

8 March 2019



Energy Security Board  
COAG Energy Council Secretariat  
Department of the Environment and Energy  
GPO Box 787  
CANBERRA ACT 2601

[info@esb.org.au](mailto:info@esb.org.au)

Dear Sir/Madam

**Energy Queensland submission to the Energy Security Board's Strategic Energy Plan Consultation Paper on draft metrics**

Energy Queensland welcomes the opportunity to provide comment to the Energy Security Board's consultation on draft metrics to track progress against its Strategic Energy Plan.

Energy Queensland acknowledges the improvements made since the release of the proposed metrics in November 2018. However, Energy Queensland suggests further development is necessary to refine the metrics to enable a clearer understanding of what aspects of the energy market's performance are of interest to the Energy Security Board.

Energy Queensland's comments on the proposed metrics are contained in the attached submission.

Should the Energy Security Board require additional information or wish to discuss any aspect of Energy Queensland's submission, please contact me on (07) 3851 6787 or Peter Wall on (07) 3664 4968.

Yours sincerely

A handwritten signature in black ink that reads "Trudy Fraser".

Trudy Fraser  
**Manager Policy and Regulatory Reform**

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*Encl: Energy Queensland submission to the draft metrics consultation paper*

## Energy Queensland response to Energy Security Board Consultation Paper - Strategic Energy Plan draft metrics

Strategic Energy Plan (SEP) draft metrics	Energy Queensland response
<b><i>SEP Outcome: Affordable energy and satisfied customers</i></b>	
<i>Energy is increasingly affordable for all consumers, supported by adequate consumer protections and access to dispute resolution</i>	
Representative domestic retail tariffs in each NEM-region	Energy Queensland notes similarity with the Commonwealth Government's proposed Default Market Offer. Energy Queensland also notes that in regional Queensland, electricity prices are regulated by the Queensland Competition Authority.
Energy spend as a % of household disposable income	Energy Queensland considers the revised draft metric to be more appropriate than previously proposed. Although the revised draft metric will likely be a useful reference point for comparison over time, we question the usefulness of this metric for Energy Security Board's (ESB) SEP to guide policy direction over the next five years. Will the metric differentiate between energy sources, regions, customer demographics?
Customer perceived value for money	Energy Queensland questions the usefulness of customers' perceptions of value which are likely to vary depending on their circumstances and their appreciation of the level of utility that they receive from different sources of energy.  Energy Queensland considers this metric to be of lower significance.
Number of consumer disputes/complaints to retailers and ombudsman schemes	Energy Queensland considers the revised metric to be appropriate.
Low-income high-cost: Number of households with income below poverty line (or alternatively lowest income quintile) which spend above the median level on energy.	Energy Queensland considers the new metric to be a useful indicator. However, the metric may be improved through differentiation by energy source.
Representative C&I energy prices. Comparison with international counterparts	Energy Queensland notes that energy use and costs vary widely across businesses and industries, as does sophistication in the approach to energy management. We also note that energy cost information will be difficult to accurately capture. Further, international comparisons should also acknowledge fundamental differences in market structures, geography and distance, and other influential factors.

Strategic Energy Plan (SEP) draft metrics	Energy Queensland response
<i>Consumers are empowered to manage their demand and can access distributed energy and energy efficiency solutions</i>	
% customers with smart meters	Energy Queensland considers that this metric may be useful to define the opportunity for customers to deepen their understanding of their usage. However, we consider that this metric is not a good proxy for measuring customers' motivation and empowerment with respect to their energy use.
Ratio of demand response MWs available/annual peak demand	Energy Queensland considers that this metric may be useful to define the uptake of demand response at arguably the most relevant time and the remaining opportunity. However, customers' capacity to engage with demand response is a function of their energy needs and the sophistication of their approach to energy management.
Economy wide energy intensity: energy consumption/GDP	Energy Queensland considers that this metric may be useful to measure customers' response to the changing dynamics of the energy market, but notes that the timeframes for changes to become apparent are beyond the five year period of the SEP.
<i>Consumers are able to easily identify and secure the best deal for their circumstances</i>	
Consumer confidence in ability to make choices about energy products and services	Energy Queensland considers that this metric will be a useful indicator, noting the influence of metering technology to facilitate understanding of non-traditional energy products and services.
% customers on best three market offers by retailer	<p>Energy Queensland considers the revised metric to be an improvement. However, the measure of "best" offers remains too subjective and notes it does not consider:</p> <ul style="list-style-type: none"> <li>- timing /availability of offer;</li> <li>- suitability for customer's needs; or</li> <li>- changes in offers over reporting period.</li> </ul> <p>Energy Queensland also notes that in regional Queensland, electricity prices are regulated by the Queensland Competition Authority.</p>
# Unique hits on government supported energy comparison websites and number of visitors that complete a search plan	Energy Queensland does not agree that the metric will provide a <i>"Measure of how actively consumers are engaging in the retail market"</i> , but considers that it may be useful to demonstrate the level of consumer interest.
How easy it is to switch (e.g. 'customers can switch in 5 clicks or less'). Most appropriate metric TBD	Energy Queensland suggests that if the ESB is interested in timeliness of retailer switching (presumably retailer processes), an alternative metric could be "days taken to switch retailer following request from customer". However, we note that this will vary depending on metering technology at the customer's premises and willingness for customer (or retailer) to incur or absorb the cost of a special meter read.

