

11 October 2012

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Via electronic submission

Dear Commissioners

Submission on Draft Report: Power of Choice (DSP 3) – giving consumers options in the way they use their electricity

Australian Power & Gas (**APG**) welcomes the opportunity to provide a submission to the Australian Energy Market Commissions (**AEMC**) to support its *Draft Report: Power of Choice – giving consumers options in the way they use their electricity* (**Draft Report**). APG commends the AEMC for the entirety of the *Power of Choice* review thus far and appreciates the continued consultation with the retail energy industry on this substantial review.

APG is a Tier 2 retailer supplying electricity and gas to customers in New South Wales, Queensland and Victoria. Commencing operations in 2007, APG has grown its customer base across three states to approximately 341,000 customers. APG currently serves household energy consumers and will focus its submission to the AEMC around its experience in serving residential customers. Please find attached APG's responses to the Draft Report's recommendations and questions relevant to APG's experience. APG also supports the submission of the Energy Retailers Association of Australia (**ERAA**), of which APG is an active, full member.

APG is pleased to see the AEMC's understanding that implementation of demand side participation (**DSP**), particular for mass market consumers, is seen as a gradual market transformation that will require:

- Substantial education of mass market consumers to understand their electricity consumption;
- Implementation of enabling technologies such as smart meters and tools for consumers to actively review their consumption;
- Establishing cost reflective price signals, through network tariffs and retail pricing, that allow consumers to choose the retail product that best serves their needs; and
- Ensuring that adjustments are made in the regulatory frameworks to allow for effective DSP.

APG agrees these principles are fundamental to allowing DSP to develop organically in the mass market. However, APG believes that added to these requirements must be retail price deregulation across the National Electricity Market (**NEM**) to ensure that actual cost reflective price signals are being provided to consumers so that they can make informed choices about

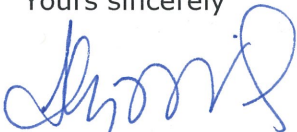
their energy usage based on the true cost of electricity. Whilst APG understands that price deregulation is not within the ambit of this review, it does believe that only through open market competition will consumers fully understand the correlation between their consumption choices and the impact on their energy bill.

APG considers that fundamentally, the current market arrangements are sufficient to facilitate DSP. However, APG recognises the likely need for amendments to be made to existing market arrangements to effectively cater for the introduction of new market players, such as aggregators and electric/natural gas vehicles providers. APG encourages the AEMC to continue to undertake an overall light handed approach to recommending regulatory changes to facilitate changes to the market.

In relation to the AEMC's draft advice on energy market arrangements for electric and natural gas vehicles, APG fully supports the submission provided by the ERAA. In particular, APG seeks further analysis be undertaken by the AEMC in relation to the disconnection arrangements where a connection point has two financially responsible metering providers (**FRMP**). APG agrees with the ERAA that the AEMC's recommendation that either FRMP would be able to disconnect the site creates significant issues for the retailer, which is currently the only FRMP subject to retail regulation. As the provider of an essential service, it is not practicable or reasonable to expect that a non-retailer FRMP can disconnect the essential energy service of a consumer. APG believes that it is critical that the AEMC consider that in a scenario where there are dual FRMPs, each FRMP is only able to disconnect their respective loads separately.

APG welcomes the opportunity to discuss its submission with the AEMC and appreciates the consultation opportunities provided through this process. Please do not hesitate to contact me on 02 8908 2714 or via email at hpriest@auspg.com.au.

