Energy Action Limited
Level 5, 56 Station Street
Parramatta NSW 2150
Email: info@energyaction.com.au
Web: www.energyaction.com.au

11 October 2012

Mr Eamonn Corrigan
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Eamonn,

Energy Action is appreciative of the opportunity to respond to the Australian Energy Markets Commission (AEMC) review Power of Choice – Stage 3 DSP. The following submission outlines the views and opinions of Energy Action on the Draft Report and responds to selected questions raised by the AEMC.

Energy Action is one of Australia's leading independent energy management companies and represents over 4,000 large market customers encompassing over 8,000 supply points – roughly 6 per cent of the entire NEM. In line with supplying our clients with a comprehensive offering of energy solutions, Energy Action welcomes the possibility of new opportunities within areas such as demand side participation, meter data reporting services, distributed generation, opt-in/opt-out time-of-use pricing and an overall more effective and efficient price signal for our clients.

Energy Action encourages the AEMC to consider issues which currently inhibit customers from effectively participating in DSP and in addition enhance the customers understanding of energy pricing signals. This includes issues surrounding:

- Access, availability, ownership and consistency of meter data;
- Recognising 'market intermediaries' as a new category of market participant to participate in activities such as DSP, monitoring, reporting and transfers.
- 'Unbundling' retail and network pricing for SME customer and allowing the choice to opt-in/opt-out of time of use pricing options;

Sincerely,

Nathan Francis
Executive Director Finance & Company Secretary

On Behalf of Val Duncan – Managing Director

Energy Action Limited
Level 5, 56 Station Street
Parramatta NSW 2150
Email: info@energyaction.com.au
Web: www.energyaction.com.au

About Energy Action

Energy Action is Australia's leading energy auction procurement business and is a major contributor to the broader energy management services market. The company provides procurement, compliance, analysis, efficiency, sustainability and advisory services to commercial and industrial businesses in Australia. The business has been operating since 2000 and in October 2011 Energy Action became the first energy management company to list on the Australian Stock Exchange (ASX: EAX).

Drawing on a background in energy, consultancy, procurement, engineering and technology, the Energy Action team is well positioned to provide innovative and integrated energy management services to the Australian energy market. The company provides a broad range of additional specialised procurement, energy management and consultancy services. These services assist customers to understand, manage and comply with Government regulations and initiatives in the energy and carbon emission spheres. Energy Action provides strategic energy sourcing advice and independent expert reports to some of Australia's largest corporations.

Energy Action is also a provider of specialist advice and solutions on energy efficiency, sustainability and clean energy options. The company creates cost management strategies to help manage financial risk as well as providing energy and carbon forecasts. Energy Action strives to stay abreast of energy related issues through regular research and contact with community, businesses and both government and non-government agencies.

Energy Action (Australia) Pty Ltd holds an Australian Financial Services License (AFSL No 362843) and is authorised to provide financial product advice on electricity derivatives to wholesale clients.

Energy Action Limited
Level 5, 56 Station Street
Parramatta NSW 2150
Email: info@energyaction.com.au
Web: www.energyaction.com.au

Responses to Questions

1. What should be the minimum standard form and structure of energy and metering data supplied to consumers (or their agents)? Should these arrangements differentiate between consumer sectors (ie industrial/ commercial and residential)

Energy Action agrees with the matters raised in section 2.3.2 by stakeholders regarding the barriers faced when accessing meter data. Although, the roll out of smart meters in the small market will improve the frequency and quality of data, stakeholders will potentially face the same issues surrounding the ease of access of data in the large market which is characterised as being laborious and cumbersome. Energy Action strongly urges the AEMC to consider improving the ease of access to meter data.

Energy Action also believes that a new category of market participant described as 'market intermediaries' which would allow these businesses to perform a similar role in the market to access Consumer Administration and Transfer Solution (CATS) data for the purpose of monitoring and facilitating consumer transfer, would improve transfer times and may assist in the development of new sophisticated reporting systems.

