

9 October 2015

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

Lodged online: www.aemc.gov.au

Dear Mr Pierce,

RE: Strategic Priorities for Energy Market Development Discussion Paper

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Australian Energy Market Commission's (AEMC) *Strategic Priorities for Energy Market Development Discussion Paper* (the Discussion Paper).

The ERAA represents the organisations providing electricity and gas to over 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

The ERAA believes the current strategic priorities outlined in the Discussion Paper remain relevant and appropriate. The ERAA does not have any comments in relation the gas priority and the related "areas of focus for the priority in 2015" included in the Discussion Paper.

Consumer priority

The consumer priority includes three areas for focus, namely engagement, participation and protection. The ERAA believes the focus on engagement should incorporate building consumer confidence in the energy industry. Consumers are central to the energy market and as such, building a consumer-focused approach to technology and new business models must be a strategic priority for the AEMC.

Continuing the program of work initiated under the Power of Choice Review should be the key mechanism supporting the consumer priority. There are a number of significant reforms proposed under Power of Choice, many of which have similar objectives outlined in the Discussion Paper relating to the need to increase competition and improve consumer access to demand-side services. An assessment of the impact of an individual reform, requires adequate time for market adjustment to take place. It is therefore important that recently implemented Power of Choice reforms are given appropriate opportunity to be adopted by the market before additional reforms are considered. A regulatory framework which recognises the maturing nature of the market will have a positive impact and result in improved efficiency and ultimately lower energy bills for consumers.

Networks and markets priority

The ERAA notes that the networks and markets priority includes technology and new business models as a focus. We believe that in light of the growing importance of new technologies, products and services in the market, consideration of appropriate regulatory requirements and applicable consumer protections should be a priority. The continued



regulatory void in relation to a number of new business models encourages experimental practises which could cause competitive disadvantages, undermine consumer protections, and increase the future cost of businesses transitioning to a more robust regulatory framework.

The ERAA questions whether networks should be included in the third priority. We firmly believe consideration of networks in market development should relate to solely to the efficient operation and regulation of monopoly network businesses. Where network businesses seek to offer products and services that are, or could be, in competition with other providers, this should fall under the markets category. It is important that these activities are clearly differentiated in the AEMC's considerations, and if inclusion of networks is justified, this should be a separate fourth priority. Establishing an appropriate nationally consistent ring-fencing guidelines is necessary for a competitive market. It is vital that information, data and knowledge obtained by network businesses is only permitted to support regulated activities.

Allowing networks to exploit the geographical concentration and economies of scale provided by their monopoly businesses when providing contestable services enabled by new technologies risks de-facto vertical reintegration of the electricity supply chain. This is not in the long-term interests of consumers as it is likely to create a barrier to entry and limit the growth of other potential providers, reducing competition and consumer choice in the market for energy services.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Alex Fraser', with a horizontal line underneath.

Alex Fraser
Interim CEO
Energy Retailers Association of Australia