Yours sincerely



Hilary Priest

Manager, Government and Regulatory Affairs

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
2. Facilitating consumer access to electricity consumption information	
2.3.1 Timely and accessible energy and metering data to consumers	
<p>Draft Recommendation:</p> <p>We propose that changes are made to:</p> <ul style="list-style-type: none"> • Chapter 7.7 (a) of the NER to clarify the requirements on a retailer when consumers request access to their energy and metering data. This would include provisions relating to the format and structure of data to be provided; the timeframes for delivery; and fees that can be charged. • Chapter 7 of the NER to require, at a minimum, a retailer to provide residential and small businesses consumers with information about their electricity consumption load profile. There may be a need to amend the NECF to ensure consistency of arrangements. 	<p>Australian Power & Gas (APG) supports clarifying the retailer role in the supply of data when requested by consumers. As retailers are the custodian of consumer-owned metering data, retailers have the responsibility to preserve and protect the privacy of consumption data.</p> <p>With this in mind, APG is supportive of retailers better facilitating access of consumers to their data provided that:</p> <ul style="list-style-type: none"> • Any data provided to third parties by retailers requires the explicit informed consent of the consumer; and • No direct third party access to customer data is given through linking of portals to retailer databases such as the iHub proposed by the Department of Resources Energy and Tourism (DRET). The decision and need to utilise consumption data should be driven by consumer choice. <p>In order to facilitate “portability” of data, APG would be supportive of developing an industry format or standard of how the data should be delivered so that consumers can use such data across multiple platforms.</p>
<p>Question:</p> <p>1. What should be the minimum standard form and structure of energy and metering data supplied to consumers (or their agents)? Should these arrangements differentiate between consumer sectors (i.e. industrial/ commercial and residential)</p>	<p>APG supports the use of NEM12 data and considers it should be established as the minimum standard form and structure of metering data provided to consumers. NEM12 data is currently being used and APG considers that continuing to provide data in this format will avoid duplicating existing processes. Currently, consumers have access to their data under the current jurisdictional rules and under the National Energy Customer Framework (NECF).</p> <p>If the Australian Energy Market Commission (AEMC) considers that there is an issue with the format by which this information is supplied to consumers, then APG will work with industry to agree on a standard or format. However, industry would seek to ensure that such a format not be overly complex as this may cause operational issues that will reduce efficiency of service and increase costs.</p> <p>APG is of the view that solutions currently exist to ensure consumers are adequately provided with their data (i.e. Green button), and there is no need for government to develop new and expensive portals and hubs to house consumer data and use comparison sites.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
<p>Question:</p> <p>2. When do you think it is appropriate for a retailer (or responsible party) to charge a fee for supplying energy and metering data to consumers or their agents?</p>	<p>Under the current rules, consumers are able to access their data without charge once per annum. APG agrees that consumers should be able to access their consumption data free of charge once during the year and that an agreed reasonable charge should be in place for requests in excess of one request. The reasonableness of that charge should be reflective of the retailer's cost to provide the information.</p> <p>The requests for metering data will likely increase and change with the uptake of smart metering technology. However, APG along with most retailers be providing its customers with means by which they can access their own smart meter data.</p> <p>If industry moves to an agreed format for the provision of the data and a consumer requests their data be provided in a format which differs from this, the consumer should incur a charge for the provision of the service. The appropriate fee to be charged should be determined by industry. Again, the reasonableness of that charge should be reflective of the retailer's cost to provide the information in a format that is not consistent with industry standard.</p>
<p>2.3.2 Transfer of energy and metering data to authorised consumer agents</p>	
