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## **TELSTRA CORPORATION LIMITED**

### **Submission to the NSW Government's consultation on Energy Customer Policy Reform**

**23 February 2022**



## Introduction

We welcome the opportunity to comment on the NSW Government's consultation paper *Promoting innovation for NSW energy customers* (consultation paper).

The consultation paper provides an opportunity for stakeholders to comment on a range of energy policy matters. Many of the questions posed in the consultation paper are high-level and demonstrate a need for ongoing engagement with industry. Given the breadth of the consultation paper, we would encourage the NSW government to consider prioritisation of matters most likely to have an integral impact on market operation and consumers over the next 12-24 months. In setting these priorities, we encourage the NSW Government to be mindful of the extensive policy and regulatory changes impacting energy retailers to ensure that matters are prioritised to a volume where stakeholders can meaningfully engage with, and prepare for, additional changes.

Our response covers each of the three parts of the consultation paper, and broadly encourages:

- Ensuring that broader regulatory and policy changes or reviews are utilised where possible, to minimise jurisdictional derogations and duplicative consultation processes.
- Improving customer access to information and general awareness across a range of different tools including the Energy Made Easy website, central information hubs and general education campaigns by both jurisdictional and federal governments.
- Simplification of regulatory requirements for improved customer outcomes, including remote re-energisation and de-energisation processes.
- A general adoption and alignment with the National Electricity Objective (NEO) and National Energy Retail Objective (NERO).

We look forward to engaging further with the NSW Government and other key regulatory bodies on these energy policy matters.

## Part 1 – Digital Energy Technologies

### Meter costs to consumers

#### *Energy Made Easy smart meter comparisons*

We support the inclusion of smart meter cost information for customers as a point of comparison for customers. The cost of smart meters is an important pricing element for customer's when making decisions about their energy retailer. We believe that providing this type of information as a comparison point for customers, in a clear, prominent, and consistent way will help customers make informed decisions. We would welcome the opportunity to discuss this further with the AER.

We also believe that information about time of use tariffs (**TOU**), including how these will apply to a customer post-smart meter installation, are important points of information for customers to have access to. We encourage educational information to be made accessible on the Energy Made Easy website, as well as any informational hub the NSW Government may seek to develop (discussed further below in Part 3).

#### *Cost-reflective tariffs*

At a high-level, we encourage the use of information hubs and government education campaigns (as well as alignment in distributor tariff allocations) to inform consumers about TOU tariffs.

Understanding tariff reassignment as an important part of customer engagement and interaction in the energy market. Newgate research for the Australian Energy Market Commission (**AEMC**) metering review found that *whilst participants appreciate the potential benefits of smart meters, concerns over uncertain installation costs and the likely impact of a transition to time of use pricing disincentivised*



*participants from seeking a smart meter. In addition to the Newgate research, PIAC was of the view that most consumers have little incentive to request a smart meter, with limited access to services and concerns over tariff reassignment.<sup>1</sup>*

AER determinations for distributors are increasingly allowing the distributor to default residential and small business customers to the time of use (TOU) tariff (with the ability to opt-out to the demand or flat rate network tariff structures), and to offer discounted TOU and demand tariffs relative to the flat rate to incentivise take-up of these more cost reflective options.<sup>2</sup> While this is ordinarily accompanied by an ability to opt-out of demand to TOU (or flat rate network tariffs in limited areas as Endeavour and Essential Energy), quirks remain in tariff allocation which can inadvertently impact customer incentive and experience and create additional tariff conversations for the retailer (or otherwise require the retailer to risk absorbing the costs on a basic tariff).

For example, we have observed where a retailer requests a meter exchange and the allocation of a TOU tariff (**EA025**), Ausgrid will only honour after there has been at least a full month of billing on the default demand tariff (**EA116**). At the end of the month retailers then raise a network tariff change to request allocation to EA025. Where customers are offered a smart meter by a new retailer, this will mean the customer is forced to cycle through different tariff types in quick succession, creating a confusing arrangement for the customer. It also creates additional work and introduces unnecessary billing complexities for energy retailers.

We raised the above matters in the recent consultation by the AEMC for the metering review, and recommended the government and regulators commit to increasing customer awareness of the benefits of different tariff types and smart meter-roll out (e.g., greater education, campaign and information hubs), and seek consistency in distributor approaches (e.g., standardisation in practice) for tariff allocation.

