

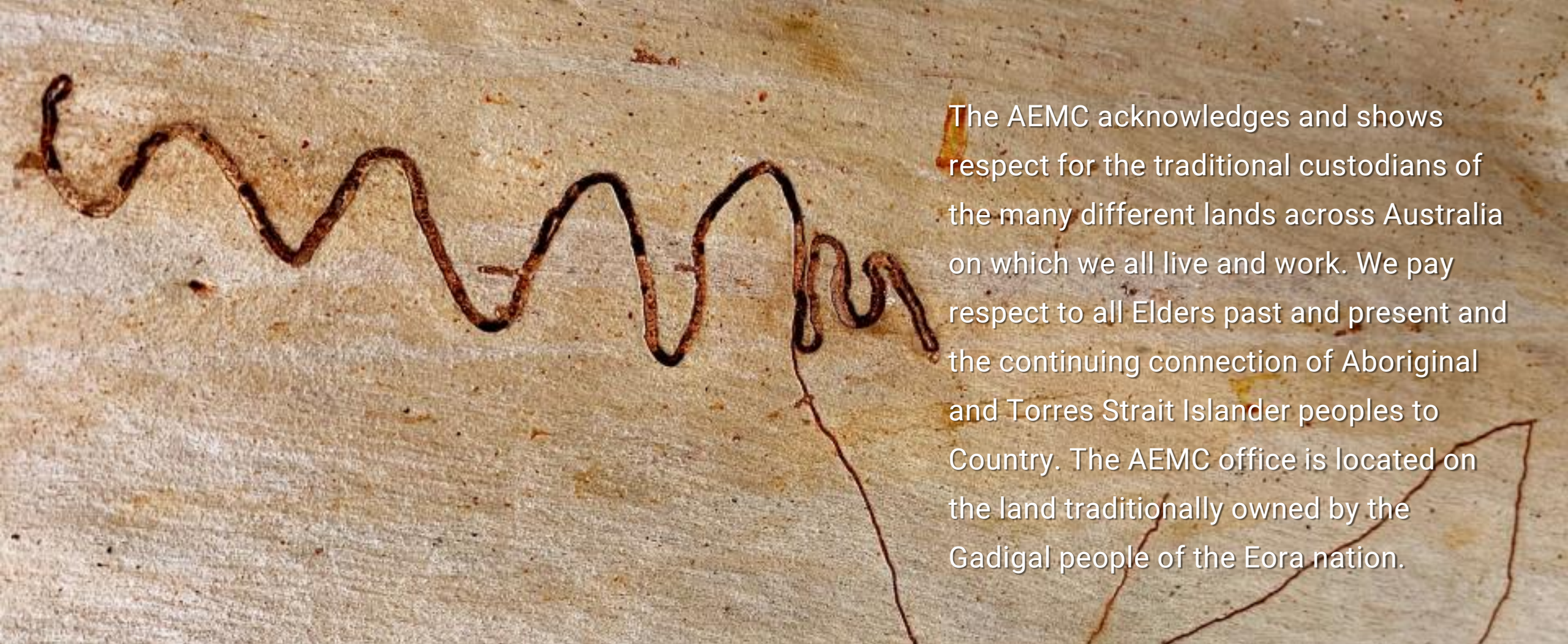
Electricity pricing for a consumer-driven future

Public forum – draft terms of reference

20 August 2024

Australian Energy
Market Commission





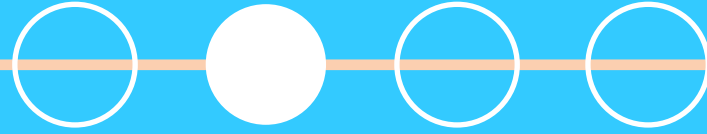
The AEMC acknowledges and shows respect for the traditional custodians of the many different lands across Australia on which we all live and work. We pay respect to all Elders past and present and the continuing connection of Aboriginal and Torres Strait Islander peoples to Country. The AEMC office is located on the land traditionally owned by the Gadigal people of the Eora nation.