<p>Draft Recommendation:</p> <p>We propose that changes are made to Chapter 7.7 (a) of the NER to enable agents, acting on behalf of consumers, to access consumers' energy and metering data directly from a retailer. This would include requirements on a retailer to provide consumers' energy and metering data to an authorised consumer's agent (third party), following explicit informed consent.</p>	<p>APG is not opposed to consumers engaging third parties to manage and access their data. However, we have concerns with the recommendation. As the retailer is responsible for maintaining the privacy of consumer data and is the liable party should there be a breach of a customer's privacy, any access to data by a third party must be done with the consumers explicit informed consent. The retailer must be able to receive the explicit informed consent from the consumer and cannot reasonably rely on a third party agent to verify that consent. APG believes the existing rules in this area adhere to the National Privacy Principles (NPP) and are reasonable.</p> <p>In addition, this recommendation raises issues in relation to the consumer protections, which may be necessary to protect consumers in situations where third parties are utilising consumer data and meter access to deliver services. Retailers are subject to heavy regulation by the states and under NECF. Accordingly, APG considers that third parties delivering energy management services where meter data is utilised should be subject to similar consumer protections. APG does not suggest this needs to be as fulsome as the NECF retailer authorisation process; however we recommend that the AEMC consider the consumer protection arrangements in respect of these third party service providers to ensure that consumers are no less protected where a third party has been given access to the consumers' data.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
2.3.3 Market information to develop DSP products and services	
<p>Draft Recommendation: We propose that changes are made to the NER to require AEMO to publish market information on representative consumer sector load profiles.</p>	
<p>Question: 3. Do you agree that general market information should be published on consumer segment load profiles to inform the development of DSP products and services to consumers?</p>	<p>APG requests the AEMC clarify what it considers will be the benefits derived from providing this information to consumers. Currently, load profiles are used as means to help gauge hedging residential load for wholesale purposes and may not be suitable for consumer use. Customers would also need to be educated on how to utilise the information. This will in turn place additional requirements on retailers to staff call centres and provide resources to respond to potential consumer confusion.</p> <p>However, with enabling technology such as smart meters and associated portals and web-based tools, consumers will be able to view their own data in near real time, download it, and utilise it with price comparison tools which may help them determine how their actual load compares with others and products available to them.</p>
<p>Question: 4. Is AEMO the appropriate body to publish such information, or should each DNSP be required to provide such information particularly where data will be at the feeder level where accumulation meters are installed?</p>	<p>If the AEMC recommends that general market information on consumer segment load profiles should be published, APG considers the Australian Energy Market Operator (AEMO) is the appropriate body to undertake the role.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
3. Engaging with consumers to provide DSP products and services	
3.3.1 Energy services to residential and small business consumers	
<p>Draft Recommendation: We recommend that the NECF is clarified to make it clear what arrangements apply to third parties providing “DSP energy services”. This should involve establishing criteria either in the NECF or the AER guidelines on retail exemptions. The criteria could include the circumstances where accreditation (or exemptions) of parties is required and the relevant provisions of the NECF that would apply (i.e. marketing rules, and the relevant enforcement and monitoring provisions).</p>	<p>APG fully supports the recommendation that NECF be amended or clarified to ensure that there is a reasonable consumer protection framework in place for third parties consistent with those in place for retailers. We are pleased to see that the AEMC has supported this in the draft report.</p> <p>APG has been part of the development with the Energy Retailers Association of Australia (ERAA) of a framework to guide whether a third party is undertaking the management of energy services which are consistent with the activities of a retailer. APG would like to see the AEMC adopt this framework as part of its final report recommendations and provide guidance to governments implement legislative changes necessary to ensure that there is efficient implementation of a framework to cover third parties under a reasonable form of NECF authorisation.</p>
<p>Question: 5. What specific criteria could be used to determine whether elements of the NECF (i.e. marketing code) apply to third parties providing DSP energy services to consumers? That is, beyond Australian Consumer Law?</p>	<p>APG recommends that industry is given the opportunity to work with regulators and other stakeholders to develop an appropriate regulatory framework that is consistent with the type of demand side participation (DSP) service being delivered. As discussed on its response to the draft recommendation, if the DSP meets the criteria that it is effectively managing energy services, than a regulatory framework needs to be in place consistent with a form of NECF authorisation.</p>
