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Review of Queensland Energy Legislation: Options Paper

AGL Energy (AGL) welcomes the opportunity to comment on the Review of Queensland Energy Legislation (Options Paper). AGL commend the Queensland Government's extensive consideration in the Options Paper and agree with the observations contained within the Executive Summary, particularly that the energy sector is in a phase of rapid change and that the web of Commonwealth, national and state laws can create unnecessary burden on industry.

We emphasise the importance of national alignment, both from the perspective of a reduction in red tape, as well as from a consistency perspective for industry participants and consumers. This is in line with the Australian Competition and Consumer Commission's (ACCC) Retail Electricity Pricing Inquiry (REPI) final report recommendation 27 that encouraged national alignment, except in circumstances where jurisdiction-specific needs are not met by the National Energy Consumer Framework (NECF).

Technology agnostic and promoting competitive markets principles are also important in regulation as the energy market is experiencing a period of rapid change in technology. AGL support a framework that applies appropriate consumer protections in a consistent way, irrespective of how a customer chooses to access their energy supply. The Australian Energy Market Commission (AEMC) is currently undertaking a review on consumer protections for both the traditional sale of energy and new energy products and services and we recommend the Queensland government utilise the outcomes of this review.

The following attachment provides a high-level response to each of the broad topics and options raised in the options paper. If you have any questions, please contact me or Kat Burela (0498 001 328).

Yours sincerely



Patrick Wish-Wilson
Senior Manager Regulatory Strategy

Topic	Summary	AGL comment
Purpose of state energy laws		We support alignment of the purpose of the state energy laws with the national energy objectives and state priorities through options 2 or 3.
Energy efficiency and demand management	<p>Reduce duplication by removing the state law and allowing the national law for demand management and energy efficiency to be in effect.</p> <p>The preferred option is option 3 (remove duplicative state laws but retain others).</p> <p>This is because of the 33 isolated networks operated by Ergon Energy. This is not the least cost option for distributors, but the costs are proportionate to benefits of retaining laws for these standalone power systems.</p>	<p>We support the Qld government recommendation (option 3) to remove duplicative state laws but recognise the need to retain others due to the isolated networks operated by Ergon Energy.</p> <p>AGL supports energy efficiency schemes and the benefits they provide to consumers (e.g. our recent DM trial funded by ARENA).¹ We encourage the government to continue to work through the COAG Energy Council on Energy Efficiency.</p> <p>We have also recently had a highly successful campaign to recruit customers for a Demand Response trial in Victoria as a result of the learnings of the NSW trial.</p> <p>In November 2019, the COAG Energy Council agreed to the introduction of demand response capability requirements for air conditioners, electric storage water heaters (resistive), devices controlling swimming pool pump units, and electric vehicle charger/discharger controllers. AGL is a supporter of greater take up of demand response and stronger standards underpinning it. Specifically, as part of AGL's Demand Response trial we tested the AS4755 standard on customers with air conditioners.</p> <p>While trial participants were generally supportive and almost 90 per cent had little concern with their air conditioner being managed, the trial found the current AS4755 is no longer fit for purpose and Standards Australia should look at adopting standards that are more in line with current technology capabilities.</p> <p>AGL found that there were many practical issues related to DRED control methodology specified in AS4755, particularly when retrofitting the devices to existing air conditioners in the field. These included:</p> <ul style="list-style-type: none"> • Bespoke, complex and high cost installations; • Inconsistent response of different models of air conditioners to the control commands; • No local override capability if the customer wants to opt out of an event after it has started (AGL provided this functionality remotely if a customer called to opt out);

