ATA submission to

- DEDJTR Review of General Exemption Order Issues Paper
- ESC Modernising Victoria's Energy Licence Framework Issues Paper

Submitted by email to:
geo@ecodev.vic.gov.au
submissions@esv.vic.gov.au

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Dear ESC and DEDJTR,

The Alternative Technology Association (ATA) welcomes the opportunity to provide feedback to DEDJTR's Review of General Exemption Order Issues Paper and ESC's Modernising Victoria's Energy Licence Framework Issues Paper.

Founded 35 years ago, the ATA is a National, not-for-profit organisation whose 6,000 members are (mostly residential) energy consumers. About 2,500 of our members are Victorian.

Through the application of our experience in energy policy and markets to our advocacy and research, and close collaboration with fellow members of the National Energy Consumer Roundtable, the ATA is an important voice for energy consumers Australia-wide.

ATA presents a uniquely two-fold perspective as a consumer advocate. With the continuing support of the Energy Consumers Australia (and formerly Consumer Advocacy Panel) we represent all small energy consumers in with respect to the promotion energy affordability and improvements to the NEM. Further, we speak with authority on behalf of the growing portion of the consumer base who have an interest in demand side participation.

We thank ESC and DEDJTR for preparing very useful issues papers, and for their endeavours to include ourselves and other consumer advocates in this important and timely discussion.

Due to time constraints, this submission responds indirectly to many of the questions posed in the discussion paper, however we would be happy to provide a supplementary submission in coming days if this would be of use in more directly aligning our response with specific questions.

Naturally, we welcome the opportunity for further engagement throughout these reviews. Feel free to contact myself on 0412 223 203 or craig@ata.org.au

Kind regards,

Craig Memery

Senior Energy Consumer Advocate

To ensure effective consumer protections, the requirement for retail licensing and exemptions needs to be predicated on the nature of energy services provided, and whether they are essential, rather than solely on the sale of energy.

Like NECF, the Victorian Retail Code only covers the sale of units of energy, hence retail authorisation and exempt selling arrangements apply today only where there is a financial transaction relating to metered volumes of energy.

This means that providers of many energy related services, that are in other respects – including the impact on consumers - similar to those where energy is transacted, will not be regulated beyond the ACL with respect to consumer protections.

Until now, this approach has been suitable given the nature of exempted activities, but now this needs to be brought up to date, as it leaves current and future energy consumers vulnerable to a lack of energy specific protections.

The below diagram illustrates 20 possible relationships arising from potential new services in the energy market. With the exception of Solar PPA's – which are not available in Victoria due to the unsuitability of current licensing and exemption requirements - all of the new services and relationships noted currently sit, in whole or part, outside of current NECF and Retail Code arrangements, and therefore outside energy specific consumer protections.