<p>Question: 6. What requirements should be in place for these third parties? For example, what should be the form of authorisations/accreditations?</p>	<p>As discussed above, APG agrees that a form of regulatory authorisation should exist for third parties engaging in energy management services, including DSP. However it may not require the same level of authorisation as applies for a retailer, but it should provide consistency in that consumers should be no worse off if engaging a third party for energy management services than they are in their relationship with their retailer.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
3.3.2 Role of retailers and distribution network businesses – engaging with consumers	
<p>Draft Recommendation:</p> <p>We recommend that the NER and NECF are clarified to outline the conditions when a distribution network business can engage directly with consumers to offer DSP network management services. This may involve establishing appropriate guidelines/process for the AER to apply and outlining which elements of the NECF apply.</p>	<p>APG believes that DSP being delivered in the contestable market cannot be undertaken by monopoly. Any Distribution Network Service Provider (DNSP) operating in the contestable areas of the market needs to be doing so through an appropriately ring fenced entity. APG strongly supports current efforts by the Australian Energy Regulator (AER) to review the ring fencing guidelines and supports harmonisation and increased prescriptiveness of the guidelines. This is necessary with the increased number of players, particularly DNSPs entering what may be contestable areas of the market.</p> <p>APG accepts that there may be need for load control in emergency situations, which must be executed by a DNSP. But for broad-based DSP, retailers can help facilitate this on behalf of DNSPs through their marketing capacity and customer base which helps DNSPs meet their network constraints. With the proliferation of smart meters, consumers will be open to new innovative products that meet wider needs to be able to reduce peak demand.</p>
<p>Question:</p> <p>7. Do you agree that existing rules and guidelines should be amended to clearly outline the circumstances when distribution businesses are able to directly contract with residential and small consumers to deliver DSP network management services/programs?</p>	<p>APG supports revision of the existing ring fencing guidelines, which are currently under consultation by the AER. With the changing energy market and the increasing number of players operating in the contestable areas of energy services delivery, ring fencing needs to be clarified and strengthened. DBs that contract directly with household consumers for the delivery of DSP need to be operating in a ring fenced entity from their monopoly business and should be subject to a NECF authorisation as recommended in 3.3.1.</p>
4. Enabling technologies for DSP	
4.3.1 Functional specification for meters in the NER	
<p>Draft Recommendation:</p> <p>We recommend that a new minimum functionality specification is included into the NER for all future new meters installed for residential and small businesses consumers. That specification should include, interval read capability and remote communications.</p>	<p>APG agrees with this recommendation to ensure that there is a baseline standard for smart meters being installed. Such a baseline standard should allow for interoperability between all meters in order to reduce the potential for meter churn when consumers change retailers, which may result in stranded assets and wasted equipment.</p>
<p>Question:</p> <p>7. Should the minimum functionality specification for meters be limited to only those functions required to record interval consumption and have remote communication? Alternatively, should the minimum functionality include some, or all, of the additional functions specified in the SMI Minimum Functionality Specification?</p>	<p>The minimum functionality should ensure that consumer data can all be remotely read, remote re-energisation and de-energisation can be performed, which APG would expect to be part of any remote communication capability. Such functionality should allow for the meter to be utilised by other retailers or authorised third parties regardless of whether the consumer changes retailer. Also, for residential consumers, meters should allow for communication levels such that if consumers want to control their own appliances, that they can do so.</p> <p>The SMI Minimum Functionality Specification currently provides for a number of “optional” specifications and APG considers that these should remain optional.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
4.3.2 When should metering infrastructure be installed	
<p>Draft Recommendation: We recommend that:</p> <ul style="list-style-type: none"> • The installation of meters consistent with the proposed minimum functionality specification to be required in certain situations (e.g. refurbishment, new connections, replacements). • Such metering must also be installed on an accelerated basis for large residential and small business consumers whose annual consumption a defined threshold. 	<p>APG supports this recommendation in principle, but believes that the market will determine where accelerated roll outs should happen and in what situations.</p> <p>APG does not support an accelerated roll out of smart meters if it is mandated. Any accelerated roll out still must consider the consumer’s choice to install a smart meter and the need for targeted education of consumers being affected.</p>