We also note that the AER recently consulted on the draft billing guideline which included a proposal to have a 'better offer' message for customers on bills.<sup>3</sup> In our submission to the AER we noted that the calculation of a better offer is complicated outside of Victoria due to the difference in smart meter penetration in NECF jurisdictions. Further, the above Ausgrid example in a 'better offer' message environment, may mean that customers receive inappropriate suggestions of 'better offers' for the required EA116 billing month which will not be reflective of the customers future-state on EA025. These are broader considerations for policy makers to reflect upon.

## **Remote re-energisation and de-energisation**

### *Jurisdictional differences*

NSW sets a higher level of requirements for remote re-energisation and de-energisation than other jurisdictions under the Electricity Supply Regulation.<sup>4</sup> Differences in jurisdictional requirements on retailer practices, such as re-en/de-en, can place additional pressures and costs on to retailers who operate in multiple jurisdictions. It is preferable that jurisdictional derogations/differences are minimised as much as possible to improve efficiency in the market, which is consistent with the position of the Australian Competition and Consumer Commission (ACCC) in the 2018 Retail Electricity Pricing Inquiry final report.

### *Customer impact*

The current remote re-en/de-en arrangements can act as a blocker for customer choice because of the requirement for remote re-en to only be undertaken if it has been requested by a retailer with an approved SMP. Retailers without an SMP are unable to complete a customer transfer where remote

<sup>1</sup> Australian Energy Market Commission [Review of the regulatory framework for metering services](#).

<sup>2</sup> See for example the AER's recent final decision for AusNet Services, CitPower, Jemena, Powercor, and United Energy Distribution Determination 2021 to 26 – [Attachment 19 Tariff structure statement](#).

<sup>3</sup> Australian Energy Regulator [Better Bills Guideline consultation](#), 20 December 2021

<sup>4</sup> [Electricity Supply \(General\) Amendment \(Remote De-energisation and Re-energisation\) Regulation \(No 3\) 2020](#)



re-en is required, which can leave the customer without supply. It also then places additional burden on the customer to seek a retailer with an SMP to re-en their property.

We recognise the need for ensuring safe remote activations of supply, and that the above issue is not a simple matter to resolve. One possible solution would be to require the current FRMP (who must have had a safety plan to remotely de-energise) to accept and action a request from the incoming retailer to re-energise the site. This can be implemented using existing standard processes within the energy industry and in particular the B2B Service Order process and relevant CATS transactions. This could be supported by a requirement for the incoming retailer to reimburse the existing FRMP for direct costs incurred. We consider imposing this minor obligation on the existing retailer is consistent with policy objectives of supporting customer choice and maintaining the safety of remote re-en/de-en's.

We would welcome further exploration of this matter further with the NSW Government and NSW Fair Trading.

## **Part 2 – Future of Distributed Energy Resources (DER)**

### **Consumer impacts in DER policy**

Energy policy decisions should always be mindful of the National Energy Objectives, specifically the NEO and NERO.

The objectives require the promotion of sufficient investment in, and operational use of, energy services for the long-term interests of consumers. Efficient investment and operation may require consideration of the impacts on other parties but only to the extent that such impacts could have long term impacts on the interests of consumers.

We encourage the NSW Government to align the guiding principles for the coordinated integration of DER in NSW to align to the NEO and NERO and agree that impacts on customers should be a primary consideration, along with economic efficiency.

### **Government support of demand side participation**

The encouragement of greater demand side participation and flexibility should only be encouraged to the extent that it improves the long-term outcome for consumers and that NSW government support can help drive this outcome. We see one of the key opportunities for this is by the NSW government looking to addressing barriers which currently exist in the market.

One of these potential barriers is the role the distribution networks have in assessing, approving and allowing demand response solutions. A major factor in ensuing enhanced support for DER will be ensuring that responsiveness and innovation are not only permitted but encouraged within the energy framework. We do not believe DER should be centrally managed and controlled.

Another barrier of demand side participation and flexibility solutions is market access to distributor held information including location and times where DER solutions may be most beneficial. We acknowledge the Energy Security Board (ESB) Data Strategy<sup>5</sup> and recommendations currently underway and believe it could be utilised to consider access to these data sets further.

A key difference between DER and generation is that DER is provided from a large range of small providers in diverse locations. Whereas generation is provided by sizable assets in known locations with predictable responses. This means that DER has both benefits and disadvantages when compared to generation.