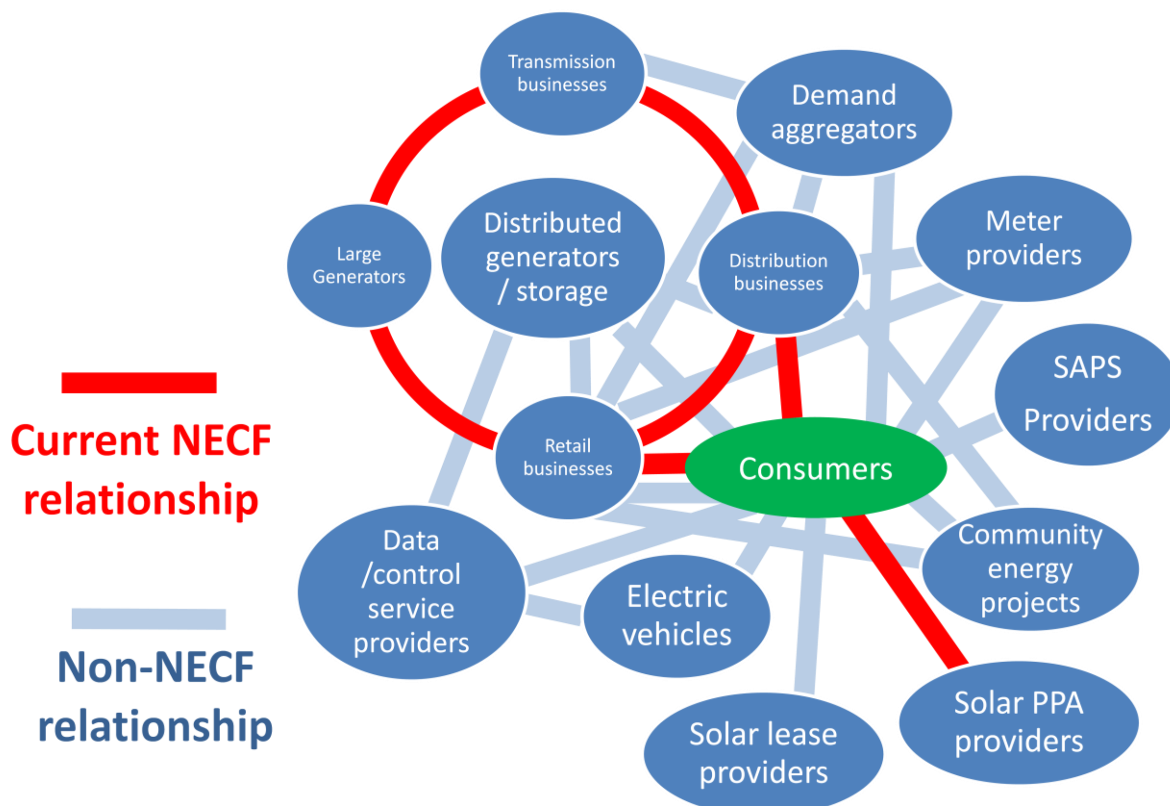

Figure 1 – The connecting bars represent current and potential future energy relationships. Those in red are considered NECF today; those in blue are not. SPPA providers are effectively disallowed under the current Victorian arrangements.

Consumer impacts arising from lack of regulations

Limiting regulations only to where energy is metered and traded runs the risk of creating loopholes, whereby the provider of the product or service can avoid complying with some consumer protections and other requirements simply by not selling energy on a per kWh basis, thus avoiding the need for an exemption. This is not a mere theoretical risk: it is happening today.

Today's impacts

One example of this today is solar leasing products. Under a typical solar leasing arrangement, a consumer makes a regular payment for a solar array that remains the property of the provider until fully paid for. In this case the consumer actually takes on markedly more risk than they do under Solar Power Purchase Agreements (SPPA), as they (the consumer) carry most of the volume risk[1] Perversely, the consumers are afforded lower levels of protection under the (usually higher risk) solar leasing arrangement than under the (usually lower risk) SPPA arrangement.

It is therefore a perverse outcome of the current arrangements in Victoria that consumers are effectively precluded from accessing lower risk SPPA arrangements (with parties other than licensed retailers) and are instead restricted to higher risk financing arrangements (which themselves carry no energy-specific consumer protections in Victoria or elsewhere in the NEM).

Future impacts

There are numerous things that could 'go wrong' for consumers with future innovative technology and services, some foreseeable others not. Most will be minor in terms of consumer impact, and some will presumable be significant, either because they are systemic problems that effect many consumers, or because of more extreme impacts on individual consumers. In any case, dispute resolution (which may be provided by an ombudsman or by another body), is important to address such issues where needed, and record keeping of complaints and issues is needed to understand whether they are systemic in nature.

To illustrate this - one example of many systemic issues that may emerge in the future is where an residential battery charging business, providing an intermediary energy service to consumers, makes a mistake - such as failing to adjust timers for daylight savings (or doing so when the customer's energy retailer does not), or failing to respond to a critical peak pricing (CPP) message – leading to a failure to charge or discharge a battery at the right time and so exposing customers to high peak demand prices.