4.3.3 Arrangements to support commercial investment in metering technology	
<p>Draft Recommendation: Reforms to the current metering arrangements are necessary to promote investment in better metering technology and promote consumer choice. We put forward a model where metering services are open to competition and can be provided to residential and small business consumers by any approved metering service provider.</p> <p>If new arrangements are implemented, then we advise that governments should consider removing the possibility of a mandated roll-out of smart meters.</p>	<p>APG supports this recommendation.</p>
<p>Question: 8. Does the separation of the provision of metering services from retail energy contracts remove the need for meter churn when a consumer changes retailer? Does this cause any unforeseen difficulties or create any material risk? Are there any alternative approaches to reducing the need for meter churn?</p>	<p>APG is not clear about the concern of the AEMC in this area as currently metering services and retail contracts are bundled, and meter churn is not an issue. However, there may be issues foreseen by the AEMC or other stakeholders, particularly around large consumers. We look forward to see some clarification of this point in the Final Report.</p>
<p>Question: 9. Are there sufficient potential metering services providers to facilitate a contestable roll out of AMI? Does the proposed model mitigate all the material risks of a contestable roll out? If not, should a monopoly roll out be adopted?</p>	<p>The market should provide for sufficient metering service providers to enter the market. Development of this market will bring parties to provide services as has been the case in New Zealand. APG opposes any monopoly roll out as is the case in Victoria as it stifles competition and innovation.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
<p>Question: 10. What should the exit fee when a consumer upgrades it meter from one provided by the local distribution business? Is the proposed fixed 30% of the cost of a replaced meter appropriate?</p>	<p>APG does not agree that a 30% exit should be imposed. Networks should be able to accurately assess what the depreciated value is of a meter being changed. Introducing a blanket 30% exit fee may reduce consumers exercising their choice and being locked into a meter that does not best serve their needs. APG believes that if a customer is changing from an accumulation meter to a smart meter, no exit fee should be paid to the network.</p>
<p>Question: 11. Does the option of a government mandating an AMI roll out within its jurisdiction act as a strong disincentive to a commercial roll out? Should the ability for these governments to mandate an AMI roll out removed from the NEL?</p>	<p>APG recommends the AEMC and governments examine the lessons learned in the Victorian case where the government mandated an Advanced Metering Infrastructure (AMI) roll out. The rollout has not met with strong consumer sentiment and has been hurt by delays. Further, commercial opportunity to roll out meters that consumers seek will be eliminated if there is the potential for governments to mandate a roll out.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
5. Demand side participation in wholesale electricity and ancillary services markets	
5.3 Demand response mechanism	
<p>Draft Recommendation: We recommend a demand response mechanism that pays demand resources via the wholesale electricity market is introduced. Under this mechanism, consumers participating in the wholesale market can make the decision to continue consumption, or reduce their consumption by a certain amount for which they would be paid the prevailing spot price.</p>	<p>APG will not be responding to each recommendation and question as raised in Section 5 of the Draft Report. It offers consolidated comments with respect to recommendations 5.3 and 5.7.1 below.</p> <p>APG supports the use of Demand Response (DR), as numerous retailers offer DR products for their commercial and industrial (C&I) customers, which are incentivised to reduce load during key periods in order to reduce their energy bills. Retailers are in the best position to manage such financial and commercial arrangements as they can manage the risks associated from the wholesale side through the effective management of their wholesale portfolio.</p> <p>APG does not understand the AEMC’s view that it is necessary to introduce a third party driven mechanism to undertake the role already being fulfilled by retailers. As the AEMC is seeking to demonstrate economically efficient solutions as part of its review, APG is not certain it sees the economic efficiency in seeking a third party to provide services already provided by retailers.</p> <p>While APG believes the concept of DR pricing, there are a number of complexities that will need to be managed in order for a third party to be active in this space. These include licensing requirements for provision of such financial products and better understanding of how retailers will remain whole.</p>
