19 March 2020

Mr John Pierce
Chairman
Australian Energy Market Commission (AEMC)
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce,

**ISSUES PAPER: 2020 RETAIL ENERGY COMPETITION REVIEW - ELECTRIC VEHICLES**

Endeavour Energy appreciates the opportunity to provide this response to the AEMC's issues paper. As electric vehicles (EVs) have the potential to transform the energy market in significant ways we agree that it is an appropriate time to review EVs as part of the AEMC's 2020 Retail Energy Competition Review.

Whilst the penetration of EVs in Australia lags other countries, forecasts indicate an increase in future sales. As EVs become more prominent, charging will be a key contributor of consumption for EV users who could also benefit when their EV is used to supply energy back into the grid. We expect retailers will respond by developing innovative products and service offerings specifically targeting this aspect of an EV owner's energy needs. Subsequently, customers may look to take advantage of competitive offers by engaging separate retailers for their EV and general electricity supply requirements.

On the basis it facilitates customer choice and effective competition that can reduce energy prices we support customers choosing to be supplied by more than one retailer. Where a customer considers there is value in engaging a different retailer for their EV needs, this can currently be achieved by establishing a new connection point or alternatively a new NMI and metering adjacent to their existing connection point which is dedicated to their EV. Appropriate safeguards will need to be put in place to manage any safety risks of inadvertent cross connection behind the meter between adjacent connection points.

The AEMC previously considered a rule change proposal to introduce a multiple trading relationships (MTR) framework to allow customers to more readily engage multiple retailers. Under the proposed framework, multiple settlement points could be supported by a single connection point allowing customers to avoid the costs associated with establishing a new connection point. The review concluded that, at that time, the benefits of MTR did not outweigh the system and procedural cost impact for retailers and networks.

This issues paper queries whether it is now appropriate to re-evaluate the merits of MTR given the increasing uptake in DER and growing opportunities to provide services to the wholesale market.

We support customer choice and retail competition; however, we remain of the view that MTR is not an efficient solution for the following reasons:

- Departing from the existing one-to-one relationship between a connection point, NMI and metering installation will create a range of operational issues. This relationship is fundamental to the NER, NERR and across a number of industry-wide procedures. Any change that requires the coupling of a number of separately metered services with a single physical connection point (i.e. net metering across multiple NMIs) would create complexities in network pricing, billing, settlement, disconnections and life support obligations. A transformative change such as MTR will require retailers and networks to incur significant IT and administrative costs.
- MTR may not promote network pricing equity and efficiency when customers are not incentivised to respond to cost-reflective price signals to manage all of their consumption

efficiently. An effective MTR design should not create incentives for customers to inefficiently split services and selectively shield certain loads from cost-reflective tariffs. It is also important that networks are not restricted in recovering residual costs across multiple services in a manner that aligns with the pricing principles and NER requirements. The additional settlement points are distinct services to which a network and retailers' obligations would apply to. It would be inequitable for networks to incur costs in facilitating and servicing MTR settlement points whilst such customers avoid an efficient allocation of residual network costs.

- Existing arrangements already provide a simple and low cost means for customers to separate energy services and engage multiple retailers. It is not apparent that an MTR will deliver improved outcomes for EV customers compared to the current arrangements. We also note that the costs associated with the introduction of MTR would be paid by all customers, not just those customers that may benefit from its introduction.
- Recent market reviews and rule changes (such as the contestability of energy services rule) have improved the competitive provision of new energy services. The industry has developed a broad policy focus on maximising the value of DER and facilitating customer access to emerging energy markets through a range of initiatives (such as ARENA's Distributed Energy Integration Program and the ENA/AEMO Open Energy Networks joint project) that aim to drive innovation without the need for complex MTR arrangements.

Therefore, we maintain our view that introducing MTR for a relatively small proportion of total customers would not be a proportionate regulatory response or lead to improved outcomes relative to the existing framework.

We believe the limited retail offerings currently available to Australian EV users is a consequence of low EV take up (which the AEMC acknowledge is a result of comparatively high purchase prices and customer 'range anxiety') and does not signal a lack of competitiveness in retail EV offerings. It is likely the competitive forces which are driving innovation and lower prices will expand to EVs once there is a sufficient number of EV users for it to be cost effective for retailers to develop EV tariffs and offers.

Should retailers not respond as expected and effective competition in EV services fails to emerge once EVs become more widespread, it may be appropriate to then review the merit of implementing MTR. It is possible that alternative MTR models to the one considered previously by the AEMC could become feasible. However, the feasibility of any prospective MTR design would need to be demonstrably better than existing arrangements, supported by a robust cost-benefit assessment and be subject to a thorough consultation process.

If you have any queries or wish to discuss our submission further please contact Jon Hocking, Manager Network Regulation at Endeavour Energy on (02) 9853 4386 or via email at jon.hocking@endeavourenergy.com.au.

Yours sincerely

**Rod Howard**
**Deputy Chief Executive Officer**