



Power of choice - draft report

Power of choice – giving consumers options in the way they use electricity: Draft report released for public comment

The AEMC Power of choice review is proposing reforms to the National Electricity Market so that families, business and industry can have more control about the way they use electricity and manage their bills through greater demand side participation.

Demand side participation refers to actions available to consumers to reduce or manage their electricity use.

Effective demand side participation can help reduce pressure on prices in consumer bills in the short-term. It can also reduce the overall cost of electricity supply in the long term by delaying investment in generation and networks.

Demand side participation is becoming increasingly important because of changes in the way electricity is produced and consumed.

The electricity market has reached an important turning point and needs flexibility to strike the right balance between affordable and reliable energy supplies. We see increasing take up of electronic devices in homes and businesses, peak demand growth, new government policies and changing economic conditions which all create a new market environment where new opportunities for demand side participation can be encouraged.

The power of choice review is part of the AEMC's broad work program which is directed at supporting markets to deliver a reliable electricity supply for consumers in cost efficient ways.

What's in the Power of choice draft report

The draft report recommends a package of reforms to ensure the electricity market framework can respond to the evolving market, technological developments and consumer interests over the next 15-20 years.

The proposed reforms enable consumers to make informed choices about the way they use electricity and decide what action is best for them. It makes recommendations across all parts of the electricity supply chain designed to:

1. Provide consumers with the information, education, incentives and technology they need to efficiently manage their electricity use.
2. Provide network operators, retailers and other parts of the electricity supply chain with incentives to better support consumer choice and use flexible demand to reduce overall industry capital and operating costs.

Proposals include:

- Allowing large consumers or third parties, acting on behalf of consumers, to participate in the wholesale electricity market, and to receive the spot price for changing their demand;
- Different electricity tariffs at different times of day and in different locations to reward consumers for changing their behavior while providing safeguards for vulnerable customers who may be affected by time varying prices;

Effectively managing the demand for electricity can help reduce the cost of supply. A shift in use away from peak periods or a general reduction in consumption can delay investment in generation, poles and wires.

Draft report proposals continued.

- Improved access to consumption data to inform consumer choices;
- Introduction of time varying tariffs to be supported by consumer education to increase understanding of the potential benefits and vulnerable consumer protections;
- Encouraging investment in metering technology.
- Improved incentives for network service providers to consider DSP options rather than additional network investment in poles and wires where efficient to do so.
- Enabling consumers to sell their distributed generation (e.g. solar, embedded generation, battery storage) to parties other than their retail electricity supplier.

The draft report contains details about these proposals and other recommended changes to support their implementation.

Next steps

The review is a combined state, territory and federal government initiative of the Ministerial Council on Energy (MCE), now the Standing Council on Energy and Resources (SCER).

A public forum to discuss the recommendations of this draft report will be held in Melbourne on 3 October 2012 to build on extensive consultation already undertaken with industry, consumer and community representatives.

Stakeholder submissions on the draft report are being sought until 11 October 2012.

The review's final reform proposals will be given to SCER on 16 November 2012.

The review's Stakeholder Reference Group, which includes representatives of industry, consumers, government, regulatory and market operators, will continue to advise the AEMC as recommendations are finalised.

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