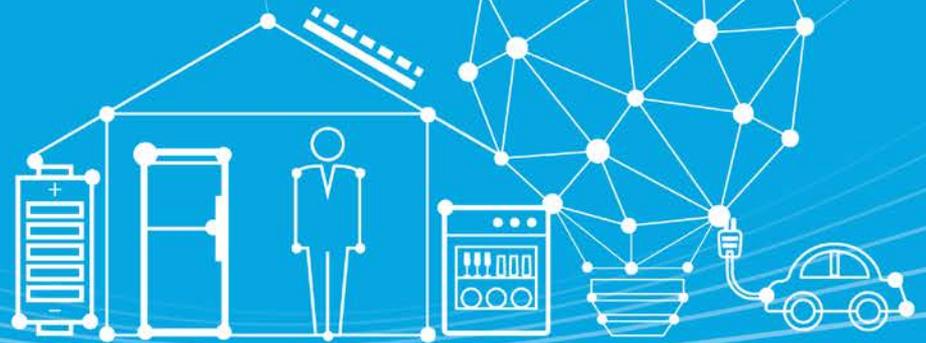
# New technologies are capable of providing multiple value streams



- **Benefits to participants across the entire energy supply chain**
  - Retail customers
  - Wholesale market
  - Networks
- **Able to be deployed at different levels of the energy network**
- **No one party can monetise all the value streams**

Source: This diagram is based on one developed by the Rocky Mountain Institute, but has been adapted for the Australian context.

# Supporting consumer choice and facilitating competition





## In this session ...

- Reasons for making the draft rule
- Overview of the draft rule
- Benefits if the draft rule is made

# Reasons for making the draft rule



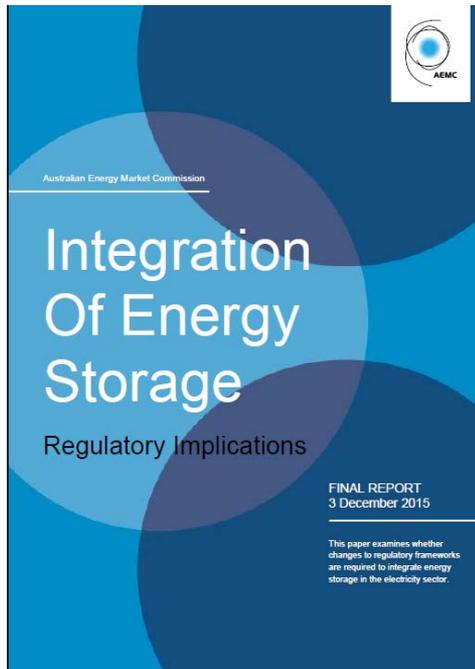


## What do we want to achieve?

- **Support the development of a competitive energy services market**
  - Robust, well-functioning and competitive
  - Level playing field for all players
- **Support consumer choice**
  - Best outcomes are achieved when consumers make choices based on their own interest or values



# DNSPs' action that could impact the development of a vibrant energy services market



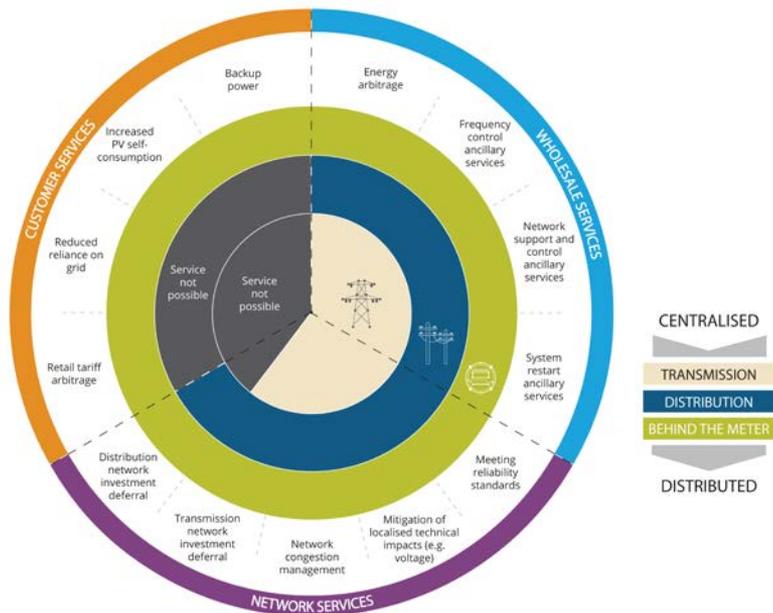
- Cross-subsidise a competitive service from its regulated activities
- Use information gained through the provision of regulated services to gain advantage in competitive markets
- Restrict competition in a competitive market by restricting access to infrastructure and favouring network benefits

