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Promoting Innovation for NSW Energy Customers

Alinta Energy welcomes the opportunity to respond to the NSW Governments consultation paper on "Promoting Innovation for NSW Energy Customers".

As an active investor in energy markets across Australia, with an owned and contracted generation portfolio of more than 3,000MW and 1 million electricity and gas customers Alinta Energy, has a strong interest in the development and application of the Australian Energy Regulators (AER) approach to consumer vulnerability.

Energy sector transformation, particularly the digitisation of consumer engagement and enabling technologies, will play a key role in the future energy market. In order for the full benefits of any transformation to be realised the framework which governs energy market activities needs to evolve as technology and consumer preference also evolve.

This evolution needs to occur at a National (NEM/NECF) level; therefore, the NSW Government needs to be implicitly aware of and consider current regulatory reforms underway when assessing any strategies to support the energy transformation in NSW. Government policy decisions in NSW on energy market reform should not seek to duplicate the work of the National Energy reform process. Alinta Energy does not support inconsistent policies across the National Electricity Market (for wholesale, retail, or industry issues such as metering or B2B processes), being firmly of the view that a harmonised, consistent set of rules and regulations serves the long-term interest of consumers and the National Energy and Energy Retail Objectives (NEO/NERO).

The consultation paper recognises the existence of both regulatory and non-regulatory barriers that potentially impact the energy market transformation; again addressing regulatory barriers needs to be done in a manner that promotes jurisdictional convergence. Jurisdiction derogations from the national framework increase costs, and where there is no specific geographic rationale for such a change, are inefficient and will likely result in unintended consequences.

The ability to deliver an energy system that puts the customer at the centre of policy and program design, while delivering an affordable and reliable energy future that helps achieve net zero emissions by 2050, will rely heavily on stakeholder

engagement. The consultation paper seeks to cover a number of diverse energy market topics which individually deserve detailed consideration. This can only be achieved through open, timely and transparent stakeholder engagement.

Alinta would welcome further engagement with the Department as it considers its approach to finalising the strategy to promote innovation in the NSW energy market.

Should you have any questions or wish to discuss any aspect of our submission, please contact Shaun Ruddy, Manager National Retail Regulation on 0419 262 382 or via email at shaun.ruddy@alintaenergy.com.au

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'G Hamilton', is positioned above the printed name.

Graeme Hamilton

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Alinta Energy

Digital Energy Technologies

Smart Meters

Issue 1: Meter costs to customers,

The competitive and commercial value of the roll out of smart meters is influenced by the competitive and commercial value placed on the perceived benefits to customers associated with the services available to them via a smart meter that would not otherwise be available if the customer did not have a smart meter.

This value, and therefore associated costs, vary based on multiple factors; product offering, tariff's structure, customer type and classification, along with the ability of the customer to take advantage of the benefits available, through behavioural changes.

All these factors potentially contributed to a view of there being a lack of transparency around meter costs. The varying ways in which retailers pass on meter costs are in part a function of competitive product design, and the services being offered via the smart meter. In developing any approach to the communication or representation of smart meter costs, it should not be done in a manner that has the potential to stifle innovation in energy offers. The Power of Choice reforms are based on the competitive provision of meter services. Retailers are incentivised to minimise the cost of smart meters or provide benefits through products and services to customers that reflect the cost of providing smart meters.

Retailers negotiate with Metering Coordinators on the cost and service levels associated with the delivery of smart meters. These contracts are commercial in nature and publishing the costs of each retailer would impact competitive provision of meter services. Retailers do not publish their wholesale energy contract costs for the same reason. It is unlikely customers would base their choice of retailer on the cost of smart meters alone as service levels, functionality and product features enabled by smart meters vary among retailers.

The consultation paper proposes 3 options. Option 2 suggests making changes to Energy Made Easy to include information on meter costs to allow customers to compare. The adoption of Option 2 would make Option 3

"Introduce pricing guidelines for smart meter installations and potential meter board modification costs to assist in reducing bill shock, particularly for vulnerable households"

somewhat redundant as any changes to EME would need to be undertaken in conjunction with amendments to the AER Retail Pricing Information Guideline.

Including information on EME regarding meter costs would appear to be an appropriate solution. However, it should be noted that the AER, under its Consumer Vulnerability Strategy review, have included an objective to improve the EME consumer journey and overall experience, including the development of a switching service. Given the potential cross over the NSW Department should seek to engage the AER, as will other stakeholders on any improvements to EME.

In addition, the AER now includes metering costs in its determination of the Default Market Offer. The information on this component of retailer costs is publicly available and forms part of the safety net for electricity customers through the DMO.

