



13 February 2020

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Sir/Madam

**Consumer protections in an evolving market: New energy products and services
– 2020 Retail energy competition review – Issues Paper 1**

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *Consumer protections in an evolving market: New energy products and services – 2020 Retail energy competition review – Issues Paper 1* (Issues Paper).

Energy Queensland's detailed comments in response to the AEMC's consultation questions are provided in the attached table.

Should the AEMC require additional information or wish to discuss any aspect of this submission, please contact me on (07) 3851 6787 or Laura Males on (07) 4432 8222.

Yours sincerely

A handwritten signature in black ink that reads "Trudy Fraser".

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Manager – Policy and Regulatory Reform

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Encl: *Energy Queensland comments to consultation questions*

Energy Queensland Submission on the Consumer protections in an evolving market: New energy products and services – 2020 Retail energy competition review

Issues Paper 1

Energy Queensland Limited
13 February 2020



About Energy Queensland

Energy Queensland Limited (Energy Queensland) is a Queensland Government Owned Corporation that operates businesses providing energy services across Queensland, including:

- Distribution Network Service Providers, Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy Network);
- a regional service delivery retailer, Ergon Energy Queensland Pty Ltd (Ergon Energy Retail); and
- affiliated contestable business, Yurika Pty Ltd (Yurika), which includes Metering Dynamics Pty Ltd (Metering Dynamics).

Energy Queensland's purpose is to 'safely deliver secure, affordable and sustainable energy solutions with our communities and customers' and is focussed on working across its portfolio of activities to deliver customers lower, more predictable power bills while maintaining a safe and reliable supply and a great customer experience.

Our distribution businesses, Energex and Ergon Energy Network, cover 1.7 million km² and supply 34,000GWh of energy to 2.25 million homes and businesses each year.

Ergon Energy Retail sells electricity to 738,000 customers in regional Queensland.

Energy Queensland also includes Yurika, an energy services business creating innovative solutions to deliver customers greater choice and control over their energy needs and access to new solutions and technologies. Metering Dynamics, which is a part of Yurika, is a registered Metering Coordinator, Metering Provider, Metering Data Provider and Embedded Network Manager. Yurika is a key pillar to ensuring that Energy Queensland is able to meet and adapt to changes and developments in the rapidly evolving energy market.

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1 Introduction

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *Consumer protections in an evolving market: New energy products and services – 2020 Retail energy competition review – Issues Paper 1* (Issues Paper).

This submission is provided on behalf of Energy Queensland's related entities Energex Limited (Energex), Ergon Energy Corporation Limited (Ergon Energy Network), Ergon Energy Queensland Limited (Ergon Energy Retail) and Yurika Pty Ltd (Yurika).

Energy Queensland supports the examination of consumer protections for new energy products and services. In particular we advocate for consideration of a broad range of new technologies and customer segments served by our respective entities.

Furthermore, we note that while the growth of distributed energy resources (DER) continues to impact the energy market, any future regulation should enable innovation, support adoption of technology and balance risks between all parties.

Energy Queensland has provided responses to the questions raised in the Issues Paper in the following section and is available to discuss this submission or provide further detail regarding the issues raised, should the AEMC require.