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ACKNOWLEDGEMENT OF COUNTRY

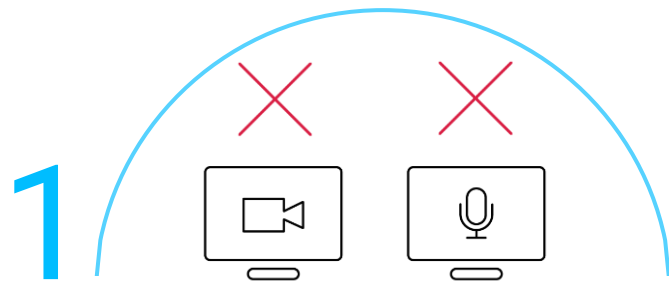
Forum agenda

| | Item | Time | Presenter |
|---|-------------------------------------|--------------------|--|
| 1 | <i>Welcome and introductions</i> | 3:30 – 3:35 | Anna Collyer, Chair – AEMC |
| 2 | <i>Broad context for the review</i> | 3:35 – 3:40 | Anna Collyer, Chair – AEMC |
| 3 | <i>Details of the review</i> | 3:40 – 3:55 | Drew Butterworth, Project sponsor |
| 4 | <i>Facilitated Q & A</i> | 3:55 – 4:30 | All Facilitator, Andrew Lewis – EGM Consumer Markets and Analytics |

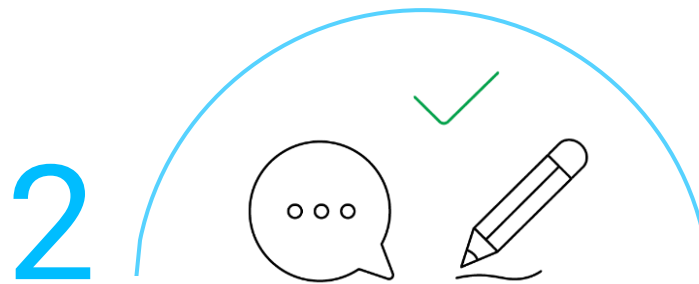


Housekeeping

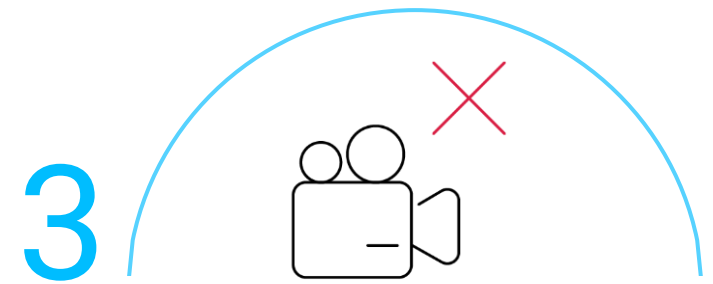
Meeting formalities



Your cameras and microphones will be turned **OFF**



Please submit your questions **IN WRITING** in the chat



Note the meeting is **NOT** being recorded

COMPETITION PROTOCOL

KEY PRINCIPLES



The AEMC is committed to complying with all applicable laws, including the ***Competition and Consumer Act 2010*** (CCA), during this forum. Breaching the CCA can lead to serious penalties for individuals involved in any breach (including large financial penalties and imprisonment for key individuals involved). This protocol governs the way in which discussions will proceed at this forum, and each attendee agrees to adhere to this protocol in order to comply with the CCA.

Each attendee must make an independent and unilateral decision about their commercial positions and approach in relation to the matters under discussion in this forum.

Attendees must not discuss, or reach or give effect to any agreement or understanding which relates to:

- **pricing** for the products and/or services that any attendee supplies or will supply, or the terms on which those products and/or services will be supplied (including discounts, rebates, price methodologies etc)
- **targeting (or not targeting) customers** of a particular kind, or in particular areas
- **tender processes** and whether (or how) they will participate
- any decision by attendees:
 - about the purchase or supply of any products or services that other attendees also buy or sell
 - to not engage with persons or the terms upon which they will engage with such persons (i.e. boycotting); or
 - to deny any person's access to any products, services or inputs they require
- **sharing competitively sensitive information** such as non-publicly available pricing or strategic information including details of customers, suppliers (or the terms on which they do business), volumes, future capacity etc
- **breaching confidentiality obligations** that each attendee owes to third parties.

COMPETITION PROTOCOL

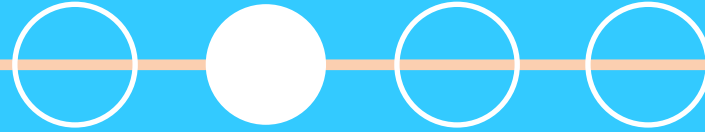
COMMUNICATION AND MEETING GUIDELINES



Attendees must ensure that all communications (including emails and verbal discussions) adhere to the ***Key Principles***.