With respect to meter board upgrades or modification costs, the government has a key role to play in this respect. Electricity retailers are not able to provide accurate advice on the need to replace or modify meter boards in order for them to meet minimum safety standards that are set by the state government and Australian standards. It is unclear how the additional burden of a pricing guideline would do anything other than increase costs to consumers and present an additional regulatory burden to retailers for a risk they are unable to manage.

We suggest the state government make provision to assist households facing financial vulnerability to ensure that their meter board and connection assets are safe and compliant with relevant standards. In Victoria, for example, the costs of remediating customer installations were included in the cost of the mandated roll out of smart meters.

Issue 2: Meter Life and Redundancy Charges.

The NSW Government needs to exercise caution in its suggestion to change / alter the projected life expectancy and mandate a shorter life expectancy for existing installed basic meters.

Any change in reducing the existing life expectancy on which commercial returns have been based must not result in a shortfall in revenue that will need to be recovered due to the earlier than expected retirement of a meter. Any proposed change will need to be consulted on via the AER rule change consultation process, independently of, and prior to, any proposed NSW reform. Intervention to accelerate a roll out where it is not commercially viable for retailers or metering coordinators to do so should not occur. Even where meters are installed, customers need to respond to price signals to take advantage of the data advanced meters can provide. Mandatory reassignment of network and retail tariffs may not build customer acceptance of advanced metering if the benefits of changes are not adequately explained.

Issue 3: Solar Connections

The consultation paper raises the issue of delays relating to the installation of smart meters where solar systems are being installed. As has been discussed previously there are varying reasons why a customer may experience a delay in the installation of a smart meter to support their solar system.

Some of these reasons will not be addressed by the proposal to allow third parties to request a meter installation on behalf of the customer. For example, a non-regulatory barrier that exists is when safety issues are identified requiring meter board upgrades and the rectification of safety concerns onsite. The consultation paper itself highlights that approximately 10% of customers require their meter board to be upgraded or replaced by an Accredited Service Provider (ASP) before a new smart meter can be installed by a metering provider.

Therefore Issue 3, Solar Connections, and Issue 4, Meter Board Upgrades, need to be consulted on together, to achieve an efficient solution.

The National Electricity and Energy Retail Rules would both require amendment to allow third parties to undertake metering installations on a customer's behalf. It is likely the costs of such regulatory change (including the creation of a further participant type) would outweigh any benefits whilst it also being likely that third parties would encounter the same issues faced by Metering Coordinators and retailers.

Detailed targeted consultation on Issue 3 & 4 is also required. Amendments should not be considered where it creates a safety risk or further administrative burden on customers or retailers. As such, the proposed option of a customer sending in a photo of their electricity meter board to their electricity retailer (to enable the metering provider to make a preliminary assessment of whether a meter board upgrade is required before attending the site) may initially appear to be a simple solution, it can however, have unintended consequences both from a safety and administrative burden perspective.

The proposal refers to a customer taking a photo "if it is safe to do so," the determination of which would be left up to the customer who may or may not be suitably experienced to make such a determination. The quality of information in the photo of the installation will also vary, often necessitating further consequential contact with the customer to gain further clarify, which will have the flow on impact of perceived delays in the installation of the smart meter.

Issue 4: Meter Board Upgrades,

Pease see comments above

Issue 5: Sample Meters

It is reasonable that, given the rollout of smart meters, and the additional data they provide, the need for sample meters is being questioned. However, in Alinta's view further review work is needed to determine whether the role for sample meters no longer exists, and, if so, what is the most efficient transition path to their removal, whilst ensuring the level and accuracy of data required to maintain system integrity remains.

Issue 6: Consumer Protections for Remote vs Manual Re-energisation and De-energisation

Remote services are being introduced so that these services can be provided in a more efficient and cost-effective manner.

However, in NSW, where remote services for de-energisation and re-energisation have been recently introduced, NSW retailers must have an approved 'Safety Management Plan' in place and operate under that Safety Management Plan, as well as the ongoing obligation to comply with the relevant Customer Protections under the NERR & NERL.

By contrast in Victoria, where remote services have been operating safely and efficiently for several years, the obligations upon retailers are somewhat less onerous. The opportunity exists to review remote services process requirements in NSW as, in comparison to the Victorian process, it is clear that further efficiencies could be introduced.

Whilst the outcome of the service provided by both retailer and distributor (manual v remote) are similar, the pathway or method of executing the service vary. However any review to consider whether the obligations covering Distribution & Retailer obligations should be aligned must include a review of the NSW Safety Management Plan obligations for remote services against that of the Victorian obligations. Although remote services have only been recently introduced in NSW, it has already become apparent that there are opportunities for improvement in the areas of customer interaction and site conformation details.