2 Table of detailed comments

Consultation Paper Feedback Question	Energy Queensland Comment
Issue 1: Market developments and consumer protections	
<p>Are there any other market developments the Commission should consider when assessing consumer protections for new energy products and services?</p>	<p>Energy Queensland suggests the AEMC consider a broad range of energy products and services, and customer segments when assessing market developments with regard to consumer protections.</p> <p>We note that this Issues Paper focuses heavily on customers with solar PV and batteries, while in our view there are other new energy products and services, and customer segments the AEMC should also consider. A provision that focuses heavily on PV and battery is very technology centric. Any solution proposed by the AEMC should be technology agnostic and not rely on one device for example, smart meters.</p> <p>We would also like to highlight the risk of creating unregulated monopoly markets and how these markets interact with the broader energy consumers market, for example any entity that must earn revenue within the existing system should not add additional costs to consumers.</p> <p>Energy Queensland also expresses concern regarding the ability for third parties to act as an aggregator and make decisions to add or remove large loads from a network without visibility of the distribution network service provider (DNSP). The decision by the third party may impact network reliability and customers; outcomes which should be considered in the context of consumer protections.</p>
Issue 2: New business models and innovation in the market	
<p>Are there other business models the Commission should consider in its analysis of new energy products and services?</p>	<p>The complexities of business models can create unintended consequences as the varying business models interact, especially where the models have competing drivers. Energy Queensland notes that this has occurred in the past, for example in relation to the changes to the regulatory framework applicable to embedded networks.</p> <p>Embedded networks are now regulated within the national framework, meaning customers within the embedded network have access to retail contestability and consumer protections under the National Energy Customer Framework (NECF). However, there are potential issues associated with differences in consumer protections between customers of distribution networks and those within</p>

embedded networks. Energy Queensland considers any consumer protections should apply equitably, regardless of supply configuration. Our distribution businesses have been raising concerns about the installation of DER in embedded networks for some time. Specifically, the installation and operation of DER in an embedded network can create issues on the interconnected grid to the detriment of other customers. It is also not easy to ensure the connection of DER within these networks meet applicable connection standards to ensure a good long term customer experience.

Furthermore, we note that the AEMC's third party SAPS rule change indicates that vertically integrated solutions with limited customer protections, is likely the most efficient model and that customers should be able to give explicit informed consent to waive some of their protections.

It is Energy Queensland's view that the AEMC should carefully consider the creation of unregulated natural monopolies, without appropriate consumer protections in place.

Issue 3: Other key services and products to consider

Are there other energy products and services the Commission should consider in its analysis of the new energy products and services?

Energy Queensland suggests the AEMC should consider energy supply from substitutes, such as gas or hydrogen, and the impact of these on the traditional energy supply chain.

The AEMC should also consider how bundling of non-energy services with energy services could occur and how the complexities of multiple market interactions may impact future regulations. Energy Queensland expects that the largest impact in this area will involve the bundling of energy, telecommunications and data services.

Furthermore, the management and use of consumer data as a service and how this is managed to ensure consumer protections will be an important consideration in the future as technologies and markets integrate.

Finally, Energy Queensland recommends that care be taken not to assume that the sale of energy will be the preferred model of consumers in the future to ensure that alternative consumer centric business innovation models are not excluded due to overly prescriptive regulations.

Issue 4: Efficiency of revenue streams

Which regulatory provisions may be preventing value creation through the adoption of new technology?

It is Energy Queensland's view that in some cases prescriptive regulation limits innovation and prevents the uptake of new technologies. However, this must be weighed against ensuring the provision of a safe and reliable energy supply to consumers.

Energy Queensland is concerned that the creation of unregulated monopolies will create barriers for the adoption of new technologies. Regulatory provisions, for example, the contestability of energy

services, and ring-fencing, should be regularly reviewed to ensure the regulatory frameworks remain fit-for-purpose and are continuing to act in the long term interest of consumers.

Energex and Ergon Energy Network have established demand management (DM) programs that involve working with customers and industry partners to reduce demand to maintain system reliability in the short term and over the longer term, optimise investment across the electricity supply chain.

Two key initiatives include:

- Targeted - where incentives are offered to customers in areas of the network facing supply constraints
- Broad based - where incentives are offered to customers across the network to connect appliances to control load tariffs or enrol their PeakSmart air conditioners.

These incentives for demand response have encouraged the market to develop technology and for customers to adopt these solutions. It has stimulated innovation in the demand response market.

In general, market response to the targeted programs has been low to date from residential customers. Broad-based activity has been far more successful. The largest success in procuring DM solutions has occurred through the DNSPs procuring demand response directly from customers. This indicates that DNSP influence in the direct procurement of DM solutions may encourage a faster technology adoption than market driven mechanisms alone.

