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Attention: Ms Jessica Robinson and Mr Jonathan Gawthorne

Independent Pricing and Regulatory Tribunal

By email

26 September 2024

Dear Ms Robinson and Mr Gawthorne,

Consultation Paper – Monitoring the NSW retail energy markets 2023-24

AGL Energy (**AGL**) welcomes the opportunity to provide responses to the consultation questions posed by the Independent Pricing and Regulatory Tribunal (**IPART**) in response to the abovementioned Consultation Paper.

Proudly Australian for more than 185 years, AGL supplies around 4.1 million energy services. AGL is a market leader in the development of innovative products and services that enable consumers to make informed decisions on how and when to optimise their energy usage and better manage their energy costs. AGL is also making a significant investment in flexibility and has been making strong progress against our grid-scale battery and distributed energy resources (DER) targets.

Information on AGL's virtual power plant programs and other relevant programs

AGL is innovating on a broad suite of products & services to drive DER adoption and deliver value for customers. As of FY24 AGL had 1.25 GW of decentralised assets under orchestration, with a FY27 target of 1.6 GW. Most of these assets are installed behind the connection point, and include residential batteries and solar, as well as flexible loads and backup generation systems at commercial and industrial customer sites.

AGL has invested significantly in innovative DER pilots and trials since 2016, and is now investing in scaling DER solutions. We are empowering consumers to participate in the energy market through:

- our Electrify Now program which received over 25,000 visits for electrification recommendations in FY24
- our Peak Energy Rewards program which is comprised of 160,000 members and has delivered a 481MWh reduction to customer target and over \$2.2 million in customer rewards
- our hot water orchestration programs, which include 40,000 controlled load hot water systems orchestrated with SA Power Networks, Ausgrid and Endeavour
- our electric vehicle (EV) plans which have attracted over 22,000 customers in FY24 – this includes the Night Saver EV Plan, a time-of-use (TOU) plan where customers are encouraged to charge their vehicle overnight for as low as \$5.

Through AGL owned Ovo Energy Australia, we have approximately 900 EV smart chargers orchestrated to manage demand for both customers and the grid.

The impact of changing pricing structures on consumers

Our learnings show that when tariffs are simple and customers are engaged, loads can be effectively shifted. For instance, the ARENA funded [AGL Electric Vehicle Orchestration Trial](#) found that customers can demonstrate a significant shift in load when given strong price and time signals. The trial found that:

- EV drivers charge less often than expected (50% of EV drivers charge once every few days)
- Maximum demand is smaller than expected (the average maximum demand per charger was 450 W)
- Charging orchestration is effective in reducing charging demand at peak times, particularly during the evening system peak.

Approximately half of AGL's customers have a smart meter and a significant proportion of these customers have moved to cost-reflective network tariffs (CRNT). To support our customers, we continued to identify opportunities



to further improve our communications as they transition to cost reflective tariffs. However, there remains improvements in customer experience as part of the transition to this tariff type. Switching to a cost reflective retail tariff can be confusing for customers and can result in higher bills if the customer doesn't understand the change properly and/or is unable to change their usage. We welcome the opportunity to provide IPART with our customer insights based on our learnings and internal analysis in this area.

In the NECF states, AGL has largely paused assigning residential customers to cost-reflective retail tariffs following smart meter installation. The primary drivers for this pause include:

- to avoid complexity arising from demand tariffs
- to improve the customer experience when transferring to TOU tariffs
- to decouple the smart meter rollout from the experience of tariff reassignment, so that we can gather smart data on the customer's actual usage patterns before the retail tariff reassignment occurs.

Our experience to date indicates that to assist households in engaging with and responding to changing tariff structures there is a need for **simpler, more actionable, and fairer cost reflective network tariffs**. This can be achieved by:

- Making tariffs that are easier to understand, with structures that enable customers to make meaningful changes to leverage benefits, and that are not punitive for customers unable to respond
- Avoiding interim or partial fixes impacting only retail tariffs – tariff reform needs to be considered holistically encompassing both network and retail tariffs
- Making network tariff structures more uniform and aligned across all distribution networks
- Considering the role of cost-reflective tariffs as an effective means to manage the network costs associated with peak demand - either overall or for certain cohorts of customers
- Where cost-reflective tariffs are considered ineffective, stopping these at the network level.

Other emerging issues

AGL encourages IPART to consider how potential reforms within the NSW Consumer Energy Strategy could create changes in the structure of NSW's retail markets or lead to reduced innovation in products, services, and price structures within NSW's retail markets. Reforms with potential impact include:

- Seeking a regulatory class waiver from the Australian Energy Regulator to enable DNSPs to support the uptake of community batteries
- Investigate opportunities to facilitate the delivery of kerbside EV charging infrastructure by Distribution Network Service Providers where appropriate.

If you have any queries about this submission, please contact Andrea Espinosa on 0422 165 705 or aespinosa2@agl.com.au.

Yours sincerely,

Kyle Auret

Senior Manager Policy and Market Regulation