

8 March 2019

Dr Kerry Schott AO
Chair
Energy Security Board
via email: info@esb.org.au

Energy Networks Australia Response to Strategic Energy Plan draft metrics

Dear Dr Schott,

Thank you for the opportunity to comment on the Energy Security Board's Consultation Paper on the Strategic Energy Plan draft metrics.

Energy Networks Australia is the national industry body representing businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia.

Network businesses strongly support the development of a Strategic Energy Plan (SEP) along with implementation of the Finkel Report recommendations and wider energy market reforms.

We recognise that the draft metrics have been subject to previous stakeholder consultation and we appreciate that the Energy Security Board (ESB) has reflected many of our comments in their draft metrics.

Energy Networks Australia's view on the draft evaluation metrics outlined in Attachment A of the consultation paper is that they are generally fit-for-purpose and appropriate to measure progress against the Strategic Energy Plan objectives.

Energy Networks Australia does, however, provide some feedback on the ESB's proposed metrics and suggests additional metrics which we believe complement the ESB's draft metrics in **Attachment A** to this letter. We believe the additional metrics are good measures of the SEP's objectives, noting that the ESB is targeting accuracy, data availability, neutrality and replicability.

Yours sincerely,



Andrew Dillon
CEO

Attachment A

Outcome: Affordable energy and satisfied consumers		
Objectives	Additional metrics	Energy Networks Australia Comments
Energy is increasingly affordable for all consumers, supported by adequate consumer protections and access to dispute resolution.	<ul style="list-style-type: none"> » The percentage of customer disputes/complaints adequately remediated to customers' satisfaction. 	<ul style="list-style-type: none"> » While the ESB proposes to consider the number of consumer disputes/complaints in its draft metrics, the percentage of disputes/complaints adequately remediated to customers' satisfaction relates directly to the outcome of satisfied consumers. These metrics when looked at in conjunction will show whether customers are in fact supported by adequate consumer protections.
Consumers are empowered to manage their demand and can access distributed energy and energy efficiency solutions.	<ul style="list-style-type: none"> » % residential or commercial and industrial (C&I) customers with a competitively provided smart meter by state. » Average cost of metering services (Metering Coordinator costs) by residential or C&I by state. » Average time to provide metering on connection or supply upgrades. » Number of competitive MCs in the electricity market relative to number of meters. 	<ul style="list-style-type: none"> » There are a number of proposed metrics aimed at the consumer outcomes for network and retail efficiency but none on the effectiveness of metering competition. Metering competition was intended to provide the customer with more choice and improved services and this should be made explicit in the metrics.

Outcome: Effective development of open and competitive markets (where appropriate)		
Objectives	Additional metrics	Energy Networks Australia Comments
Wholesale and retail markets are competitive and deliver efficient outcomes for consumers.	<ul style="list-style-type: none"> » Market concentration as assessed by the Herfindahl index or similar measure. » The proportion of customers on standing offers. 	<ul style="list-style-type: none"> » Higher market concentration leads directly to more market power, which can undermine efficient outcomes for consumers. » Standing offers are the highest priced offers in the market and offer customers very minimal if any benefit over a competitively priced market contract. The number of customers on standing offers is a proxy for the number of energy consumers disengaged with the market that may not see a value proposition in the competitive market.
Innovation is incentivised and enables value from new technologies.	<ul style="list-style-type: none"> » Increased transparency of information and knowledge sharing from proof of concept trials among entities not in direct competition with one another. 	<ul style="list-style-type: none"> » Transparency and knowledge sharing can fast-track innovation in the network sector but may be subject to confidentiality in the generation and retail sector.

Outcome: Efficient and Timely investment in Networks		
Objectives	Additional metrics	Energy Networks Australia Comments
Efficient regulation of monopoly infrastructure.	<ul style="list-style-type: none"> » Cost of capital for new and existing network investments is in line with international standards. » Network productivity, utilisation, affordability and reliability. » Separation of rule-making and economic regulatory functions maintained. » Increased stakeholder confidence that predictable and accountable regulatory decisions are being reached independently, on a transparent evidentiary basis. 	<ul style="list-style-type: none"> » AER has just finalised extensive consultation on the Rate of Return guidelines, and has been presented with evidence that returns are not in line with international standards. A failure to provide adequate return on capital for existing assets will lead to inefficient outcomes for consumers through distorted capital and operating investment signals – it is insufficient to just focus on new investments. » Traditional high-level one-directional measures of network utilisation (eg. simple load factors) are inadequate, and potentially misleading when viewed in isolation from valued components of network services, two-way utilisation and constraints within a network. » Similarly, building transmission as an enabler will mean that as coal retires, existing local transmission will have lower utilisation given that it is not supporting as much base load to large load centres, rather it will support load to local communities. In addition, about twice the level of renewables is required to replace retiring coal plants given their intermittent nature, this may mean more transmission is required which will lead to lower utilisation under traditional measures. Transformation of the transmission network to integrate renewables into the grid will involve network costs but may not alter total load supplied. » Regulatory decisions should meet the national energy objective by being predictable, accountable, transparent and evidence-based.