¹ <https://arena.gov.au/projects/agl-demand-response/>

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		<ul style="list-style-type: none"> • a lack of a feedback mechanisms from the air conditioner to confirm that it has successfully executed the command; and • No factoring of room temperature into the control methodology; the algorithm only aims to cut power consumption, which it will do irrespective of comfort. <p>We concluded that the remote control of existing (already installed) air conditioners during demand response events is not currently viable using the technology specified in AS4755. While this may be improved if the air conditioners were fitted with the appropriate control technology at the factory and/or during the air conditioner installation, concerns remain around the approach used in AS4755, its impact on comfort levels, its effectiveness if comfort levels are not impacted and the lack of a local override capability. We would be happy to discuss this in more detail the ARENA Knowledge Sharing Report we prepared after the trial.</p>
Interactions with applied national laws	<p>Looking to align with national laws and reduce complexities.</p> <p><u>DER register</u> - The government note that rules already apply in Qld and as such they believe awareness and compliance is an appropriate response. The other option would be to place a new direct obligation on electrical installers.</p> <p><u>Information gathering</u> - This would extend information gathering powers to any relevant purpose to support the QCA's review and advice function. The other option would be to limit the information gathering powers to regulated entities under state laws</p>	<p>For the DER Register we support option 1.</p> <p>For the information gathering powers we support option 3.</p> <p>We encourage the Qld government to take a principles-based approach where the information gathering powers extend to the purpose and objective of the legislation, which may extend beyond information held by regulated entities given the rapid shift in the energy market.</p>
Licensing	<p>Currently there are a range of licenses, special approvals and exemptions across small-scale activities (including on-supply networks).</p> <p>The current process for licensing can take around 4 months.</p>	<p>AGL support option 2 as where possible, we support national alignment and believe that the Qld Government can work with AEMO to refine the processes for licensing.</p> <p>In AGL's experience, state-based licensing can create two key issues as discussed below.</p> <p>AEMO</p>

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	<p>There are national ‘licence’ arrangements (registration process) to enter the NEM.</p> <p>The Qld Government is suggesting removing licensing duplication and aligning to the national framework. The other option is to remove the licensing function – grid connected entities would use national registration and state obligations would be moved to a standards framework.</p>	<p>Our experience is that state based regimes are no longer fit for purpose and cannot keep pace with the AEMC rule change process (e.g. because of restrictions and processes required through Parliament). Most of AGL activities in a state require registration through AEMO (e.g. NEM registration).</p> <p>For a Qld generator, there are two processes, the NEM registration through AEMO and the jurisdictional generation licence (for the site in Qld). However, the reporting obligations under the Queensland generation licence are already captured under other reporting obligations (e.g. energy related requirements through AEMO and the AER and non-energy related, such as Workplace Health and Safety and the Electrical Safety Office).</p> <p>Innovation</p> <p>There are steps being taken in the national electricity rules to allow more demand side participation, but the same type of reform and review is not occurring in the corresponding jurisdictional requirements. This has caused issues, for example, in South Australia (which is based on traditional large-scale generation rather than new energy services).</p> <p>When AGL sought to participate in the AEMO VPP demonstrations program, we were informed by ESCOSA that we would potentially need to address the jurisdictional generation licence requirements in addition to satisfying AEMO requirements for enrolment under the national electricity rules. Such duplication causes unnecessary barriers to entry and innovation that could be overcome through alignment with national processes. ESCOSA has since issued an exemption for participants seeking to enrol in the program and will undertake a wider review of their generation license requirements.</p>
<p>Powers of entry and resumption</p>	<p><u>Power industry locks</u></p> <p>Whether energy retailers should be given access to ‘power industry locks’ that have master key access for distributors to read meters. Arranging access with distributors adds unnecessary time and cost given keys are strictly controlled.</p> <p><u>Metering</u></p>	<p>AGL support the government proposals regarding metering and power industry locks.</p> <p><i>Industry locks</i></p> <p>Power industry locks make it difficult for retailers to meet our minimum timeframes for installing digital meters and impacts the customer experience. By allowing access to industry locks for both retailers and MCs, there will be a reduction in delays and costs for both distributors and retailers of shared customers.</p>