This could have material cost implications for customers. Under current arrangements, the consumer would be reliant on ACL, with no energy-specific protections. Without effective and

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[1] The volume risk relates to the production of energy over the life of the system. It is very common for solar arrays to generate less – in some cases, as less than half over the long term – of the energy that the provider has predicted at the time of sale, due to the impact of many factors including component performance, breakdown, and shading. Under an SPPA arrangement, where payments are based on the metered output, the provider carries this volume risk, however under a financing arrangement, where repayments are fixed regardless of performance, the consumer carries the risk

accessible options for dispute resolution, a consumer may lack an effective means of recourse to recover these costs, and if there is no issue reporting requirement, systemic problems will not be documented and will potentially go undetected and unresolved.

A possibly more serious future impact, of the failure of poor quality Stand Alone Power Supplies, is addressed in more detail further on in this paper.

Improving the retail licensing and exemptions framework

To ensure effective consumer protections, the requirement for retail licensing and exemptions needs to be predicated on the nature of energy services provided, and whether they are essential, rather than solely on the sale of energy.

ATA is of the view that the need for, and level of, regulatory intervention in the interest of providing consumer protection should be based not on the transaction of energy (ie on metered energy flows), but on:

- the extent to which the service or product in question is being relied on by the consumer to deliver the essential service of the continuous supply of electricity; and
- the impact on the consumer of experiencing payment difficulties and hardship

In our view, Victoria's licensing and exemption arrangements should be improved to cover the provision of all energy services – without placing undue compliance burden where it would be excessive - and not only where there is a sale of energy.

While the ACL is historically the more appropriate avenue for consumer protections where a consumer is buying a product outright and assuming full ownership and responsibility for day-to-day operations, in some cases, ongoing energy services provided are of a nature where the ACL may be deficient and the retail licensing or exemptions obligations should be extended.

This is not to suggest that all energy services providers should be required to carry full retail authorisations – this would be excessive, inefficient, and create a compliance burden that would restrict offerings to consumers.

A significant problem with the exemptions framework in most NEM states today is that customers of exempt sellers do not have access to the services of the jurisdictional energy ombudsman (or similar) for dispute resolution. Access to a free, independent and an impartial dispute resolution scheme – be it an ombudsman scheme another - is a basic consumer right.

An additional problem is that it is also unclear whether the jurisdictional energy ombudsman's jurisdiction extends to cover the provision of energy services by even the current members of the scheme.

In other NEM states, it is concerning that the NECF exemptions framework can, in some instances, be used to circumvent the obligation to consumer protections that are required under a retail authorisation. Some energy retailers have set up subsidiary companies to provide solar and other energy management services, and have obtained exemptions for these companies.

Customers of these exempt companies might not have access to the jurisdictional energy ombudsman for services provided by the exempt subsidiary company, and different consumer protections apply to them. In such cases were a consumer is contracted with an exempt subsidiary company they are unlikely to be aware of the implications with respect to the lesser protections.

In the interest of effective consumer protections, this situation should be is avoided in Victoria. For example, an energy retail business should not be able to offer SPPAs to a current retail customer without access to an ombdusman scheme for the purpose of resolving disputes relating to the SPPA arrangement.

Maintaining appropriate licensing, exemptions and consumer protections in Victoria

Appropriate consumer protections will, ideally, be in place prior to any new products and services becoming available in the market. However, not all of these new products and services have actually been envisaged yet.

ATA (and most other stakeholders) have been very concerned that the Victorian licensing and exemption arrangements have languished unchanged for over a decade, becoming increasingly out of date with no meaningful action to improve them until these much-needed reviews. The arrangements in NECF states, on the other hand, have been progressively updated in recent years to reflect the changing energy market. As a result, Victorian consumers and communities are unable to access a range of emerging products, services and other models that are available in NECF states.

ATA acknowledges that this has partly been a feature of protracted delays and uncertainty of the status of NECF in Victoria, and that there are legitimate concerns that NECF's consumer protections fall short of the standards in Victoria. Nonetheless, Victoria's lack of responsiveness to changing consumer needs and opportunities is highly concerning in the context of a fast evolving energy market.