Addressed through ring-fencing

DNSP Control



# Why are we concerned about DNSPs' ability to exert control?

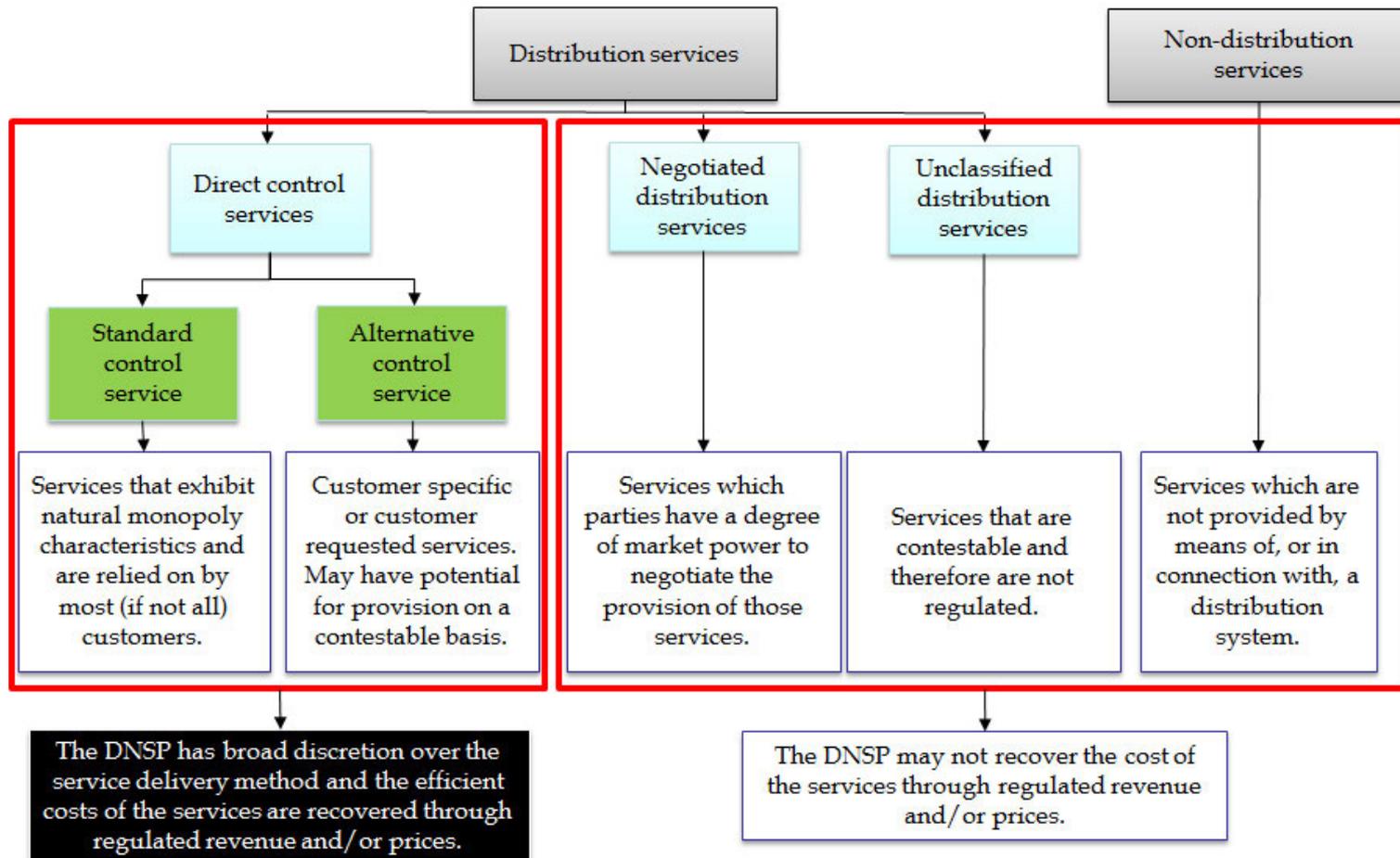


- **Multiple value streams**
  - control of asset = ability to decide about trade-offs and investment decision
- **If DNSPs are able to exert control:**
  - They may prioritise network benefits at the expense of whole of system benefit
  - Their actions may limit development of competition in the energy services sector



## Could a new service classification address the issue?

- **A new “contestable” or “energy-related” classification is likely to achieve the opposite effect to the desired outcome**
- **Distribution service classification**
  - classification of services that DNSPs supply customers.
- **Not the classification of:**
  - the assets used to provide such services
  - the inputs/delivery methods DNSPs use to provide such services to customers
  - services that consumers or other parties provide to DNSPs.



# Overview of the draft rule





## Overview of the draft rule – asset restrictions

### Restricting DNSPs' ability to earn regulated returns on assets “behind the meter”

If the draft rule is made, DNSPs will not be able to:

1. control assets
2. located “behind the meter”
3. capable of providing contestable services

# Benefits of the draft rule





## Benefits under the draft rule

- **More proportionate response to the issue compared to the proposed solution**
  - DNSPs can still access the technology to provide efficient network services
- **Efficiency across the whole energy supply chain, not just one part of the sector**
- **Facilitate competition in an emerging market**
  - Prevents foreclosure of competition

# Summary





# Summary

- **Why**
  - Supporting the development of a competitive energy services market
  - Supporting consumer choice
- **How**
  - Restriction on DNSPs ability to earn regulated returns on assets “behind the meter”
- **Benefits**
  - DNSPs can continue to access the technology to provide efficient services, in a way that does not impact on competition in the energy services market

# Your feedback on implementation