5.7.1 Creating new category of market participant	
<p>Draft Recommendation: We recommend creating a new category of market participant in the NER that will allow for the unbundling of all non-energy services from the sale and supply of electricity.</p>	<p>APG is not entirely clear whether the draft recommendation covers entities selling energy services and requests further clarification in the Final Report.</p> <p>APG supports creating a new market participant for third parties selling energy services to the market and supports such parties being subject to regulatory requirements consistent with the DSP service being provided. NECF should be amended to allow similar consumer protections to apply in respect of retailers and third party service providers.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
6. Efficient and flexible pricing options	
6.3.2 Building consumer confidence through education	
<p>Draft Recommendation:</p> <p>We recommend that governments and industry work together to educate consumers and provide them with the information they need to understand both the system wide benefits and potential individual gains from time varying tariffs.</p>	<p>APG agrees that education is critical to the successful delivery of changes in electricity infrastructure such as smart meters and the successful implementation of flexible pricing. We consider that retailers are in a strong position to educate their consumers in both areas and to help consumers build an understanding of how flexible pricing may suit their needs.</p> <p>APG also agrees that industry and government must work together to ensure that educational messages are agreed to be incorporating necessary consumer protections as well as reflecting retailer practicalities to ensure that consumers are getting the full picture of how flexible pricing will be beneficial to them.</p> <p>Internationally, successful rollouts of smart metering and flexible pricing have been those coupled with a strong education effort to build consumer confidence that the changes will benefit them.</p>
6.3.3 Managing the impacts on vulnerable consumers	
<p>Draft Recommendation:</p> <p>To manage the impacts on vulnerable consumers we recommend that:</p> <ul style="list-style-type: none"> • Arrangements are put in place for consumers, which may a limited capacity to respond, to remain on a retail tariff which has a flat network component, and would have the option to choose a time varying tariff. • Government programs target advice and assistance to these consumers to help manage their consumption. • Governments review their energy concession schemes so that they are appropriately targeted. 	<p>APG supports these recommendations.</p> <p>Retailers currently manage the impacts of the energy market with their vulnerable customers including helping them identify retail tariffs that best suit their needs. APG also agrees that government will need to adjust their assistance through concessions to help consumers better manage their consumption.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
6.3.5 Phasing in time varying pricing	
<p>Draft Recommendation:</p> <p>The transition to better price signals in the NEM should be done in a gradual phased approach. We propose that this can be achieved through:</p> <ul style="list-style-type: none"> • Focusing only on introducing time varying prices for the network tariff component of consumer bills. Retailers would be free to decide how to include the relevant network tariff into their retail offers; and • Segmenting residential and small business consumers into three different consumption bands and applying time varying network tariffs in different ways. This would work as: <ul style="list-style-type: none"> - For large consumers (band 1), the relevant network tariff component of the retail price must be time varying. This would require these consumers to have a meter that can be read on an interval basis. - Medium to large consumers (band 2) with an interval meter would transition to a retail price which includes a time varying network tariff component. These consumers would have the option of a flat network tariff. - Small to medium consumers (band 3) would remain on a flat network tariff. These consumers would have the option to select a retail offer which includes a time varying network tariff, if they so choose. 	<p>APG will be providing a consolidated response to 6.3.5.</p> <p>APG agrees that any transition to new network tariff arrangements needs to be gradual to allow for consumers to understand through effective education how the tariff change can be of benefit to them and their management of their energy use.</p> <p>Adoption of “bands” for when consumers will be required or may opt-out or opt-into variable network tariffs should only be used for transitional period with the goal in the medium term that all consumers with a smart meter are moved to flexible pricing. However, consideration may need to be given to the number of bands to be used as depending on the thresholds set for each band, consumers may find themselves moving between bands depending on seasonality. For retailers to manage the movement of consumers between bands there are operational complexities that may arise and should be considered.</p> <p>AEMC needs to consider how the impact of a network tariff change would be reflected by retailers as currently retailers must obtain explicit informed consent to change a consumer’s tariff. Retailers do not want to wear the risk of a changed network tariff and a consumer demanding a flat tariff.</p> <p>APG anticipates that the implementation of segmentation of residential and small business consumers will be complex and looks forward to additional details in the AEMC’s final report. APG also supports extensive consultation on this recommendation.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