Strategic Energy Plan (SEP) draft metrics	Energy Queensland response
<p><i>Vulnerable consumers are on suitable pricing plans, receiving concessions when needed, and can benefit from distributed energy and energy efficiency schemes</i></p>	
<p>% hardship customers on best market contracts</p>	<p>Energy Queensland considers the measure of “best” offers to be too subjective and notes it does not consider:</p> <ul style="list-style-type: none"> <li>- timing /availability of offer;</li> <li>- suitability for customer’s needs; or</li> <li>- changes in offers over reporting period.</li> </ul> <p>Perhaps a more relevant measure would be the proportion of hardship customers on the standing offer - this could indicate that more engagement is required. Energy Queensland also notes that in regional Queensland, electricity services are provided under a standard retail contract at prices regulated by the Queensland Competition Authority.</p> <p>Energy Queensland considers this metric (as drafted) to be of lower significance.</p>
<p>% people who are eligible for concessions on concessions</p>	<p>Energy Queensland notes that this metric will only identify the quantum of the opportunity and will vary between jurisdictions based on eligibility for concessions. We request further detail on how this measure will be calculated and who will be responsible.</p>
<p>% public housing with access to energy efficiency, solar and/or storage programs</p>	<p>Energy Queensland offers no comment.</p>
<p><b>SEP Outcome: Secure electricity and gas system</b></p>	
<p><i>Markets operate safely, securely and efficiently, under full range of operating conditions, with minimal intervention</i></p>	
<p>Number and nature of electricity supply interruptions due to system security concerns</p>	<p>Energy Queensland notes that responsibility for reporting for the proposed metric falls to the Australian Energy Market Operator. However, we request further detail to determine the implications for distribution network service providers.</p>
<p>Number, duration and reason for electricity system interventions by AEMO in each NEM-region</p>	<p>Energy Queensland requests a clear definition of “system interventions”.</p>
<p>Hours high pressure gas pipeline not operational (available NSW only)</p>	<p>Energy Queensland offers no comment.</p>

Strategic Energy Plan (SEP) draft metrics	Energy Queensland response
<i>System planning and development is informed by clear and transparent rules</i>	
Progress towards developing and maintaining a roadmap which identifies emerging system and market issues	Energy Queensland seeks clarity on the roadmap and questions how progress against this metric will be measured.
Cyber-Security Framework implementation for high and medium risk participants within established timeframes	Energy Queensland acknowledges the importance of a robust approach to cyber-security. However, the draft metric appears more a task than a metric without any timeframes.
Number of adaptation processes in place to upgrade energy infrastructure to deal with increasingly severe weather events and cyber-security risks	Energy Queensland considers the substance of adaptation processes to be more relevant than the number of adaptation processes.
<b>SEP Outcome: Reliable and low emission electricity and gas supply</b>	
<i>Electricity and gas sectors efficiently deliver at least their share of emissions reduction target/s while ensuring reliable supply</i>	
Electricity and gas sector emissions as a proportion of national emissions. Compare sectoral emission reduction with economy wide target/s	Energy Queensland considers the proposed metric to be an appropriate measure of emission trends over time.
Amount of unserved energy (with reference to reliability standard)	Energy Queensland offers no comment.
Amount of RERT capacity procured by type (long notice vs medium notice vs short notice) and number of times deployed	Energy Queensland notes that Queensland does not have a RERT requirement.
Total cost of RERT (\$)	Energy Queensland offers no comment.
<i>Investors efficiently manage risk to support investment, operation, retirement and innovation decisions</i>	
Mean percentage error of AEMO annual operational consumption forecast vs actual	Energy Queensland offers no comment.
% announced closures by scheduled and semi-scheduled generators made with at least three years' notice	Energy Queensland notes that generators will be required under the National Electricity Rules to provide three years notice prior to closure from 1 September 2019. Energy Queensland considers this metric to be of lower significance.
Committed investment in electricity generation capacity by region and forecast supply adequacy	Energy Queensland offers no comment.
Investment in domestic gas resources and forecast gas supply adequacy	Energy Queensland offers no comment.