Metering data which is provided to a consumer (or their agent) should be supplied in a clear and consistent format throughout all market participants (retailers, distributors, meter data agents). Energy Action believes NEM12 and NEM13 data is sufficient for sophisticated reporting platforms.

Consistent and comprehensive data is paramount to reporting which gives customers greater understanding of their electricity usage. Currently Retailers supply data in a variety of formats which are difficult to import into a reporting system without reworking formatting and are often provided missing key data, such as demand data.

Meter data should include, but not be limited to, the following information:

- NMI;
- Interval Date and Time;
- kWh;
- kW;
- kVA;
- kVArh; and
- Power factor.

The data for a potential Consumer Energy Data Access system should be exported in a spreadsheet which is in a pivot table format with the time intervals running down the rows. See example below.

NMI	Interval	kWh	kVA	kW	kVArh	Power Factor
NCCC000100	1/10/2011 0:30	18.39	52.76	36.78	37.82	0.697
NCCC000100	1/10/2011 1:00	18.38	52.67	36.76	37.72	0.697
NCCC000100	1/10/2011 1:30	18.18	51.69	36.36	36.74	0.703
NCCC000100	1/10/2011 2:00	18.73	52.91	37.46	37.36	0.708
NCCC000100	1/10/2011 2:30	18.68	53.53	37.36	38.34	0.697
NCCC000100	1/10/2011 3:00	18.16	51.82	36.32	36.96	0.700
NCCC000100	1/10/2011 3:30	19.05	54.32	38.10	38.72	0.701
NCCC000100	1/10/2011 4:00	18.49	52.91	36.98	37.84	0.698
NCCC000100	1/10/2011 4:30	18.63	53.25	37.26	38.04	0.699
NCCC000100	1/10/2011 5:00	18.59	53.03	37.18	37.82	0.701

Energy Action Limited
Level 5, 56 Station Street
Parramatta NSW 2150
Email: info@energyaction.com.au
Web: www.energyaction.com.au

To assist consumers in understanding their energy data, a summary which provides a snapshot of the data could be included in the Consumer Energy Data Access system. This snapshot tab may contain information such as:

- Peak/Off Peak totals;
- monthly summaries;
- peak demands;
- chart of average daily profile;
- chart of monthly usage;
- summer/non-summer profiles, and
- weekday/weekend profiles.

This gives a simple overview of otherwise complex interval data which must be re-worked before being easily understood or digested by the consumer.

The provision of any new meter data services and compliance with data structures should not impose any new or increased costs on the consumer e.g. increases to responsible person Fees or new management fees.

2. When do you think it is appropriate for a retailer (or responsible party) to charge a fee for supplying energy and metering data to consumers or their agents?

Never. The data should belong to the customer and be available free of charge. Market Intermediaries should be able to be flagged as a responsible agent against a meter point in the system and receive meter data without issuing multiple LOA's to different retailers after a change.

6. What requirements should be in place for these third parties? For example, what should be the form of authorisations/accreditations?

Third Parties should have some minimum software capabilities and comply with relevant marketing and regulatory legislation. Energy Action believes accreditation may also help to improve the intelligence and integrity of the industry. In recent years there has been ongoing media publicity surrounding certain third party intermediaries who abused their position and exposed consumers to outcomes that were not the most beneficial to the customer. This behaviour has the potential to damage the reputation of an industry which is based assisting and aiding consumers in an otherwise complex market.

Accreditation may involve:

- Third Party Intermediary Advisory Accreditation
- Australian Financial Services License
- Energy Industry Training
- Responsible Manager Nomination and Certification
- Ongoing Training (CE Hours)
- Establishing Third Party Intermediaries as market participants, formalising licenses etc.

Energy Action Limited
Level 5, 56 Station Street
Parramatta NSW 2150
Email: info@energyaction.com.au
Web: www.energyaction.com.au

8. Does the separation of the provision of metering services from retail energy contracts remove the need for meter churn when a consumer changes retailer? Does this cause any unforeseen difficulties or create any material risk? Are there any alternative approaches to reducing the need for meter churn?