6.3.6 Strengthening arrangements for network tariffs	
<p>We recommend that:</p> <ul style="list-style-type: none"> The distribution network pricing rules in the NER are amended so that distribution network businesses have sufficient guidance to set efficient and flexible network tariff structures that support DSP. A new provision is included in the rules which require distribution network businesses to consult with consumer groups and retailers on their proposed tariff structures each year. 	<p>APG agrees that network should have sufficient guidance to set flexible network pricing. However, the AEMC needs to address as stated above in 6.3.5 how mandatory network tariff charges will be reflected in the retail area.</p>
<p>21. We seek stakeholder comments on appropriate pricing principles for distribution businesses and the appropriate time period for stakeholder consultation on distribution network pricing proposals.</p>	<p>IPART has drafted a rule change to require earlier updates to network pricing to allow for networks to consult with consumers. We recommend the AEMC examine this draft as APG would support these timelines.</p>
6.3.7 Addressing risks for retailers under cost reflective pricing	
<p>We recommend that once a residential and small business consumer has a meter with interval read capability, that consumer's consumption should be settled in the wholesale market using the interval data and not the net system load profile. This will be the case irrespective of whether the consumer has reverted to a flat retail tariff.</p>	<p>APG seeks clarification in the final report how what is being proposed is different from current market settlements processes.</p> <p>Also, as retailers must meet prudential requirements, these exposures will result in retailers and AEMC managing high levels of prudential transactions to cover swings in wholesale pricing.</p>
7. Distribution networks and distributed generation	
7.4 Distributed Generation	
<p>Draft Recommendation:</p> <p>b) Ability of DNSPs to own and operate DG</p> <p>We recommend that the AER should give consideration to the benefits of allowing distribution network businesses to own and operate DG assets when developing the national consistent ring fencing guidelines for these businesses</p>	<p>APG supports this recommendation provided that the DNSP offering distributed generation be a ring fenced entity from their monopoly businesses as this is a contestable area of the market.</p>
<p>Draft Recommendation:</p> <p>c) Feed in tariffs and value of export from DG units</p> <p>We consider that SCER should, in developing a national approach to feed in tariffs, take into account the value of time varying feed in tariffs to encourage owners of DG to maximise the export of their energy during peak demand periods</p>	<p>APG supports the development of a national approach to feed-in tariffs. APG considers a national approach to be more economically efficient for retailers and consumers than the current approach.</p> <p>APG further supports efforts to utilise the value derived from distributed generation to offset peak demand when needed and welcomes the opportunity to work with government on how to implement this recommendation.</p>

Recommendation or Question	APG response to AEMC Power of Choice Draft Report
8. Supply chain interactions	
8.3.1 Alternative approaches to facilitate efficient DSP	
<p>Draft Recommendation:</p> <p>The recommendations are a package of integrated reforms for the market. If implemented, the market should have time to adjust and transition to the new environment. There should be ongoing monitoring and evaluation of the market for the desired outcomes to be achieved. We therefore do not consider that additional regulatory mechanisms beyond those recommended in this report are needed for the market at this time.</p>	<p>APG supports a phased in approach to adopting DSP reforms into the market, particularly for mass market customers who require meaningful education so they can understand the role they can play in reducing peak demand and demand overall. Further, the market will need time to roll out technologies that will allow consumers to start to make demand based choices in their energy use.</p> <p>While APG strongly supports the continuing implementation of technologies in the energy market and the subsequent innovation in products and services that will come with such technologies, market and individual retailer's systems will require time to adapt to changes and urges continued consultation on changes required.</p>