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Energy Industry Policy – Strategic Futures
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Review of Queensland Energy Legislation Issues

EnergyAustralia welcomes the opportunity to make a submission in relation to the review of Queensland Energy Legislation.

EnergyAustralia is one of Australia’s largest energy companies, providing gas and electricity to 2.6 million household and business accounts across the National Electricity Market (NEM) with a diverse generation portfolio of coal, gas and renewable assets.

In Queensland, EnergyAustralia provides electricity to over 100,000 customers. We are pleased that from 2 July 2018 we will be reducing electricity prices for our Queensland customers, by an average of 3.8% for households and 7.1% for small businesses. This equates to an annual average saving of around $80 for a household and $460 for a small business. These savings are also available to new customers.

EnergyAustralia does not retail gas or own electricity generation assets in Queensland, but we are always looking for opportunities to expand where we can provide improved services to Queensland customers.

Long term transformation is occurring in the Australian energy sector and is driven by technological advancement, greater competition, changing consumer priorities and enhanced regulation. EnergyAustralia believes the energy market must deliver for the long-term interests of consumers and this review provides a unique opportunity to streamline the existing Queensland legislative framework to do just this.

We believe customers want a competitive market where they have a choice of the most suitable products and can take control over their energy options. EnergyAustralia believes a national electricity market with national market rules and regulations harmonised with state rules, where customers can choose the most suitable and lowest cost products, and where all customers are appropriately protected, delivers the best mix of outcomes for consumers. We also believe new technology and business models need to be supported in a fair and competitively neutral manner.

Yours sincerely,

Lisa Gooding
Policy and Government Leader
Introduction

The energy industry is going through a period of rapid customer-driven transformation with new disruptive technology, embedded generation and storage, regulatory reform and consumer priorities changing each component of the traditional energy supply chain. Competitive electricity markets are best able to adapt and provide these emerging services to customers and these markets should be supported by frameworks where the costs of electricity to customers is fair and equitable, investments are rewarded and vulnerable customers are appropriately protected. Promoting the long-term interests of customers requires competition and innovation.

This submission is structured to provide focus on the needs of customers, as it is they who must be the beneficiaries of this review.

A National Market

EnergyAustralia supports harmonisation of national energy rules and regulations to create an efficiently operating energy market that minimises costs by eliminating duplicated and inconsistent regulations.

The National Energy Customer Framework (NECF) is a central element of our national energy architecture providing a uniform set of customer protections that safeguard consumer rights. Adopting the National Energy Customer Framework (NECF) in Queensland has helped to reduce the regulatory burden on retailers and ensures strong consumer protections for Queensland customers.

Despite the obvious benefits of a national market and regulatory framework, EnergyAustralia constantly witnesses state-based regulations or derogations that take us further away from a true national market. These state regulations, when considered cumulatively, add significant cost, complexity and confusion to consumers. Promoting efficiencies from consistent national frameworks is essential in the energy sector to prevent “suffocation by red tape” and deliver improvements to customers.

We note a recommendation of the Queensland Productivity Commission (QPC) inquiry into Electricity Pricing was for the Queensland Government to advocate at the COAG Energy Council to drive national reform for the benefit of Queensland consumers\(^1\). We would encourage Queensland to promote and advocate for changes through this forum and have them tested by the Australian Energy Market Commission (AEMC), rather than seeking to change electricity rules unilaterally.

EnergyAustralia advocates that a key principal of state-based energy legislation should be to ensure alignment and consistency with national energy legislation and regulations.

QPC inquiry into *Electricity Pricing in Queensland*

The QPC should be congratulated on its thorough and balanced 2016 report that clearly contextualises the key electricity issues in Queensland and makes strong recommendations.

The Terms of Reference and the scope of the inquiry were very broad and provided important advice to the Government on options to improve outcomes for Queensland electricity consumers.

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We note that many important recommendations requiring legislative change or amendment have not been adopted or been acted upon. We would suggest that implementing the key outstanding recommendations of this report would be a good starting point for this legislative review.

In particular, we would welcome progress on:

- Consideration of the merits of continuing the Queensland derogations from the National Energy Law (NER). [Recommendation 22]
- Implement a network Community Service Obligation (CSO) to enable retail competition in regional Queensland. [Recommendation 30]
- Remove the “non-reversion” policy as it relates to small customers who accept other market offers but cannot return to Ergon. [Recommendation 32]
- Review its electricity concessions framework and align eligibility and verification processes with other state jurisdictions. [Recommendations 41 – 47]

**Metering Contestability**

The AEMC rule change on expanding competition in metering promotes innovation and investment in advanced meters that deliver benefits to customers. The reforms have presented significant changes to the roles and responsibilities of distributors and retailers. Since the commencement of the rule change in December 2017, retailers have identified aspects of the new arrangements which are resulting in some meter installation delays.