Energy Action supports the separation of metering services from the retail energy contract as applies in the contestable commercial and industrial market. Energy Action supports the fact that these customers currently have a choice of accredited meter provider, believing that this reduces the need for meter churn when changing retailer, and in turn reduces transfer related risk. Energy Action would request that the AEMC consider policies to discourage any retailer from attempting to reduce the customer's ability to choose their own metering provider.

12. Participation in the wholesale market:

(a) Do stakeholders agree that the proposed demand response mechanism is likely to result in efficient consumption decisions by end-users? If not, are there any changes you recommend to the mechanism to facilitate this?

(b) On balance, is a new sub-category of market generator required for consumers providing a demand that enables aggregation? What types of issues should be considered when developing the registration process?

First step should be educating all end users, as lack of awareness will likely impact consumption decisions. They need to properly understand the issues and their contribution to these problems. The funding model suggested in the paper would need a much broader articulation to convince customers to pay their "normal" rates when they have taken load off the network.

Take up will be a factor of education, marketing and providing good incentives that encourage consumers to participate.

13. Consumer baseline consumption:

(a) What factors should be taken into consideration when developing a baseline consumption method?

(b) Have we identified the correct three key principles for developing a baseline consumption method (data refresh, accuracy, metering)?

(c) Are there any substantial changes to metering and settlement arrangements required for this mechanism to be implemented? Can these issues be resolved through AEMO's consultation process and procedures or are broader amendments to the rules required?

Demand/Usage Profile, Temperature, Location, Seasonality, Industry, Operations (if required)

Energy Action Limited
Level 5, 56 Station Street
Parramatta NSW 2150
Email: info@energyaction.com.au
Web: www.energyaction.com.au

18. Do stakeholders agree with our approach for phasing in cost-reflective pricing? If not, how can the policy be improved to transition to cost-reflective pricing?

Retailers will always take the low risk option of pricing. It is expected that they will look to pass on the network tariff structure (flat or TOU) in order to reduce their price risk and administration and management.

A possible solution to this dilemma would be the splitting apart of the network and energy components for SME customers who wish to do so. For example, the customer may choose to take an unbundled tariff with an energy rate determined by the retailer separate from the other pass through components (network, environmental, market, metering). In this way, Retailers can pass through a Flat or TOU network tariff independently for a Flat or TOU energy rate, reducing their price risk exposure. The splitting apart of bills or unbundling of bills gives more transparency and hence more options to the consumer and is a significant step in educating them on the cost components of each energy unit.

It is imperative that cost reflective pricing allows consumers who change their consumption behaviour to receive immediate benefits through their energy bill. A possible solution is the billing of a fixed capacity component (rolling 12 month max) and a monthly demand rate. This gives consumers who reduce their consumption and demand an immediate cost benefit whilst allowing networks to still recoup investment costs.

It is also worth considering changes to the current network tariff pricing structures. Many residential and SME network tariffs do not include a demand component. The costs split between network consumption and demand costs for large customers could be reassessed. If the biggest factor impacting network investment and expenditure is Peak Demand then the most cost reflective price signal would be to shift the costs to focus on demand during peak periods.

19. Have we identified the main issues with transitioning to cost reflective pricing? If not, what other issues need to be considered?

Cost reflective pricing must representative of changes to the consumer's consumption and allow immediate changes to their consumption to be reflected on their energy bill. The must be structured such that consumers will be able to immediately receive the benefits of any changes to their energy consumption and demand profile.

Apart from cost reflective the key issue is transparency of the individual cost components to highlight the controllable costs as against the more fixed costs. In the C & I market this transparency drives many behavioural changes, operational load shifting, investigation of consumption reduction and sustainability inactivates.

It is also important that tariffs must not become overly complicated or likewise increase in number.