



Clean Energy Council submission to the Australian Energy Market Commission's Consultation Paper:

National Electricity Amendment (Contestability of energy services) Rule 2016 National Electricity Amendment (Contestability of energy services – demand response and network support) Rule 2016

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the Consultation Paper by the Australian Energy Market Commission (AEMC) on the rule changes proposed by the Council of Australian Governments (COAG) Energy Council and the Australian Energy Council (AEC).

The CEC is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, hydro, bioenergy, marine and geothermal energy, energy storage and energy efficiency along with more than 4,000 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The proposed rule changes are broad in their scope and complex in their detail. CEC is not yet in a position to put forward a detailed response to all aspects of the two proposals under consideration. In this submission we outline the principles and approach we intend to use as the rule change proposal is progressed. The key points raised in this submission are:

- CEC strongly supports reforms to increase competition in the energy services market,
- If the AEC's proposed changes would inadvertently have an adverse effect on the ability of parties to compete in providing energy services then that aspect of the rule change proposal should be either reformulated or rejected,
- CEC supports the COAG Energy Council proposal to change the National Electricity Rules (NER) to require the Australian Energy Regulator (AER) to publish a distribution service classification guideline, and
- We strongly support the proposal for a 'truncated RIT-D' with a reduced threshold.

CEC strongly supports increased competition in the energy services market

CEC strongly supports moves to reduce barriers to entry to the energy services market and increase competition between providers of energy services.

As noted at the AEMC stakeholder consultation meeting on 25 January 2017, “contestability” is not synonymous with increased competition. We acknowledge the AEMC’s observation that some aspects of the changes to distribution services classification proposed by the AEC could have an adverse impact on the ability of parties other than distribution businesses to compete with distribution businesses in providing energy services. Specifically, it was noted that reclassifying energy services and network support away from ‘Direct Control Services’ would have the effect of preventing rather than encouraging distribution businesses from procuring those services from other parties. As explained by the AEMC, the proposed reclassification would provide networks with a strong incentive to invest more in poles and wires because they would be unable to recover the costs of using alternatives to new physical assets.

CEC would oppose measures that reduce the scope for increased competition. If the AEC rule change proposal would inadvertently reduce the scope for increased competition, then that aspect of its proposal should be either reformulated or rejected.

CEC supports to COAG Energy Council proposal for service classification guidelines

CEC supports the COAG Energy Council proposal to change the NER to require the AER to publish a distribution service classification guideline. In the past CEC has struggled to engage meaningfully in the reviews of service classification guidelines that take place through the Framework and Approach reviews. The variation between distribution businesses and the fact that the reviews are undertaken on a network-by-network basis have made engagement in the review processes unnecessarily complicated. Moves toward greater clarity and consistency in service classifications would be a welcome improvement.

CEC strongly supports the AEC proposal for a ‘truncated RIT-D’ with a reduced threshold

We agree with the AEC’s assessment that the \$5 million threshold of the RIT-D limits the opportunities for providers of demand response and network support services to identify where they can provide such value. We support the proposal to reduce the threshold from \$5 million to \$50,000. A ‘truncated RIT-D’ process would also make sense for investments related to demand response and network services, especially in the context of the lower threshold proposed.

We would be very happy to discuss these issues in further detail with the AEMC. We look forward to contributing further to this review.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Darren Gladman', with a long horizontal flourish extending to the right.

Darren Gladman
Director, Smart Energy