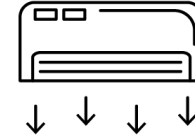
This forum will be conducted in accordance with the following rules:

- The agenda for this forum does not include anything that could contravene the Key Principles set out in this protocol.
- We will read and minute the below *competition health warning*:
 - Attendees at this forum must not enter into any discussion, activity or conduct that may infringe, on their part or on the part of other attendees, any applicable competition laws. For example, attendees must not discuss, communicate or exchange any commercially sensitive information, including information relating to prices, marketing and advertising strategy, costs and revenues, terms and conditions with third parties, terms of supply or access.
 - Participating in this forum is subject to you having read and understood the protocol including the Key Principles.
- We will keep accurate minutes of the forum, including details of attendees.
- If something comes up during the forum that could risk contravening any competition laws, attendees should:
 - Object immediately and ask for the discussion to be stopped.
 - Ensure the minutes record that the discussion was objected to and stopped.
 - Raise concerns about anything that occurred in the forum with their respective legal counsel immediately afterwards.
- All attendees understand that any competitively sensitive matters must be subject to legal review before any commitment/agreement can be given.
- Any decision about whether, and on what terms, to engage with customers and suppliers is an independent and unilateral decision of each attendee.



Context for the review

Context for the review. Why now?



Adoption of CER is pivotal for net zero

- **More households are adopting CER technologies** like solar panels and batteries.
- They play a critical role in Australia's energy transformation, helping achieve a secure, low-emission energy supply for all.

The benefits of integrating CER are big

- **Estimated \$6.3 billion in net benefits by 2040.**
- Benefits will flow to those with and without CER.
- Successful integration of CER means fewer new large-scale infrastructure projects to keep the system running.

Consumers, and the products, services and prices they get, are key

- **Consumers need the opportunity and incentive to:**
 - Choose how and when they use energy
 - Allow flexible CER to be used in the power system
 - Benefit from the integration of CER, whether or not they own CER assets.

The review is a key part of the AEMC CER work program and broader CER roadmap

1 Accelerating smart meter deployment

Final Determination Nov 2024

4 Integrating price-responsive resources into the NEM

Draft Determination July 2024

2 Electricity pricing for a consumer-driven future

Commenced July 2024

3 Unlocking CER benefits through flexible trading

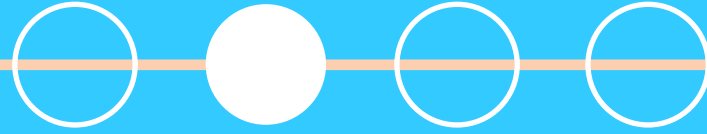
Final Determination Aug 2024



5 Real-time data for consumers

Oct 2024

New rule change request



Details of the review

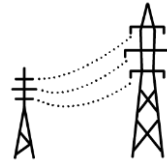
We will look at how consumers can be better served by the market and regulatory arrangements governing networks and retailers

The current arrangements for network and retail pricing:



1

May not deliver the best future for consumers



2

Were developed at a time when energy flowed in one direction and consumers' energy use was inflexible.



3

Should be:

- *aligned with consumer needs and preferences*
- *efficient*
- *effective*

Focus and objectives - How market arrangements, retailers and networks can support consumers

Focus areas

Consumer outcomes
(large and small customers)

Objectives

Choice between a range of appropriate products, services, and associated pricing structures that suit their preferences

We will consider...

Appropriateness of market arrangements



Retail pricing, incentives, and services

Effectively packaging and pricing electricity products and services to match consumer preferences

Role of retailers and energy service providers



Network pricing, incentives and services

Enabling the right products and services for consumers, and the efficient cost and pricing outcomes that result

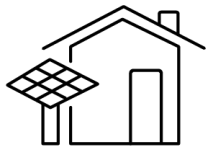
The role of distribution networks



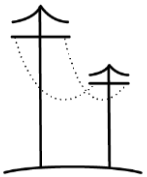
The Review will consider both current and expected future issues in developing solutions

Scope: what's in and what's out

In scope

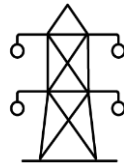


- **Flexible CER** across both large and small consumer segments.



- **Utility-scale energy** assets connected to the distribution network.

Out of scope



- **Transmission network pricing**, and the downstream communication of such pricing, to transmission network customers, generators, and distribution networks.



- **Review of the wholesale electricity market** and the secondary market (exchange-traded and other derivatives).

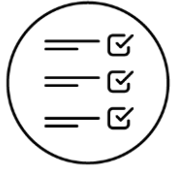


- **A review of the consumer protection framework** (as recently completed by the AER).



- **Issues being considered** through other related reforms **by AEMC**, officials, AER, AEMO, ARENA (i.e. interoperability) and others.

Our work will be guided by a set of consumer preference principles



Guides

- National Electricity Objective (NEO).
- National Energy Retail Objective (NERO).
- Principles of efficient tariff design.
- Competitive markets.



Building consumer preference principles:

Preferences now

Trends in preferences

Potential future preferences

Our analysis will reflect customer segments, including consumers with and without CER

We may conduct additional customer research



Research

- AER review of consumer protections.
- ECA work on consumer sentiment, behaviour and trust.
- Trials including Project Edith and Project Edge.
- ESB consumer insights collaboration.