As it is impossible to predict the market for new products and services in advance, ESC and the Victorian government should establish processes for efficient, effective response when a new product or service is introduced, or issues emerge with existing services, that might impact the suitability of licensing or exemption arrangements. These processes should contribute to enhancing and preserving consumer protections when needed while eliminating unnecessary barriers to providers that offer services and products that are to the benefit of consumers.

This process should be complemented by a robust and proactive approach to monitoring new product and service as they emerge. The policy response may also more easily facilitate the entry of a new product or service where it is found that a new product or service does not warrant the same set of consumer protections that another does.

ATA hopes that an outcome of these reviews is a commitment in keeping with the above. Failing that, our view is that Victorian consumers would be better served by Victoria opting in to NECF arrangement for retail exemptions, including handing responsibility for the same to the AER.

Extent of energy-specific consumer protections

Appropriate energy-specific consumer protections should apply to all or most current and future energy related services for households, such as

- Energy trading arrangements:
  - Buying from and selling to the grid
  - Buying and selling 'behind the meter'
  - Multiple Trading Relationships
  - Residential demand response

- Energy services involving the leasing or operation of household-scale energy generation, consumption and management, such as
  - Energy generation systems
  - Energy storage systems
  - Electric vehicles.
  - Operation of smart appliances
  - Direct load control
  - Optimisation services across multiple loads and energy sources

- Energy services may be provided by
  - Retailers
  - Networks service providers
  - Demand Response businesses
  - Electric vehicle providers
  - Community energy groups
  - Stand Alone Power System or microgrid operators

There are applications of some products and services that we object to outright, and for which no level of protections is appropriate beyond outright prohibition; in particular, the use of supply capacity control as a credit management tool. In Victoria, energy retailers are prohibited from offering a supply capacity control product to customers for any credit management purposes.[2]

Care must be taken to ensure that vulnerable consumers do not sign up to new products and services that would potentially cause or exacerbate any detriment to their health, wellbeing or safety; for example, consumers with disabilities, those who are on life support, and those who have medical cooling and heating are at risk from the inappropriate use load control control products that effect air conditioning systems.

While ATA is strongly supportive of demand management products and services being made available to consumers, we are concerned that, as noted herein, under current arrangements suppliers could conceivably offer such services without any energy specific consumer protections.

[2] Clause 76A, (Harmonised) Energy Retail Code (version 11, 1 January 2015)

Restrictions on access to specific products and services

Noting the above, in developing a response to the recent COAG Energy Council review that considered consumer protections in the context of an evolving energy market, ATA and CUAC contemplated whether it might be appropriate to effectively restrict access to all new services until new regulations are implemented. With the exception of high risk services[3], we do not support banning new services outright, as:

- it's simply impractical to restrict new services altogether;
- banning could drive the services underground, giving rise to dodgy operators, to the detriment of consumers;
- access to beneficial new products or services might be delayed some years while waiting for new protections to be implemented;
- overcoming a general ban is a significant barrier for new entrants to any market, potentially stifling innovation; and
- in any case it is still possible to ban individual products and services if and when needed[4]

Instead of banning new services, processes should be establish for efficient, effective response when a new product or service is introduced, as noted above.

Disclosure of information and explicit informed consent

It is not necessarily in an energy business' interest for consumers to understand, for example, the nuances of retail price offerings as businesses benefit from the 'confusopoly' that leads to consumers making sub optimal choices. Some of new products and services have the potential to be more confusing than existing retail and energy service products due to added complexity.

Further, existing retail offerings are likely to become more complicated with the emergence of cost reflective pricing, and this will provide more opportunities for the exploitation of confusion in the consumer sector.

It is therefore incumbent on government and regulators to ensure that, in addition to robust consumer protections, consumers have basic information tools to help them fully understand their new product or service. All contract terms and conditions and product information sheets must be easy to understand and accurate. The disclosure of information about product or service attributes and use is particularly important.

