



Energy Retailers Association
of Australia Limited

27 Oct 2011

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Reference: EMO0022

Dear Mr Pierce

Re: AEMC 2011, Energy Market Arrangements for Electric and Natural Gas Vehicles, Approach Paper, 22 September 2011, Sydney

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments on the Australian Energy Market Commission (AEMC) Approach Paper on Energy Market Arrangements for Electric and Natural Gas Vehicles.

The Energy Retailers Association of Australia (the Association) is the peak body representing the core of Australia's energy retail organisations. Membership is comprised of businesses operating predominantly in the electricity and gas markets in every state and territory throughout Australia. These businesses collectively provide electricity to over 98% of customers in the NEM and are the first point of contact for end use customers of both electricity and gas.

The ERAA supports the uptake of Electric Vehicles (EV) in Australia. The aim should be to have a complete and integrated smart home and city solution, rather than having a separate EV solution. It is therefore not clear why a separate review of EVs is required further to the AEMC's current DSP review: Power of Choice – Stage 3 DSP Review.

The ERAA does not understand the urgency of the review. As mentioned in the Approach Paper, anecdotal and independent evidence does not suggest a large take up of EV by 2020. Instead, further piloting and testing could be conducted concurrently with the slow uptake of EVs before any decisions on changes to the market arrangements are made. This would not require a Rule change as there is currently sufficient scope under the existing Rules for this to be administered.

It is the ERAA's view that there is sufficient regulation in place to administer the EV operating models proposed. The focus of the AEMC should instead be on the Rules of the market and whether any of the Rules create barriers for EV deployment. Chapter 5 (connection) and chapter 7 (metering) of the Rules sufficiently address the deployment of EVs in the NEM. The Commission must be cautious about introducing a Rule change specifically to accommodate EV technologies, as this would set a precedent for future Rule changes for other technologies. Future excessive Rule changes create unnecessary risk in the market which results in increased costs to end consumers.

EVs potentially pose significant network reliability issues and constraints if there is a large and uncontrolled uptake, such as was seen with the uptake of residential air conditioners. However, the advantage of EVs over air conditioners is that they can be charged at off peak times, rather than during peak times which will be dependent on consumer behaviour and consent. With regard to energy market arrangements, TOU pricing and smart metering, which are already available in some markets and being progressively rolled out, can be expected to provide sufficient signals to drive this behaviour.

As already mentioned, the best outcome for consumers is if there is a fully integrated smart home solution; not a separate EV solution. To enable this there are a number of critical energy market arrangements required:

- Smart meters are an important component of DSP in facilitating consumer behaviour towards utilising off-peak energy. There are many policy issues surrounding smart meters which remain unresolved.
- Victoria still remains the only market in Australia to deregulate retail electricity prices. With the introduction of EVs, more DSP and smart meters/homes, the need for price deregulation becomes even more pertinent.
- Another necessary component is time of use network pricing. However, there is significant risk to retailers if this is introduced while retail prices remain regulated.

Should you wish to discuss the details of this submission further, please contact me on (02) 9241 6556 and I can facilitate such discussions with ERAA member companies.

Yours sincerely



Cameron O'Reilly
Executive Director
Energy Retailers Association of Australia