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John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

***EMO0030 – STRATEGIC PRIORITIES FOR ENERGY MARKET DEVELOPMENT
DISCUSSION PAPER***

Ergon Energy Corporation Limited (Ergon Energy), in its capacity as a Distribution Network Service Provider (DNSP) in Queensland, welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its Strategic Priorities for Energy Market Development – Discussion Paper (Discussion Paper).

Ergon Energy is generally supportive of the AEMC's approach and agrees that the current strategic priorities remain relevant. In response to the AEMC's invitation to provide comments on the Discussion Paper, Ergon Energy has focused on the strategic priorities of *Consumer Participation* and *Flexible Market Frameworks*.

Ergon Energy is a member of the Energy Networks Association (ENA), the peak national body for Australia's energy networks. The ENA has prepared a comprehensive submission addressing the AEMC's Discussion Paper. Ergon Energy is generally supportive of the responses contained in their submission.

Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AEMC require.

Consumer Priority

Engagement

Ergon Energy supports the engagement of consumers in the regulatory process and notes there have been a number of institutional changes through the establishment of Energy Consumers Australia and the Australian Energy Regulator's (AER) Consumer Challenge Panel. Ergon Energy employs a comprehensive consumer engagement process and looks forward to working closely with consumers through future regulatory processes.

Participation

Small customers in the Ergon Energy distribution area do not pay cost reflective prices for their energy due to the Queensland Government's uniform tariff policy. Notwithstanding, Ergon Energy Network is currently in the process of major structural tariff reforms that reflect the long run marginal cost of supply, consistent with the new distribution network pricing objective which was introduced in December 2014. The new tariff structure statement and indicative prices will be submitted to the AER on 27 November 2015.

Protection

Ergon Energy supported the development and introduction of the National Energy Customer Framework (NECF) in Queensland on 1 July 2015. However, Ergon Energy agrees with the ENA that consumer protection frameworks must be flexible to deal with new business models and services, as discussed below.

Market and Network Priority

Technology and new business models

Ergon Energy suggests regulation needs to be flexible enough to allow regional market incumbents to provide these 'market' products and services. Without care and attention, Australia may see the emergence of a two tier customer experience with regional customers unable to enjoy the benefits of the new technology and services afforded to the more densely populated areas.

Network evolution

Many of the current advances in technology, accompanied by the falling costs of these technologies, make them viable alternatives in providing cost effective, efficient and economically beneficial solutions in terms of customer access to energy. Ergon Energy believes that the regulation of networks should focus on the core monopoly assets rather than the emerging technology that may be connected to these assets. For example, a view has emerged that batteries should be treated in the same way as generation and therefore DNSPs should not be permitted to deploy batteries let alone include them in their regulated asset base, despite the emerging evidence that network scale batteries could defer or even substitute more expensive augmentation of the network. This is particularly so in regional areas where the costs of network augmentation can be very expensive compared to the cost of installing a battery on a per customer basis.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely



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