Hot Water Embedded Networks

Issue 7: Enhancing Protections for Hot Water Embedded Network Customers

The issue described in the consultation paper associated with Hot Water embedded networks is, in the most part, related to the functional design of the system supplying hot water to the individual home units, and who owns and manages the infrastructure producing and delivering the hot water.

The sale of hot water is not the sale of energy; it is the provision of a consumable product (hot water) that is produced/manufactured using energy (gas or electricity).

That is not to say that customers should not receive suitable protections; it is whether those protections are provided via Energy regulation or should be provided under the umbrella of Competition and Consumer protections more generally.

The NSW Government should consider the work undertaken via the AEMC's review of "Non-traditional Energy Services & Products" in this regard.

The consultation paper is proposing an option that mandates how the end use customers will be billed for their hot water; that is, billed, based on the underlying energy source. Any ability to set a mandate on how the customer is billed will also require the establishment of a minimum standard for embedded hot water installations. In order to bill a customer based on their underlying energy source there is an assumption that the system has certain attributes, e.g., the hot water is being individually metered and the system also has both a master cold water meter, to reconcile hot water consumption, and a master gas meter (assuming the fuel being used is gas).

Embedded/centralized hot water systems can be designed and installed where there is no individual hot water meter for each individual unit; billing or charging for the consumption of hot water can be bundled with the cost of other services or estimated on a proportion basis on other factor such as "entitlement," similar to body corporate fees.

Given the potential variability across design and delivery of service, both now and into the future, protections of customers supplied via these systems needs to come from more general consumer protection regimes, such as that under the Fair-Trading Act, or preferably, under a nationally consistent approach, via the Competition and Consumer Act.

Distributed Energy Resources

Issue 8: DER in NSW

The evolution of DER in NSW requires clear coordination and direction; any development of DER should not occur in isolation of activities and transformations at the National level. DER is another area where jurisdictional divergence will increase costs and complexity, resulting in a diminished benefit for customers and the market.

Consumer choice and market investment returns should be the focus of any policy supporting both large market and consumer lead DER. Standardisation and quality standards must be applied to DER initiatives to ensure the growth of low cost (solar & battery) DER products do not result in increased disturbances across the network.

DER itself should be the subject of its own consultation and review; emerging technologies will play a significant role moving forward and any policy position needs a level of flexibility to support future innovation.

Issue 9: Enabling Flexibility and Dynamic Operating Envelopes

Any solution to support flexibility in relation to DER must empower customers through ease of access and be readily understood. One example is the recent policy change in Victoria that led to the simplification of time of use tariffs which applied to all customers assigned to (network) legacy TOU structures. The introduction of this change has simplified and streamlined network pricing, sends a consistent signal and has been implemented without any negative reaction from consumers, while addressing the challenge of excess solar generation in the middle of the day.

The AEMC's *Access, pricing and incentive arrangements for distributed generation* final rule places obligations on distributors and requires the AER to publish a guideline aimed at and supporting increased hosting capacity in the distribution network to manage the growth of rooftop solar. As with other elements of the consultation paper, Alinta Energy believes the solutions to many of the identified challenges are best managed at a coordinated and consistent national level and in this example (as in others), work is underway to address identified issues. We would strongly encourage the NSW Government to engage with the AER on its draft export guidelines and with the NSW distribution businesses on their Tariff Structure Statement development.

Issue 10: Quality Standards and Compliance

It stands to reason that in order to guarantee maximum benefits for DER that minimum quality standards should be set. Again, considering the negative impacts from divergency, quality standards should be based on minimum national

standards. A national standard will better promote competition and innovation as it provides a greater pool within which to find opportunities to develop DER solutions.

The potential challenge is maintaining compliance with minimum standards, particularly with DER solutions at a customer level (for example incorrectly set solar inverters etc). NSW Government needs to work closely with AEMO who is currently working on establishing technical standards for the integration of DER.

Accessibility to remote access, which is currently limited to the manufacture and installer, should be explored. A detailed review needs to be undertaken to identify solutions and potential areas of risk, noting that the questions posed in the paper attached to Issue 10 requires detailed consultation.

Issue 11: Improving the Visibility of Residential DER and Data Management

The inconsistency with which electrical installers are notifying the DNSP of the installation of DER, is, on the face of it, a compliance concern that needs to be directly addressed with the installers. The introduction of new mechanisms to record/collect DER data will only improve where responsible parties comply with their obligations to update and record information.

