



## ENERGY MARKET TRANSFORMATION BULLETIN 6 – WORK PROGRAM UPDATE

### **The Energy Council continues to develop policy responding to the energy market's transition. At the November 2017 meeting, Energy Council was provided updates on a number of work streams.**

#### **Background**

The energy sector is undergoing a major transition, driven by changing technologies, increasing consumer engagement, new business models and climate change policies. A key challenge of the transition is that the regulatory frameworks were designed around a highly centralized system and we are seeing a shift to a more decentralized one.

The Energy Council (Council) seeks to support the development of competitive electricity markets with low barriers to entry, which foster innovation, customer choice and support the delivery of efficient services that serve the long-term interests of consumers. The Council also wants to ensure any potential risks from the market transition are mitigated.

In December 2015, the Council agreed to establish the Energy Market Transformation Project Team (EMTPT) to consider the regulatory response to the market transition. The Council endorsed a work program that is designed to ensure the continued delivery of efficient electricity infrastructure as the market evolves. The work program addresses barriers to enhanced competition and innovation, greater empowerment of consumers, and flexibility in the network regulatory framework, especially the economic framework.

#### **Recent decisions and future work**

At the meeting on 24 November 2017, the Council considered recommendations for delivering key areas of work.

##### ***Consumer protections***

Ministers noted the support and progress from representative industry groups on the development of a Code of Conduct for all behind the meter (BTM) suppliers. Energy Consumers Australia has taken the initiative to assist drive the development of the Code of Conduct and continues to provide Ministers with progress reports on outcomes of meetings with industry members. A draft Code of Conduct is expected to be completed by July 2018.

Ministers also noted Energy Consumers Australia's work to develop a range of consumer information products on consumer rights and responsibilities for behind-the-meter products and services. The first stage of work included a thorough review of material already available to consumers and research and testing the type of information consumers need and the best channels for delivery of that information.

Ministers noted that Energy Networks Australia will coordinate the development of consistent consumer information that network service providers can give to consumers who are considering disconnecting from the grid following installation of behind the meter products.

The aim of this information is to help make consumers aware of changes in availability or reliability standards, changes in consumer protections, the potential cost of reconnecting to the grid in future, and other relevant information.



### ***Stand-alone Power Systems***

EMTPT has been engaging with relevant jurisdictional bodies and regulators, the Australian Energy Regulator (AER) and the Australian Energy Market Commission (AEMC) to develop approaches to the enduring regulation of stand-alone power systems and to address regulatory gaps relating to the transfer of customer supplies from grid-connected services to stand-alone power systems.

Discussions to date have encompassed the regulatory arrangements that currently apply to stand-alone energy systems in each jurisdiction. There are also a number of reviews of jurisdiction-based regulatory frameworks either currently being conducted or due to commence in 2018. Outcomes from these will form a valuable input into the EMTPT process.

EMTPT also held a workshop on 29 November 2017 with the AER and AEMC, facilitated by Houston Kemp. The workshop focused on decision-making mechanisms for customers transitioning from the grid to stand-alone power systems, and the protections available to customers both during and after this transition.

Again, commonalities between this work and the AEMC's recent final rule on alternatives to grid-supplied network services put forward by Western Power were noted. The EMTPT work program will allow for further consideration and, if appropriate, progression of the AEMC's recommendations.

EMTPT anticipates providing a further progress update on this work in early to mid-2018.

### ***Battery storage***

At the July 2017 Energy Council meeting, Ministers noted the findings of a cost-benefit analysis and the Finkel recommendation for improved information on distributed energy resources (DER), including battery storage systems.

Ministers agreed to initiate, through a rule change, the development of a national register for DER (solar generation and batteries) to be administered by the Australian Energy Market Operator (AEMO). This Rule change has been submitted to the AEMC. Energy Council expects the register to commence by the end of 2018.

As part of preparing for the commencement of the register, officials are working with AEMO to prioritise development of a standard format for collection of data on DER.

As an interim measure ahead of establishing the national register, officials will work with stakeholders, including network businesses, installers, AEMO and the Clean Energy Regulator to increase data collection of DER, particularly storage equipment, which can be fed into the register once it is established.

### ***Network Regulation – Optimising network incentives***

KPMG was appointed to provide advice on existing and alternative regulatory frameworks that may improve flexibility and encourage innovation and efficiency in electricity network investment.

A draft report was delivered to EMTPT on 13 December 2017. The final report is due mid-January 2018 and will be delivered to COAG Energy Council before being made public.