Strategic Energy Plan (SEP) draft metrics	Energy Queensland response
<b><i>SEP Outcome: Effective development of open and competitive markets</i></b>	
<b><i>Wholesale and retail markets are competitive and deliver efficient outcomes for consumers</i></b>	
Average forward swap and cap contract prices for electricity in line with LRMC of new entrant, by region where available	Energy Queensland offers no comment.
Retail and wholesale contract gas prices reflect netback/export parity plus transport and other relevant costs	Energy Queensland offers no comment.
Extent to which competition in the wholesale electricity and gas markets is identified as an issue by the AER	Energy Queensland suggests further detail is required on the indicators used to measure competition.
<b><i>Deep, liquid and transparent financial markets for electricity and gas and related services</i></b>	
Ratio of contract volume (both volumes traded and open interest) to demand for electricity and gas	Energy Queensland offers no comment.
Gas trading volumes for commodity and transportation	Energy Queensland offers no comment.
Liquidity of east coast gas pipeline capacity	Energy Queensland offers no comment.
<b><i>Access to efficiently priced fuel and transport</i></b>	
Transparency of fuel reserves and prices (coal, gas, hydro) for market participants	Energy Queensland offers no comment.
Coal costs competitive with international spot price less shipping	Energy Queensland offers no comment.
<b><i>Innovation is incentivised and enables value from new technologies</i></b>	
Value of system security markets (e.g. FCAS)	Energy Queensland considers the new metric may be a useful indicator. However, given the existing barriers to these markets faced by new technologies, it may also be useful to consider the diversity of participating assets and how they deliver services.
Proportion of energy and system security services provided by DR and DER	Energy Queensland offers no comment.
Number of projects and amount of funding for RD and D by governments	Energy Queensland offers no comment.

Strategic Energy Plan (SEP) draft metrics	Energy Queensland response
<b><i>SEP Outcome: Efficient and timely investments in networks</i></b>	
<b><i>Investment solutions are optimal across all resources</i></b>	
Congestion levels on electricity transmission/distribution networks and gas pipelines	Energy Queensland remains concerned that this draft metric is unclear. As previously stated, networks have constraints that aren't always reasonable for the market to pay for – in some cases it is appropriate for the customer to meet the cost to resolve the issue (e.g. the location of connection is linked to energy source or land price and not optimal location for the network).  Energy Queensland requests further detail for this draft metric.
Extent to which congestion is being examined through RIT-T/Ds	Energy Queensland requests further detail on how this metric will be informed.
Cost of inter- and intra-regional constraints	Energy Queensland offers no comment.
% customers with retailer exposed to cost reflective network tariff	Energy Queensland offers no comment.
Average generation connection time from project commencement	Energy Queensland notes that timely connection is a function of many elements including the quality/completeness of connection applications, and the need for increased modelling and review to ensure network security. Energy Queensland notes the potential for such a measure to reflect poorly on network businesses despite issues being beyond their control.
<b><i>Efficient regulation of monopoly infrastructure</i></b>	
Regulated rate of return for new network investments relative to other regulated industries and risk free rate of return (e.g. 10 year Commonwealth Government security yield)	Energy Queensland again questions the appropriateness of using cost of capital as a measure of efficient regulation when it is more a reflection of financial markets and economic conditions when network service providers' regulatory determinations are made.
Network productivity, utilisation, and reliability	Energy Queensland notes that traditional measures of utilisation and productivity should be adapted in the current and expected future context of the grid. The network is built and it is important to acknowledge the opportunities to leverage this investment to adapt to customers' needs.
Customer engagement of network service providers	Energy Queensland requests further detail on engagement indicators to be used for this metric.

Strategic Energy Plan (SEP) draft metrics	Energy Queensland response
<i>Networks incentivised to be efficient platforms for energy services</i>	
Extent to which DER is able to participate in relevant markets – wholesale, ancillary services, deferral in network investment	Energy Queensland request further detail on participation indicators to be used for this metric.
Progress towards implementing a DER coordination framework	Energy Queensland offers no comment.
Time taken to assess network investment proposals in line with best practice international regulatory processes	Energy Queensland requests further detail for this draft metric. Specifically, does this relate to the AER’s five-yearly assessment of network service providers’ regulatory proposals, or RIT-D proposals?
<b><i>SEP Outcome: Strong but agile governance</i></b>	
<i>Governance arrangements support the achievement of the national energy objectives, and emerging issues are addressed in a coordinated, timely and consultative manner.</i>	
Energy market institutions have published and co-ordinated priorities, work programs and outcomes	Energy Queensland offers no comment.
Market bodies’ outcomes in line with their statements of expectations	Energy Queensland offers no comment.
Rule change requests processed within standard timeframes	Energy Queensland offers no comment.
Number of regulatory sandboxes utilised to trial new regulatory approaches	Energy Queensland offers no comment.