

# Strategic Priorities Discussion Paper Forum

Gavin Dufty – SVDP

# AEMC - Strategic Priorities Discussion Paper Forum

Two broad themes:

1. Government policy (climate change, CSOs) and regulatory framework
2. Market structure and design – issues for competition

# Government policy /regulatory framework

- Climate change related policies (carbon reduction, smart meters/smart grids, RET, FIT...) and the impact on price and market design.
  - How will the price increases wash through?
  - How will consumers react?
  - How will the market respond?
  - Can the small retailers respond?
- Role of state government in the delivery of CSOs
  - National market, federal climate change policies and state CSOs
- Role and extent of private companies obligations in delivering essential services - is the NECF adequate ?

# Government policy /regulatory framework

- The importance of regulatory enforcement of consumer protections – non-binding regulatory guidance is not enough
- Increased need for consumer voices
  - Thinning out of consumer advocates as new issues emerge and issues diverge
  - Jurisdiction specific issues
  - Challenges in relation to resources, skills and coverage
- Need minimum standards in the provision of information, comparability, privacy and security.

# Market structure and design – issues for competition

- To cap or not to cap
  - Divergence or convergence between states
  - Price implications for a single deregulated jurisdiction with retailers operating nationally
- Gas – the forgotten fuel
  - Interrelation between the domestic gas and electricity market
  - Dual fuel is becoming less cost effective and the impact this has on competition in electricity
  - Do we have an overall energy policy on fuel mix? – reduced competition for electricity as gas is the only real cost effective competitor
- Slicing and dicing - market segmentation
  - The two biggest players seem to focus on different customer segments
- ROLR events
  - Will the second tier retailers manage the change and continue to offer competitive rates ?

# Market structure and design – issues for competition

- Nodal pricing - increased price variation within and between networks
  - Already happening in gas
  - Efficient cost allocation vs. impact on competition (incl. reduced ‘social decision making’)
- Increased complexity in the domestic energy market (smart grids – smart meters)
  - Households just want an understandable energy price – they want certainty and simplicity – 5 part season tariffs exist now !
  - Who is my retailer Multiple players in utility space makes it confusing (RBs, DBs, other parties)