In ATA's view, explicit informed consent (EIC) should be an essential feature of any energy or energy services contract. EIC ensures that customers are given sufficient information and understand their

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[3] For example, consumers with medical needs should be protected from signing up to new products and services that would potentially cause or exacerbate any detriment to their health, wellbeing or safety. We do not support the use of supply capacity control for credit management services. (See our response to Q4.)

[4] As has already occurred in Victoria with the ban on using Supply Capacity Limiting

rights, obligations and the terms of their energy or energy management services contract, whenever they enter into an agreement with the energy business.

Customers should be provided with detailed, accurate, standardised and easy to understand information about the product or service that is on offer, and any risks and benefits that may arise from their use, before they sign up to the product/service.

The National Energy Customer Framework (NECF)[5] does not address the need to disclose information in plain English and to ensure that consent is provided by someone who is competent to do so. This is a concern in view of the poor practices that are often employed in marketing to vulnerable consumers from non-English backgrounds and those with poor literacy.

In a recent judgement against retailer Energy Australia, Justice Gordon said EIC *"goes to the very core of stability and transparency of the energy market when considered from the perspective of consumer confidence. All participants in the industry must not only understand the central importance of the need to obtain the explicit informed consent of consumers but ensure that they have procedures in place which ensure that this is achieved."* In our view, this applies equally to emerging energy services.

We are of the view that EIC should apply to all contracts, whether short or long term. The implications of the longer term contracts to with respect to EIC will be different to short term. For example, with traditional energy retail services, consumers should be able to readily change energy retailers to access better priced energy from the grid, or break a contract when their circumstances change, with little or no penalty. However, some innovative products and services for consumers inherently require a longer term contractual commitment, as material up-front investment is made in providing and installing equipment.

In these cases, a consumer should not be restricted from accessing innovative products and services by protections that are intended to preserve access to competition in the retail market, however, a service provider must be able to demonstrate EIC such that the consumer is made aware that:

- They may be foregoing access to competition for some or all of their energy needs for some period of time. Cases exist today where consumers have been disadvantaged by a lack of awareness that they are foregoing competition when making long-term decisions to use LPG (bottled gas) appliances; and
- They may be subject to some sort of additional change to recoup some of a provider's cost outlay if their circumstances change - for example, if they move house and equipment has to be removed or relocated.

Where the customer is disconnecting from the grid, even if the consumer is purchasing a Stand Alone Power Supply (SAPS) outright, the SAPS provider should be required to comply with EIC conditions that extend well beyond the current, non energy-specific requirements of Australian Consumer Law (ACL). These should include:

[5] s39 National Energy Retail Law

- Providing a performance guarantee with respect to the frequency and duration of system outages;
- Educating the customer about the difference between living with a grid connection and living with a SAPS, and associated risks; and
- Documenting and recording that they have the EIC of the consumer, with particular emphasis on the customer understanding the above matters.

Specific regulation is required of businesses selling consumers Stand Alone Power Supplies

Key points

- Consumers should be free to replace their mains grid energy supply with a SAPS (Stand Alone Power Supply) if they wish to do so.
- The protections for consumers replacing a mains grid connection and retail contract should reflect the greater risks that are particular to their situation.
- In some respects, protections for consumers seeking to disconnect from the grid should be similar to those that exist today under retail and distribution frameworks.
- These protections are equally important when a consumer is purchasing a SAPS outright with no intention of a continuing relationship with the provider.
- For the purpose of consumer protection, providers of systems and services to take consumers 'offgrid' need to be subject to far stronger regulation than they are today.

What level of protections is needed for consumers going off-grid?

Currently, the protections afforded to consumers who choose to go 'off the grid' is mostly limited to

- Electrical safety provisions, such as the wiring rules. These are mandatory for the standard household voltages (Low voltage, eg 240 VAC), however an electrical licence is not required to work on elements of a SAPS that operate at Extra Low Voltage (up to 48VAC and 110VDC). This means that battery systems, solar arrays and some components can in some cases be legally installed and maintained by someone without a full electrical licence.
- Clean Energy Council's SAPS installer accreditation. Importantly, A SAPS installer does not legally require this accreditation, and providers of cheaper poor quality SAPS can easily undercut more reputable providers that do have accreditation. In any case, this accreditation caters to traditional SAPS applications (homes that have never been connected to the grid) so does not specifically address the unique risks and needs of grid-connected consumers moving off-grid.
- ACL, which carries little in the way of energy-specific protections.