The proposed expansion of the DER register will not necessarily remove or lessen the current compliance and reporting burden. The concern is if installers are not currently meeting their obligations, then how will the expansion of the DER register address this.

In the first instance it would appear a focus on re-education and/or enforcement of compliance obligations is required.

Issue 12: Community Batteries and Emerging Technologies.

Again, emerging technologies and evolving commercial models are driving innovation and change across the energy market. The challenge is for governing environments to keep pace and support future development. Solutions delivered at a jurisdictional level will only stifle economic efficiency in delivering innovation to consumers.

Batteries, and other localised energy storage and dispatch services, will play a key evolutionary role in the development of innovation across the energy market. This is particularly the case as rooftop solar installations continue to grow.

As these emerging technologies are developed and grow in availability, consideration must be given to the introduction of minimum standards to ensure the safe and efficient roll out of new technologies. These minimum standards need to be developed in consultation with key industry parties; they should also not be constrained by jurisdictional oversights. As Alinta Energy has stated previously, we do not support inconsistent policies across the National Electricity Market. Any minimum standards associated with batteries, community or otherwise, and emerging technologies need to be developed and applied at a national level.

The consultation paper raises the question as to what ways the NSW Government

can support the broader roll out of community batteries or other DER solutions that would enable locked out demographics to benefit. Support provided by the NSW Government should focus on creating a framework for market led solutions, so as to not to distort the broader competitive market support. It could also ensure that any approval processes are efficient, such that they promote opportunities in support of new technologies.

Electric Vehicle Charging Infrastructure

Issue: 13 EV Infrastructure in Existing Apartment Buildings

When a consumer chooses to purchase an Electric Vehicle (EV) part of the consideration will be around options and access to charging facilities, whether those facilities are private or public. The question posed in the consultation paper on “how can the NSW Government support the residential deployment of electric vehicles and associated charging infrastructure?” whilst appearing simple is complex in nature.

The construct of the consultation paper on this issue assumes that if more charging facilities are available, it will increase the take-up of EV's, or at least make it an easier choice. There are however many other considerations including cost, reliability, range and usefulness, ongoing maintenance, insurance, registration, safety, practicality, and the list goes on, when considering an EV purchase.

In seeking to increase the residential deployment of EV's the NSW Government needs to take a broader approach. That is not to say that the Government should not seek to support the roll out of charging facilities to aid EV uptake, however the more complex question is whether the NSW Government should be seeking to involve itself in the roll out of “private” charging infrastructure, such as in apartment buildings.

Regardless of whether the apartment building operates under a strata or other form of ownership governance arrangement it is a privately held property; any decision to install additional infrastructure, such as an EV charging station, should be based on the viability, commercial return, and consumer convenience applicable to the property and owners thereof concerned.

The type of charging arrangement, and subsequent cost recovery/billing for energy consumed, is again a question for the property owners on how they wish to recover the cost of supplying the service. Whilst recognising the potential inequities of the connection types contained in the consultation paper, one option not highlighted that would deal with the potential inequity in energy usage and charging costs is the installation of a “pay as you charge” charging station. However again these are decisions for the property owners (corporation) to consider.

In the apartment building context, there are existing mechanisms under the Competition & Consumer Act to address potential inequities where non-EV owners are exposed to the energy costs for the charging of EV's owned by consumers that occupy the same apartment complex.

Distributor-led Stand-alone Power Systems Regulatory Framework

Issue: 14 Service Delivery Model

The AEMC has conducted a detailed consultation and review process on arrangements associated with SAPS. Divergence from the AEMC recommendations in setting jurisdictional based arrangements in NSW will only diminish the robust consumer protections established across the supply chain, with no evidence to justify such an approach.

The general principle is that generation should, wherever possible, be delivered through competitive markets. The AEMC concluded that where generation from SAPS is required it is best provided by third party providers. The AEMC model design should be retained; its model was designed to ensure that customer protection obligations were maintained.

Issue 15: Pricing

Alinta Energy does not support a divergence from the AEMC determination.

Issue 16: Service Classification

NSW should not seek to derogate from the national framework or diverge from the AEMC's recent decision on SAPS generation assets.

Energy Customers' Digital Journey

Digitalisation of the Energy Market

Issue 17: Access to Information

Information on the energy market is generally available to all customer cohorts; varying cohorts will have different preference around how they seek and access information and assistance.

The establishment of a "one-stop-shop" for customers to access information regarding smart meters, DER and sustainable products and services by the NSW Government will require significant investment from both an establishment and ongoing administrative perspective. Any information available to customers through such a service will need to be up to date. Retailers and distributors have obligations to provide customers with data upon request at present and the Consumer Data Right (CDR) will expand this to third party accredited data recipients from later this year. CDR data will include DER information held by AEMO and distributors.