Energy Queensland also suggests that changes to regulation be appropriately supported by evidence and a thorough cost-benefit analysis. While we understand the need for regulation to keep pace with a rapidly evolving market, we consider trials provide an opportunity to measure the impacts of any proposed change to the framework, prior to the formal change taking place.

Issue 5: The supply of energy is an essential service

What are the elements that define the supply of energy as an essential service?

Energy Queensland suggests that the elements that define energy as an essential service include; recognition as a basic right for communities, and failure to deliver these services would result in risks to the public and a detriment to individuals and/or community wellbeing. Supply of energy is considered to be 'significant' to the population and should be guaranteed. In addition, energy as an essential service, should remain subject to appropriate regulatory oversight.

Issue 6: Changes in the nature of energy service

Has the essential nature of the sale of energy changed with the market's evolution?

Energy Queensland considers that, in the most part, the essential nature of the sale of energy hasn't changed. However, we recognise this will like change as the market continues to evolve. For

example, as alternative energy supply models compete with grid-supplied electricity, the form of sale transaction and nature of the relationship between these parties in the market will change.

As noted in section 3.2.1 of the Issues Paper, the NECF was designed to govern the relationships between retailers, distributors and customers. Although these parties will continue to exist, their respective roles are likely to change over time, together with their business models/relationships.

Energy Queensland considers these changes will also change the allocation of risk in terms of consumer protections and managing consumer expectations.

Issue 7: Regulatory implications

If the answer to Question 6 is yes, what are the implications for the NECF as the energy specific consumer framework?

As noted in our response to Issue 6, the nature of the sale of energy will continue to change as the market evolves. Given this, Energy Queensland suggests the NECF will need to be reviewed in the context of these changes to ensure the maintenance of a fit-for-purpose consumer protections framework.

Issue 8: New energy products and services

For the supply of new energy products and services, is there any risk of consumer detriment that needs to be considered to have additional consumer protections (industry-specific regulation) beyond the voluntary framework? Please explain?

Energy Queensland notes, as with any product or service, there is a need to ensure an appropriate balance between voluntary frameworks and formal regulation. However, it is critical to ensure that where voluntary frameworks are resulting in inappropriate standards or risks to consumers and the broader market, more formal regulation should be considered as a mechanism to strike the appropriate balance.

As an example, Energy Queensland's DNSPs have identified instances of non-grid connected inverters being installed without anti-islanding protection. Notwithstanding the fact that these inverters are non-grid connected, they are grid-forming, meaning that during an outage on the grid, these inverters have the capability to continue supplying load and to therefore back-feed onto the network resulting in the following possible outcomes:

- If the fault involves a conductor on the ground, the inverter could be supplying a line that could be touched by a member of the public resulting in electric shock.
- If the fault involves an outage to a local network where distribution network crews are working, the crews may receive an electric shock whilst undertaking work.
- If the fault involves an electrician working on a customer's installation there is a risk that the system will not be able to be isolated safely and the electrician may receive an electric shock whilst undertaking work.

While the requirement for these inverters to have anti-islanding protection may be considered onerous to industry, Energy Queensland considers it provides an appropriate balance between the maintenance of consumer protections and industry stability in the delivery of technology.

Issue 9: Application of energy consumer protections

Which elements of the energy market are useful to define the scope of the energy specific consumer framework?

Energy Queensland considers safety and privacy as paramount. Furthermore, we suggest that the AEMC outwork this in detail with key stakeholders given the multitude and diversity of interactions in a transforming energy market. This process would enable more thorough examination of the elements of the energy market as a whole.

Issue 10: Objectives of an overarching consumer framework

Do you agree with the objectives identified by the Productivity Commission? Are there other objectives the AEMC should consider?