Interactions with other work

We will engage with those leading related work to avoid duplication of effort and incorporate lessons

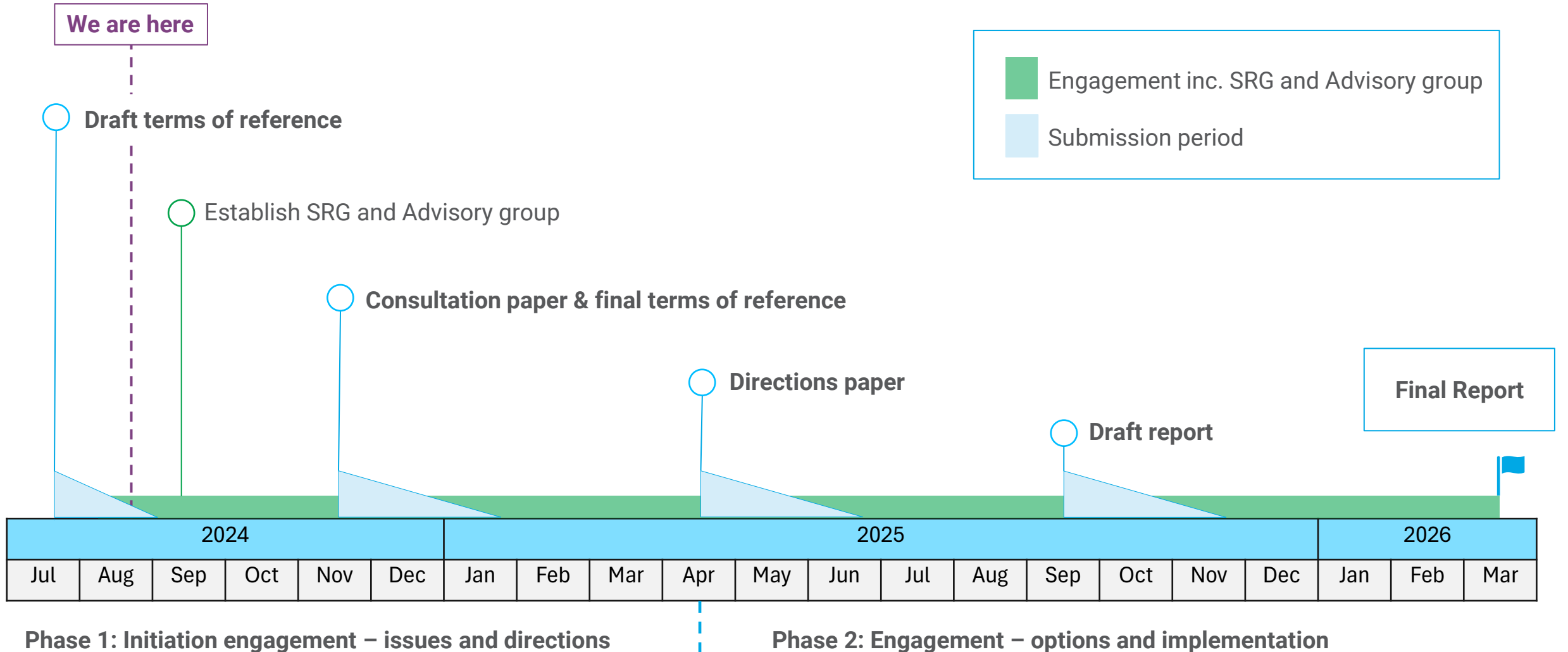
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- Accelerating smart meter deployment rule change.
- Unlocking CER benefits through flexible trading.
- Integrating price-responsive resources into the NEM.
- Real-time data for consumers.

Other reforms and trials

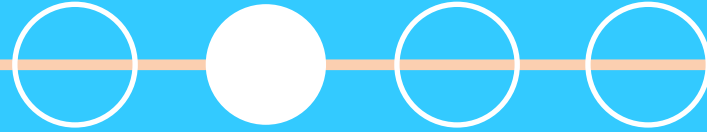
- CER taskforce and work on Distributed System and Market Operator (DSMO).
- Officials CER working group consideration of AER review: consumer protections for future energy services.
- AER work on flexible export limits.
- ECA work on consumer sentiment, preferences and trust.
- Ausgrid's Project Edith network pricing trial.
- ARENA Project Edge (complete).
- ARENA DEIP work on interoperability.
- The Energy Charter work on customer-led tariffs.

We will consult throughout the review process



Next steps.

- ***Incorporate feedback*** into draft terms of reference.
- ***Establish Advisory Group*** and SRG (August / September).
- ***Finalise terms of reference*** and **publish consultation paper** (November).



Discussion



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