



EnergyAustralia

LIGHT THE WAY

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Commissioners
Australian Energy Market Commission
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Submitted electronically: <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Commissioners,

Australian Energy Market Commission: Issues paper – Electric vehicles in the retail energy market – CONFIDENTIAL VERSION

EnergyAustralia welcomes the opportunity to make a submission to the Australian Energy Market Commission's Issues paper: Electric vehicles in the retail energy market (Issues Paper).

EnergyAustralia is one of Australia's largest energy companies with approximately 2.5 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion-dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market (NEM).

In summary, our key points are:

- A significant amount of reform will need to be undertaken by Federal and State/territory governments to facilitate increased uptake of electric vehicles in the National Electricity Market. Key to this is reform around establishing network pricing and access arrangements for exported electricity from DER which may include exports of electricity from electric vehicles to the grid.
- We agreed with the AEMC's Final decision in 2016 to not proceed with the Multiple Trading Relationships (MTR) rule change, which found that the costs outweighed the limited benefit to customers. It is not clear if there have been any material changes since then. In a context of increasing regulatory costs, we urge the AEMC and other government bodies to undertake a cost benefit analysis of any material reform, particularly those with a high technology implementation impact like the MTR change. Currently, we do not consider that the costs of such reform outweigh the benefits.

We have responded to the Commission's specific questions in the Issues Paper that had specific relevance to EnergyAustralia.

Should you have any questions in relation to this submission, please contact Selena Liu (Selena.liu@energyaustralia.com.au or 03 8628 1548).

Regards,

Sarah Ogilvie
Industry Regulation Leader

1. Context: Are there any other contextual developments the Commission should consider in relation to EV uptake and use in Australia?

We agree with the AEMC's discussion in the Issues paper on the matters that are relevant context for the uptake of electrical vehicles in the Australian market. The AEMC should also consider the Energy Security Board's (ESB) work on a two-sided market and the role that distributed energy resources (DER) could play, and the Distributed Energy Integration Program's (DEIP) work on network pricing and access arrangements.

As the AEMC would be aware, a significant amount of reform will need to be undertaken by Federal and State/territory governments to facilitate increased uptake of electric vehicles in the National Electricity Market (NEM). Central to this, is the ESB's market design for 2025 which includes consideration of a two-sided market.

EnergyAustralia sees electric vehicles as an important factor in the two-sided market. They provide an opportunity to:

- create new retail products for consumption of electricity by electric vehicles,
- manage consumption (i.e. load shift) and provide demand response functionality – potentially reducing overall wholesale market costs for customers, and
- export electricity back into the grid at times of high grid demand to reduce reliability and security pressures (if advances in hardware, and network arrangements support this).

The high capacity of electric vehicle batteries means that they may have particularly effective application for the last two listed opportunities above.

DEIP's work on network pricing and access arrangements to support investment in DER is key. Particularly with regards to network arrangements and who should fund grid augmentations required for uptake of DER, including potentially exported electricity from electric vehicles to the grid.

We understand that an outcome of DEIP's work will be a Rule Change request to the AEMC, based on design principles, but that it may not select a specific option (e.g. firm access and export pricing). We therefore see that the AEMC will need to assess the options, through its consultation process. We emphasise that establishing network pricing and access arrangements for exported electricity from DER is important to providing certainty for investment in the electric vehicle market.

2. Role of Retailer: What challenges and opportunities, given the current role of retailers in the NEM, are EVs likely to provide retailers?

As above, EnergyAustralia considers that electric vehicles present opportunities for energy management which will provide benefits for both customers and the broader wholesale market. The ability to optimise customer charging, and potentially export latent stored energy, will help to reduce energy costs for EV owners, but also reduce total system costs for all customers.

[Confidential: Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 31 and 48 of the National Electricity Law.

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3. Regulatory barriers:

a) Do you consider that regulatory changes, like multiple trading relationships, that improve a consumer's ability to engage with multiple FRMPs at a household would enable innovative services and products to develop for EV consumers?

We recognise that reforms that facilitate more than one retailer servicing a connection point, such as multiple trading relationships (MTR) as previously considered by the AEMC¹, may benefit competition. In theory, customers could contract with different retailers for household, electric vehicle and controlled load electricity supply. However, the regulatory costs of these arrangements (IT and operational costs borne by AEMO, distributors and retailers) should be balanced with the relatively small benefit to customers.

Since Power of Choice (1 December 2017), retailers have incurred very significant regulatory costs to implement retail market reforms.

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We urge the AEMC and other government bodies to undertake a cost benefit analysis of any material reform, particularly those with a high technology implementation impact like the MTR change. We also encourage the AEMC to engage with the Australian Energy Market Operator (AEMO) to assess AEMO and industry's capacity to deliver further substantive reform programs at this time.

We agreed with the AEMC's final decision to not proceed with the MTR rule change, which found that the costs outweighed the limited benefit to customers. It is not clear if there have been any material changes since then.

In terms of customer benefit which costs should be measured against, customer benefit should be informed by:

- Number of potential users, and
- Customer testing to understand whether consumers would be interested in having multiple retailers.

¹ MTR using a newly established "settlement point" which is distinct from a connection point, and therefore avoids installing a second connection point. AEMC consultation available here: <https://www.aemc.gov.au/rule-changes/multiple-trading-relationships>

Regarding electric vehicle users, while customers are buying more electric vehicles, overall customer interest remains low with 71% - 84% of customers in each state or territory, neither owning an electric vehicle or considering purchasing one.² These figures indicate a low number of users and potential beneficiaries of multiple trading relationships or any other similar reform in the near future – and so a low benefit to customers. The AEMC's previous view still holds:

*Implementing the proposed framework may deliver some cost savings to a small number of customers who seek to set up very specific MTR arrangements. However, it is unlikely to deliver cost savings to most customers seeking to engage with multiple retailers. It is therefore unlikely to materially reduce costs for customers generally, and so unlikely to drive demand for new energy service providers or stimulate service innovation and competition in the retail electricity market.*³

If the AEMC were to explore this further, we strongly encourage the AEMC to conduct consumer testing on customer appetite to have multiple retailers. As the AEMC cited in its previous Final report, multiple submissions suggested that demand for additional connection points remains small, which tends to suggest appetite is low. Moreover, market evidence is showing a general trend to bundled or integrated service products offered by fewer providers. E.g. the bundling of electricity and gas supply and NBN services.

Further, the lack of multiple retailers at a connection point, does not mean retailers will not compete for multiple services at that connection point including electricity vehicle services – rather they are more likely to compete via an integrated service offering. Integrated service offerings can optimise generation, storage and consumption by the solar PV/battery, household and electric vehicle at one premises.

Lastly, as the AEMC has previously found, customers can engage multiple retailers by installing a second connection point now. This user-pays basis is more efficient than requiring all customers to bear the cost of a solution such as multiple trading relationships.

4. Residential charging:

a. Are there other offers in the retail market, or are you developing any others, aimed at EV consumers?

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5. Non-residential charging

a. Are you providing or developing any non-residential charging products or services?

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² Energy Consumers Australia, <https://energyconsumersaustralia.com.au/wp-content/uploads/Energy-Consumer-Sentiment-Survey-Report-December-2019.pdf>, pg. 36

³ <https://www.aemc.gov.au/sites/default/files/content/d37688a5-d16d-442b-80f5-e7fa51d64ab7/Multiple-Trading-Relationships-Final-Rule-Determination.pdf>, page ii