As noted ATA is of the view that the need for, and level of, regulatory intervention in the interest of providing consumer protections should be based not on the transaction of energy (ie on metered energy flows), but on:

- The extent to which the service or product in question is being relied on by the consumer to deliver the essential service of the continuous supply of electricity; and
- The impact on the consumer of experiencing payment difficulties and hardship

Considering this, more stringent conditions - some matching retailer and DNSP conditions - might be required wherever:

- The provider of the product or service has the ability to entirely restrict a consumer's access to continuous energy supply for non-payment (such as a SAPS provided under a leasing arrangement), or
- When the consequence of failure of the business, product or service is that a consumer's access to the essential service of the continuous supply of energy is compromised (such as a SAPS sold outright to a consumer),

particularly where a consumer is unable to immediately access energy from another cost effective source.

What are the risks for consumers going off-grid?

High quality, properly designed SAPS are usually automated and will provide better levels of reliability and security than rural electricity networks. On the other hand, cheaper SAPS, that often aren't correctly designed to provide energy through high demand or cloudy periods, and/or that use poorer quality components, are much less reliable than electricity networks, and require more manual day to day operation.

As a high quality, properly designed SAPS usually costs many thousands (or tens of thousands) of dollars more than cheaper systems, we expect that, as the technology becomes widely available in coming years, more consumers will be drawn to cheaper SAPS, and usually in ignorance of the risks.

In the experience of ATA and its members, providers of poor quality SAPS are generally:

- Unlikely to fully understand, or have regard for, the shorter and longer term energy needs of their customers
- Unlikely to provide adequate after sales service
- Less likely to remain solvent, and therefore
- Less likely to be in a position to honour warranties

While many consumers in remote areas are used to living with SAPS and have a relationship with a trusted SAPS installer and provider, in coming years it is very likely that consumers who are used to receiving reliable energy from urban grids will choose to disconnect from the grid, with systems acquired from less experienced or reputable SAPS suppliers that are aiming to compete on price. These customers will generally be unused to living with a SAPS, less aware of the relative complexity of living with a SAPS, and may not appreciate the nature of outages associated with - particularly cheaper, poorer quality – SAPS.

By way of comparison, some consumers who have purchased the cheapest available grid connected solar systems have found the equipment to be of poor quality and performance, after sales service to be lacking, and a number of providers have ceased to trade, leaving many of consumers with faulty systems and useless warranties.

We are concerned that if a similar market emerges for cheap, poor quality SAPS, the consequence for consumers will be much more serious than has been the case for cheap grid connected solar.

Will regulating specific technology solve the problem?

While the equipment installed for a grid connect battery and PV system is in many respects similar to a SAPS, the consequences of the failure of those components is far more serious. Consider the following example of the complete failure of a battery, battery charge controller or inverter that results in an energy storage system being out of action for a week.

Where the failed battery is part of a grid connected energy generation and storage system, the consumer can still access energy from the grid, so the consequence will be:

1. The consumer pays - perhaps a few dollars - more for energy that week
2. The consumer's retailer sells some more energy to the consumer at their agreed price
3. No loss of access to an essential service for the consumer

Where the failed battery is part of a SAPS, a consumer's grid connection will typically have been decommissioned or disconnected such that mains supply cannot be promptly restored (in any case, a consumer will not have an active grid connection) so the consequence of the outage will be:

1. If there is no backup generator present: a complete lack of access to the essential service of continuous energy supply for a week.
2. If a back-up generator is present: continuous energy supply is available, but typically
    a. costs the consumer hundreds of dollars in diesel fuel over the course of a week;
    b. is constrained in capacity and operation; and
    c. is noisy and polluting
3. Even with a moderate level mass-market uptake of SAPS, any of the following outcomes are likely if protections aren't extended beyond their current level:
    a. the situation occurs at multiple sites due to poor quality equipment; or
    b. a provider ceases to trade; or
    c. there is a serious consequence such as injury or loss of a life from loss of access to the essential service.