While we support extending powers of entry and access to any party who requires such entry and access to fulfil its regulatory role under the national energy regulatory framework, this will not fix many of the underlying causes of metering installation delays. We encourage the Queensland Government to focus on removing regulatory impediments to meter service providers (MSP) successfully completing metering works at the initial attempt, including:

1. **Requiring distributors to provide more transparent information.** This will enable MSPs to identify any potential issues with a site before attending a job. As a distributor is likely to have records of the conditions of the meter and supporting infrastructure, requiring distributors to provide this information will allow MSPs to better manage customer expectations. For example, if there is an isolation point where multiple customers share a single fuse.

2. **Obligations on distributors where co-ordinated work is required.** Where a distributor is required to be on the premise at the same time as the MSP, we are not able to schedule an appropriate time with the distributor. While, the distributor will provide a window, for example in the afternoon, this means the MSP has to waste time waiting on the distributor. Distributors should be required to support quick and low-cost metering works where a retailer/MSP needs to engage a distributor to complete a meter installation. This will allow for cost effective delivery of meter exchanges and installations and provide better customer outcomes.

3. **Providing clarity of work practices to be used where appropriate.** There are occasions where the lack of co-ordination or reluctance from distributors to assist are
causing metering delays. For example, some meter boxes are locked which prevents access for MSPs. In some cases, distributors are reluctant to provide the master key to MSPs. This is often the case in apartment blocks where meters are locked away in a room. A mechanism which provides clarity around distributor obligations will increase efficiencies and minimise installation delays.

4. Supporting the Remote Services Code: We also encourage the Queensland Government to promote Remote Services Code\(^2\) which Industry had developed to ensure the safe practices of remote de-energisation and remote re-energisation of a customer’s supply.

5. Applying distributor exemptions to retailers where appropriate: Not all the regulatory levers which apply to distributors to provide an efficient metering service have been transferred across to retailers. For example, when undertaking meter works a retailer must notify a customer at least 4 business days before the date of the supply interruption.\(^3\) While, this also applies to distributors, in Queensland this requirement was amended for distributors to allow for shorter notice periods as agreed between the distributor and customer.\(^4\) This has not been transferred across to retailers. The AEMC is currently considering this as part of the metering installation timeframes rule change request.\(^5\) We encourage the Queensland Government to support flexibility around planned interruption notifications.

Technology change and innovative business models

As previously mentioned, the energy industry is undergoing significant structural transformation. New technology and innovation is changing the way the existing grid is being utilised and how consumers are taking control of their energy production and usage. Solar PV generation, energy storage, electric vehicles, micro-grids, embedded networks, demand management and virtual power plants are leading a shift away from traditional centralised generation connected with expensive network infrastructure.

Queensland has a competitive advantage and is a recognised leader in this space. It has the highest take-up rates of solar PV in Australia and advanced battery development combined with intelligent inverter technology is being led by Queensland companies. EnergyAustralia is proud to be a foundation investor in Redback Technologies and a seller of their advanced products in Queensland. We have a NextGen business unit that participates in demand response, embedded networks as well as operating solar PV and battery storage businesses. Much of this activity and investment occurs behind the meter where new technologies and business models can be adopted more readily than the broader market. From a legislative regulatory framework perspective, the industry needs to consider how these new technologies and business models can be adopted by all customers irrespective where they reside in the network, creating a level playing field while ensuring a safety net of consumer protections for all.

We would note that an existing work program into these matters is being led at a national level by the COAG Energy Council and the AEMC and Queensland should seek to work through these processes for the changes sought, rather than duplicating these efforts.

Legacy metering infrastructure combined with legacy network regulations effectively creates commercial barriers to providing new and innovative services, micro-grid and


\(^3\) Section 59C(2) of the National Energy Retail Rules (NERR).

\(^4\) NERL (Queensland) Regulation 2014

access to demand response benefits. Benefits to consumers and the energy system as a whole extend beyond the commodity value of the energy. The value of speed of response, flexibility and non-network benefits need to be reflected in the legislative environment. Policymakers and legislators could consider adjustments to ensure the value of avoided network costs can be accessed by new technologies and business models that do not utilise grid infrastructure in the traditional manner. We suggest that a lack of transparency in relation to network capital and operational expenditure limits the opportunity of new technology and models to deliver benefits to customers.

The emergence of new products and services is a major factor in the future of energy markets and offers significant opportunities for consumers. Innovation in behind the meter environments (i.e. embedded networks) in individual properties and communities will provide greater consumer outcomes and the regulatory framework should support this innovation by ensuring national and regulatory consistency for energy sellers. The AEMC recently considered consumer protections for embedded networks including dispute resolution and access to ombudsman schemes. The three fundamental key objectives of consumer regulations for embedded networks include competitive neutrality between participants, national consistency and proportionality in regulatory requirements and certainty for industry, consumers and regulators. We refer you to the work of the AEMC6 and in this context highlight the need for national consistency in relation to regulation of emerging business models.