In determining what information and on what topics customers will seek information, further customer research should be conducted; we would suggest that customers will access the service for a very broad range of topics. To be effective, any information service will need to prepare for, and be able to manage, information requests across all aspects of the consumer energy market.

The preference for how customers will access this information will be varied; interactions with customers will need to be facilitated via phone, web, both desktop and mobile devices.

Issue 18: Electricity Retailers Emissions Performance

The Government's proposal for customers to more easily compare the emissions performance of energy retailers (noting the subjectivity and complexity of operationalising that assessment) assumes that, among those customers for whom that may be a consideration in their purchase decision, relevant information is not currently available. In order to justify any reform that would impose additional costs on end-users such an assertion would need to be tested, including the extent to which it is a relevant consideration among consumers.

Independent publicly available information on retailers' emissions performance is already currently available, for example the Greenpeace "Green Electricity Guide," whereby there is no need for it be replicated by the NSW Government. Indeed further, replication of publicly available information only risks causing customer confusion.

An additional challenge is how to present retailer's emissions profiles in a simple, transparent, and meaningful way, whilst ensuring the information presented remains current and accurate. In this context, accuracy requires that it is a true and current representation of the comparative performance across market participants.

In particular it is unclear how any meaningful option could manage and account for the complex nature of the energy market generation, supply and contracting regimes in determining attributable emissions to individual parties in the energy supply chain.

The options set out in the consultation paper on calculating the emissions performance of retailers do not contain sufficient detail to determine a potentially appropriate method. Further engagement is needed at a more detailed level before any option can be considered. For example:

Option 1: Type of generation purchased by electricity retailer outside of the spot market, assessment of actual electricity purchased by retailers outside of the spot market,

Further clarity is required as in practice this could only include contracts for energy that can be definitively tied back to a specific generation unit; it would need to exclude all other contracts. How would the option deal with the "on-contracting" of supply to third parties who are not the end user?

Option 2: Renewable Energy Target compliance (RET), Assessment of the extent to which electricity retailers have complied with the RET

Is the assessment based on RET compliance across the NEM, or NSW? What timeframes do any reported shortfalls relate to e.g. the previous calendar year?

Option 3 GreenPower, review the electricity retailers GreenPower offerings,

The price for GreenPower offerings from an individual retailer can vary. When comparing retailer prices is the comparison based on a retailer's weighted average price against the market average? Does "market average" refer to the NEM or NSW market average?

Similar clarity is required for Option 4: Offsets (excluding GreenPower)

Option 5: Assessment of other emissions related or broader environmental initiatives,

This option needs to define in detail both the items and activities that would qualify to be included for assessment and how they would be assessed.

In summary, this issue requires significantly more consultation and clarity before consideration can be given to any potential option. There is significant risk for the NSW Government in getting the comparative assessment wrong, and incorrectly representing a retailer's emissions performance. This would not only result in customer detriment, but it may also have significant commercial implications for the retailer incorrectly represented.

Any assessment would require the collection and submission of data from retailers (and potentially other market participants) and would need to occur in an efficient and timely manner. Timely data is particularly important, given the fluid nature of the market and the type of product offerings retailers present to customers, along with retailer's generation purchasing arrangements, which would impact any assessment as to their emissions performance. This would also necessitate constant reassessment to ensure accurate information is provided to consumers.

Issue 19: Definition of Life Support Equipment for Energy Rebates

Any changes or revisions to the definition of life support equipment and the application of rebates associated with such equipment must occur at the national level.

For far too long there has been jurisdictional divergence in the application of concessions and eligible life support equipment. A national approach to life support equipment, and energy rebates more generally, must take place.

Issue 20: Digitising Engagement with DNSP's

Determining whether customers would benefit from receiving DNSP communications electronically needs to consider the communication type, the frequency with which DNSP's need to communicate directly with end use customers, and whether communicating electronically would be more efficient.

Generally speaking, DNSP's direct communication with end use customers revolves around impact to supply issues (planned outages etc.) where delivery of the information to the household/property impacted would be the priority. These are not everyday events, so it is questionable whether the administrative burden of maintaining up to date electronic contact details for customers for this notification purpose is efficient.

In the absence of other imperative reasons necessitating the need for DNSP's to

have more regular communications with end use customers, this issue does not appear to be a priority at this time.

Issue 21: Improving Access to Data on Customers of Embedded Networks

Improving access to data on customers of embedded networks should be conducted in collaboration with the AER to ensure a nationally consistent approach to information collection and record keeping.