The level and type of regulation and consumer protections should be based not on what technology is used, but on the nature of service provided. The inclusion of storage should not, in and of itself, become a trigger for further regulation, although an associated service (such as supplying energy from a SAPS) may be a trigger.

There are different energy services that use similar technologies where the consequence of major failure of the service provider or product, and hence the impact on either a consumer, or the consumer's traditional energy retailer, are materially very different from one case to the next.

What specific protections are required for consumers going offgrid?

Noting the previous points, our view is that where the customer is purchasing a SAPS and disconnecting from the grid, even if they are purchasing a SAPS outright, the SAPS provider should be required to provide energy-specific consumer protections. These should include

- Providing a performance guarantee with respect to the frequency and duration of system outages;
- Educating the customer about the difference between living with a grid connection and living with a SAPS;
- Clearly demonstrating that they have the EIC of the consumer, with particular emphasis on the customer understanding the above risks;
- Contract terms that are clear and fair;
- A cooling off period;
- Full disclosure of detailed product information to allow for straight forward repairs and identification of correct replacement parts;
- Recording and reporting disputes to the ESC or other appropriate body; and
- A prudential fund or insurance against failure of the system.

Currently, there is no requirement in the ACL, NECF, or the Clean Energy Council's voluntary SAPS installer accreditation for the most of the above conditions. Due to the nature of electricity being an essential service, and the fact that these customers are initially connected to the grid, it is appropriate for more robust exemption or licencing arrangements administered by the ESC or other appropriate body, to be extended to these SAPS providers in the interest of consumer protection.

Licensing or exemption for direct load control

In the longer term, some risk may be posed to power system operations by emerging technologies and services. For example, high penetration of controlled loads and/or batteries may cause or exacerbate voltage control issues at a local level when they switch off simultaneously, or capacity issues deeper in the network (or even wholesale price impacts) if many loads are on concurrently, as has happened before in South Australia with off-peak water loads, requiring the operation of offpeak time switches to be altered by the NSP.

In ATA's view these risks are manageable with conditions that can be part of a license or exemption.

For example, one key tool for mitigating impacts on the network, particularly when the direct load control (DLC) is operated by parties other than the LNSP, is through randomisation or staggering of switching. Randomisation is not always an option for DLC services - for example, switching off aggregated loads in response to spot market price signals will typically leave a window of less than 5 minutes for switching - so its use should not be mandated.

On the other hand, DLC offers opportunities that may materially benefit power system operation. Voluntary load shedding can help to alleviate undervoltage conditions and capacity constraints on heavily loaded lines. The ability to switch off discretionary loads can assist the stable restoration of power after and outage, and may even help prevent outages during high demand events and constraints brought about by system faults. Some battery systems will be capable of operating in an islanded manner and isolating energy consumers from the network, offering greater load reduction benefits.

Bearing in mind the above, appropriate responses to the risk of power system operations including requiring DLC operators to disclose to DNSPs the nature and capacity of their DLC operations in a given network. This could be a license or exemption condition. It would be inappropriate to require this for low levels of DLC that are inconsequential in terms of their network impact, so a minimum threshold – express for example as a MW or number of customer threshold – should be reached before this disclosure becomes mandatory.

If third parties are to be involved in the provision of DLC it is appropriate for there to be consumer protections including a requirement for EIC. The absence of basic protection for third parties may lead to a perverse outcome where a customer with a DLC product from a retailer or DNSP has a higher standard of customer protection than a customer with the same product obtained from a third party.

ATA strongly supports DLC and other emerging products and services, as tools to better coordinate the supply and demand of electricity, in the interests of consumers. This entails ensuring that consumers are fully informed about and understand the pros and cons of any DLC product before they provide their explicit informed consent.

