



Major Energy Users Inc.

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COAG Energy Council Secretariat
GPO Box 797
Canberra ACT 2601

Energy Market Governance Reforms Bulletin No 01

AEMC Governance Amendment Bill

The Major Energy Users (MEU) welcomes the opportunity to provide comment on the proposed COAG Energy Council AEMC Governance Amendment Bill.

The MEU notes that the proposed Bill is to merely increase the numbers of AEMC commissioners from 3 to a maximum of five and that the nomination of the commissioners will be made through the CoAG Energy Council processes rather than be made by state and federal governments. The MEU supports these changes.

However, there are two major issues where the MEU (and other consumer advocates) have expressed concern and which are not addressed in the draft legislation.

Firstly, the MEU points out that the AEMC makes decisions regarding the rules for the gas and electricity markets which can have a major impact on the long term interests of consumers. Yet if consumers see that an AEMC decision will have a negative impact on them, there is no ability for consumers to get this concern addressed and the rule change reviewed except through political means or an expensive judicial review process. This lack of review process is particularly important where the AEMC commissioners do not have a sufficiently good understanding of consumer views about how the energy markets are impacting them or even how consumers actually interface with the energy markets. The fact that the Finkel Review proposes these changes needed to the market rules to assist in the implementation of the Finkel blueprint increases the MEU concerns.

Secondly, in the absence of any feasible review process for AEMC decisions, the appointment of the commissioners, and their skills and understanding of consumer issues becomes critical. Yet there is no requirement that within the panel of commissioners there has to be anyone with a clear understanding of consumer concerns and issues and/or with a direct experience of being a consumer operating within the confines of the market and the energy institutions. It is telling that AEMO has recognised it doesn't understand how consumers use their electricity and have

2-3 Parkhaven Court, Healesville, Victoria, 3777

ABN 71 278 859 567

www.meu.asn.au

implemented a program for its senior staff to visit users and find out, first hand, how electricity is used and what constraints in its use are faced by users. The MEU has met with the existing AEMC commissioners and staff, and recognises that their lack of experience in understanding the intricacies of being an electricity user has resulted in their decisions and recommendations not always being in the long term interests of consumers.

The MEU notes that, in the government response to the review of governance of the NEM institutions, there is to be a requirement for an AEMC commissioner to be well acquainted with stakeholder engagement. This is commendable, but the AER has recognised there is a difference between stakeholder engagement and the importance of a better understanding of the needs of consumers. Stakeholder engagement is about seeking informed comment from all sectors – political, academia and supply side entities as well as consumers, so its remit is much wider than the concerns and views of consumers. Further, consumers are not homogeneous, and different consumers have different needs and use electricity in different ways.

To assume that the addition of up to two additional commissioners, one with stakeholder engagement capabilities will be all that the AEMC requires to improve its processes and decision making is indeed a courageous assumption. The MEU considers that the AEMC commissioners must have first hand experiences of energy consumers as an integral part of the commissioner experience mix and a failure to have this will result in sub-optimal outcomes for consumers.

MEU is very concerned that the process for nomination of the commissioners has also not been addressed. Currently, the statement of requirement for commissioner experience and skills is not a public document. The MEU considers that this document should be formalized and made public, and be subject to consultation as to the specific requirements that the commissioner panel must comprise.

We thank you for the opportunity to provide feedback on the proposed amendments. The MEU considers that its suggested refinements are in the best interest of all energy consumers and therefore is in accordance with the National Electricity Objective.

We are available for further comment if required, and please do not hesitate to contact our Public Officer – David Headberry – on 03 5962 3225 or at davidheadberry@bigpond.com.

Sincerely,



David Headberry
Public Officer
Major Energy Users Inc.