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<sup>5</sup>See <https://esb-post2025-market-design.aemc.gov.au/32572/1630275857-esb-data-strategy-july-2021.pdf>



The benefits include:

- **Diversification** - much greater reliability through the provision of services from a multiple devices and locations so that a single fault will not interrupt the majority of the service provision.
- **Speed to action** - DER is readily dispatchable in smaller increments and often with greater response times to meet system requirements as they arise.
- **Speed to market** – DER can be located, identified, and implemented in very short timeframes to address market requirements not previously identified whereas generators require long lead times, significant planning and construction timeframes and network enhancements.
- **Alignment of interests** - as customers benefit generally from lower prices and more reliable supply, DER providers have an alignment of interest with all customers which may not be true for generators and distribution networks.
- **Utilising latent assets** – DER often include assets such as control systems and communications which can be further utilised.

The disadvantages include:

- As the assets are provided for a core purpose and not primarily for DER you cannot guarantee they will be available at all times at which they may be required.
- As DER assets are owned operated and controlled by businesses with other core focuses it is unlikely that they will have the ability or interest in providing great amounts of information to other market players (e.g. distribution networks, AEMO etc.)

We also note that under current arrangements, participants generally need to provide detailed information for individual sites rather than being able to do an aggregation of expected generation across a number of smaller assets. A participant must provide for each individual site a commitment of a certain quantity of demand response (which cannot be exceeded). This means that participants with smaller sites cannot provided an estimated aggregation of demand response across smaller assets (e.g., where if one site under delivers and another is able to make up the differences) [REDACTED]

One option would be to allow a demand aggregator to provide demand response, from a wide range of sources which they can commit to with high reliability without the need to document in advance where any particular response is being sourced. In effect this would make that aggregator response to ensure it has sufficient resources available to meet its commitments without the network or operator needing to engage in a detailed understanding of how this is achieved at an individual asset level.

### Visibility & controllability of DER assets

We believe it is important that distributors have systems to better identify changes in network demands, as there is substantively no difference between how a business might schedule to use certain machines at different times of day/year, or how DER behind the meter loads might work. The

Improved network identification of load variability is key, rather than requiring restriction of customer assets via networks or requiring stringent authentication processes for DER.

### Stand-alone power systems

Customers benefit from a competitive market which may be impacted under a Stand-alone power system (SAPS) arrangement. While SAPS may be more economical in some circumstances, there are other considerations for retail products that customers may consider.

We note, for example, that the AER is currently consulting on the draft Vulnerable Customer Strategy, which seeks stakeholder views on the presentation of non-price information on Energy Made Easy to assist customers make comparisons on the right plan and retailer for their situation. We also note that in



the Consumer Protection review undertaken by the AEMC, explicit informed consent (EIC) requirements were considered a hallmark for empowered and informed consumers.<sup>6</sup>

While it may be cheaper for a distributor to provide SAPS rather than grid connection, it will only benefit the customer if the distributor is offering them a tariff that is cheaper. For example, if a customer was to be connected to the grid under EA010 and pay \$1/day and \$0.10/kWh, then the distributor should need EIC for SAPS unless the customer is put onto a tariff that includes network access and energy for a cheaper price than EA010. Otherwise, the elements of EIC, including non-price considerations, are removed from consumer choice.

### Part 3 – Energy customer digital journey

#### Access to information

We agree that a hub of information for customers can reduce the burden for customers to hunt around to be informed on distributed energy resource asset ownership and installation. We make the following observations on a one-stop-shop approach by the NSW Government:

- The federal government website [energy.gov.au](http://energy.gov.au) website already provides a range of information to educate customers on topics such as rebates, solar PV and batteries, switching, and energy saving guides.<sup>7</sup>
- The Energy Security Board's data strategy recommendations are being progressed. The data strategy includes ensuring consistency of data across energy participants – including regulatory and government bodies.
- We encourage archiving and redirecting for historical links to ensure that a *one stop shop* does not impact energy participants (such as retailers, distributors) and consumer groups who may include government links for further information on their website.
- Ensuring links between the one-stop-shop and the one-form currently being ideated for concessions and rebates under the NSW Social Code program.

#### Electricity retailer emissions performance

We are supportive of this proposal, however due to the complexity of the wholesale supply markets this maybe a difficult outcome to achieve with accuracy and transparency. Option 1 and 3 seem to have the most alignment with the principles, and most likely to be achievable. We encourage consistency in how comparisons are made and believe this could best be achieved through a globally recognised accreditation scheme.

#### Life support review

We are supportive of a review of life support equipment (LSE) and the life support rebate. We would encourage a national approach (to the extent this is possible) on the definition of eligible LSE. Finally, we encourage the NSW government to consider the life support rebate as part of the broader one-form concessions and rebate work which is scheduled over the coming two years.

<sup>6</sup> Australian Energy Market Commission review of [consumer protections in an evolving market](#), 2020.

<sup>7</sup> See for example <https://www.energy.gov.au/households>