There is a critical need to ensure that vulnerable customers including those on life/medical support or medical cooling needs do not place essential equipment on DLC.

Emerging and likely future examples - where providers of energy services may, under current arrangements, choose not to provide protections such as DLC – include providing a service to consumers for the operation of appliances and devices within the home. These products and services may include:

- Demand aggregator control of household cooling (or heating) for the purposes of demand response;
- Battery charging systems to balance offpeak energy consumption with peak demand (without solar), to reduce consumer's price exposure; and
- Other emerging services to operate home appliances at certain times or under certain conditions.

DLC services may necessitate long term contracts. As previously mentioned, EIC should apply to all contracts whether short or long term, but the implications of the long term contracts to the consumer would be different.

Impacts on energy retailers – does a playing field need to be levelled?

Retailers have raised the issue that they will carry the risk of consumer protection provisions such as CSOs, while the other energy providers (such as SPPA providers) will not. Some aspects of this concern do not appear legitimate, and in any case this appears to be an entirely manageable risk.

In the case of a consumer accessing a grid connected generation and/or storage related service, if a third party service provider ceases to trade or the technology stops working, there is no negative implication for the retailer – the outcome for them is that the consumer purchases more energy from the grid, at a price determined by the retailer. By all accounts this is a positive result for the retailer.

Any retailer is able to make a price offering to consumers to recover any additional risk or cost. The advent of customers getting most of their energy from sources other than the grid does not present a fundamentally new problem for energy retailers, it simply means some of their customers will use less energy. For example, a 30kWh/day all-electric home that meets 80% of its energy needs from a generation and storage system will import about 6 kWh/day from the grid. There are many efficient dual fuel consumers today without solar or batteries that already import less than 6 kWh/day.

At least one retailer that is active in Victoria today already readjusts the unit price of energy that is charged to their customers on a month to month basis, according to the customer's historical average kWh energy use. They do this to account for - among other things - fixed network charges and other fixed costs that they smear across the volume charge. There is nothing preventing a retailer of any customer with low energy usagefrom taking a similar approach, or applying other tools such as higher fixed charges and declining blocks tariffs, today or in the future.

Compared to average consumers, those accessing innovative energy services are generally less likely to enter into hardship, as they will tend to

1. Have access to capital to make a material up-front payment; and/or
2. Have satisfied the provider of those services / products that they are a low credit risk (few innovative energy service providers will enter into a PPA or leasing arrangement with a consumer that is likely to have difficulty paying); and/or
3. Be an owner occupier, as restrictions on building modifications and the longer term nature of some contracts with make generation and/or storage products and services unfeasible for renters

In the event that such a consumer has difficulty paying, the retailer will not be exposed to any more unpaid credit than for their own portion of the energy supplied for that consumer in any case. This actually reduces the retailer's cost burden for that customer. As the retailer ultimately has the ability to disconnect a consumer from the grid in the event of not payment – a measure the other service provider can't do - the consumer will generally opt to pay the retailer ahead of the generation / storage provider.

Some retailers are of the view that the innovative energy sellers have an advantage in an unlevel playing field if the innovative sellers do not carry exactly the same obligations, however in ATA's

view this is neither accurate, nor a valid reason for imposing higher conditions on providers of innovative services, as

- retailers and innovative sellers offer fundamentally different services, such that the extent to which they are in direct competition is questionable. For example, retailers offer connection to continuous supply of energy from the grid (which SPPA providers cannot), whereas a provider of innovative services provide optimisation of energy use in a home, (which retailers usually choose not tp)
- in any case, retailers are equally able to enter the market for innovative products and services if they so choose.

For the above reasons it is hard to accept the argument raised by some energy retailers that they are somehow disadvantages by lack of a level playing field. Indeed, in Victoria, it is currently consumers who are disadvantaged by the lack on access to innovative services under current arrangements.

Further, some retailers have also argued for relaxed authorisation requirements because they perceive the requirements on innovative sellers are lesser than their own. However, the solution must never be lowering the authorisation requirements for any entity controlling access to an essential service.