Energy Queensland generally agrees with the objectives identified by the Productivity Commission. In our view, there is an appropriate allocation of risk and responsibility to those most likely to be able to manage it. We also note that the energy market has become more complex and that more parties offering energy products and services increases the complexity for consumers. Although customers' understanding is increasing, in many cases they are not accessing the services that may be most beneficial to them. Given this, Energy Queensland considers there may be value in developing an objective for simplification of roles.

Issue 11: Integrating the energy consumer framework

How can the three consumer frameworks be better integrated to make it easier for energy customers and businesses in terms of information requirements? Please give specific examples.

Energy Queensland suggests working with the Energy Charter Working Group and consumer groups in depth to explore what is reasonable and achievable.

Issue 12: Potential risks to consider

Are there additional risks to consumers that should be considered and are not already addressed by the NECF, ACL and voluntary codes?

Energy Queensland views safety standards, interoperability, and fragmentation of the market as additional risks.

It is unclear how suppliers will be managed consistently under a changing market for an essential service. For example, where DNSPs lead SAPS, customers have full NECF protections. Where third parties lead SAPS, the AEMC has indicated customers may have the ability to waive some of their

consumer protections depending on jurisdictional regulation. These risks should be carefully managed to ensure appropriate consumer protections are in place in all scenarios.

Issue 13: Vulnerable consumer

For new energy services and products, what characteristics of a vulnerable consumer should be considered under the energy-specific regulatory framework different to any other industry? Why?

In addition to those descriptors of vulnerable customers already listed in the issues paper, Energy Queensland suggests the AEMC also consider language barriers (i.e. non-English speaking) and consumer age (i.e. elderly consumers) for inclusion in the list of vulnerable customer descriptors. This is because these customers may have difficulty accessing and understanding critical information relating to the provision of these products and services (e.g. as a consequence of their language barrier or unfamiliarity with online/technological processes etc. used in the sales process).

Issue 14: Consumer protections for vulnerable consumers

For new energy services and products, are there additional risks to vulnerable consumers that should be considered and are not already addressed by the ACL and the voluntary codes?

Energy Queensland considers vulnerable customers may be at increased risk of third parties marketing and selling products and/or services the customer cannot afford.

Issue 15: Policy risks

What are the risks of extending the obligation of having policies that identify and protect consumers under vulnerable circumstances to new energy services and products suppliers?

Energy Queensland notes that the application of new policies to suppliers of new energy products and services may be a barrier to entry for these new participants. However as noted in response to the above question, the absence of such identification and protection mechanisms may lead to adverse outcomes for vulnerable customers.

Issue 16: Other characteristics for consideration

Do new energy products and services have specific characteristics that require additional protections to prevent unfair practices or conduct against good faith that should go beyond the ACL? Please explain.

Energy Queensland provides no comment.

Issue 17: Additional redress mechanisms

Does the nature of the market (new energy services and products) require an industry specific system/scheme to handle consumer complaints? Please explain.

Energy Queensland considers that complaints should be managed by the provider of the product and service or existing consumer affairs mechanisms.

Issue 18: Effects of different redress mechanisms

What are the risks of having different redress mechanisms under different consumer frameworks? Please explain.

Energy Queensland provides no comment.

Issue 19: Redress mechanisms beyond the ACL

Is there a better way to provide access to effective and strong redress mechanisms for consumers of new energy products and services?

Energy Queensland provides no comment.

Issue 20: Enforcement of energy consumer framework

How could the enforcement tools and actions under the voluntary framework be better integrated with the ACL and the NECF? Please explain.

Energy Queensland notes that enforcement is important for consumer protections. However, it is critical that any enforcement tools and actions are fit-for-purpose and are commensurate with the level of risk or harm they seek to avoid. In this regard, any consideration of risk or harm should not be limited to individual customer impacts, but also include consideration of how an individual customer's actions can impact other customers. For example, if a customer's technology at their premise causes issues on the network that impacts neighbours such as PV voltage rises then it is important to be able to address the issue appropriately, including through appropriate enforcement mechanisms.

Issue 21: Principles

Are there any other principles the Commission should consider?

Energy Queensland provides no comment.