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	<p>Should powers of entry and resumption should be extended to include metering providers. The Electricity Act currently gives powers for a retailer to enter a place at a reasonable time to read the meter, check electrical equipment at the meter and replace meters, and to enter to disconnect supply. There are additional powers under the NERL(Q) as pre-conditions to standard retail contracts to ensure there is safe and unhindered access to the meter. Some of these extend to Metering Coordinators (MC). Where a MC does not have direct rights, they rely on conferred rights from retailers who appoint them.</p>	<p>We have previously raised access to distributors keys as an issue with the AEMC. The AEMC have suggested this will form part of the review of Power of Choice in 2020.</p> <p><i>Metering</i></p> <p>We support the expansion of retailer powers being extended to MCs to perform metering services on behalf of retailers. We also recommend the Qld government participate in the upcoming Power of Choice Review. A national approach to meter access will ensure the regulatory burden and costs are kept low and consumers receive improved service.</p> <p><i>From a practical perspective, the Qld government may need to define ‘Metering Coordinator’ in the legislation. A MC is a registered entity under AEMO for metering data purposes, but they do not have licensing obligations.</i></p>
Technical requirements	<p>Prescriptive provisions in the Electricity Act may lock networks into delivering ‘poles and wires’ despite advances in Solar and batteries. The Qld government is recommending removing barriers within state law to networks supplying connections via stand-alone power systems.</p> <p>The government is recommending that for gas networks with specific metering difficulties, specific amendments be made.</p> <p>For electricity, the government is recommending a central reference point through standard and codes framework that consolidates the current rules (legislation, regulation, Distribution Network Code, licence conditions) that is administered by the QCA.</p>	<p>AGL support the government recommendations of option 2 (gas) and option 3 (electricity).</p> <p>We support the Qld government removing barriers that align with the AEMC’s Standalone Power System recommendations, which the COAG EC has recently endorsed and has given the AEMC the authority to proceed with necessary national Rule changes to give them effect.</p> <p>On the electricity side, we support the concept that network technical and Australian Standards as well as Connection Agreements do not inadvertently give control of the consumers DER asset (e.g., solar, battery, EV etc) to the network under the guise of network stability and reliability.</p> <p>Rather these standards and connection agreements should facilitate safe and easy connection of the assets to the grid.</p> <p>Further, AGL believes consumers should have the freedom of choice on whether they use the assets for self-consumption or provide network and/or wholesale market support through participating through demand management programs, such as orchestration.</p>
Price Control	<p>Stronger price controls are applied in the regional electricity market where customers have less choice than in South East Qld.</p>	Reporting

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	<p>Stakeholders key concern was the lack of choice in regional Qld with 99.94% of residential customers on the same primary tariff.</p> <p>Controls apply to all retailers offering customer retail services under standard retail contracts outside of SEQ.</p> <p><u>Electric vehicles</u></p> <p>The current price control framework is based on sale of electricity to premises under a customer retail contract. It does not include the price at which electricity is sold by a commercial charging station to a customer for their electric vehicle:</p> <ul style="list-style-type: none"> • Is it inappropriate to extend price control arrangements to commercial EV charging stations? and • What are the advantages, disadvantages and risks of facilitating feed-in tariff payments in regional areas for exports from electric vehicles? 	<p>We support enabling the Minister to consider the ACCC report and recommend the Qld government remove the requirement for the QCA to monitor the retail electricity market in Qld. Four key reasons why the QCA's reporting role should be paired back or removed are:</p> <ol style="list-style-type: none"> 1. Both the AEMC and the AER monitor the electricity market in South East Qld and provide detailed information by network area as part of their reporting. 2. The ACCC has stronger information gathering powers that allows it to undertake more in-depth analysis of specific areas such as retail margins and wholesale costs. 3. There are additional costs of multiple agencies monitoring the same retail market. These costs are funded by taxpayers. There are also costs incurred by stakeholders (retailers and consumers) engaging in multiple market monitoring reviews. 4. The QCA role is not as broad as the ACCC, AEMC and AER who monitor both the wholesale and retail markets, and the AER which regulates the network businesses. <p>This is in line with IPART's final report for market monitoring in 2018-19 where IPART concluded the monitoring role was no longer necessary.²</p> <p>Electric vehicles: Commercial charging stations</p> <p>Current price controls framework is based on sale of electricity to premises under a customer retail contract. It does not include the price at which electricity is sold by a commercial charging station to a customer for their electric vehicle.</p> <p>AGL do not believe there is sufficient evidence that price control is required.</p> <p>We acknowledge that price control for charging stations could be used for regional and industry development purposes but for these purposes, price controls should only be set for a period of time (with sunseting arrangements, say 2 to 3 years) to allow the industry to establish scale and competitive tension.</p> <p>While we recognise that there may be value in having a price established for lone charging stations, it is not clear what the proliferation of charging stations will be over the next 5 years.</p>

² <https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/investigation-compliance-monitoring-energy-publications-market-monitoring-201819/final-report-performance-and-competitiveness-of-the-nsw-retail-electricity-market-201819.pdf>

Topic	Summary	AGL comment
		<p>There are several new entrants in commercial charging stations planning a charge price below 45c per kw.</p> <p>AGL recommends that the Qld government participate in and await the output of ARENA's Distributed Energy Integration Program (DEIP). DEIP has currently established 4 industry working groups focussing on DER Access and Pricing, DER Interoperability, Market Development and EVs. The output of this work should drive a national program of policy and regulatory changes to facilitate the take up and encourage consumer participation with DER assets.</p> <div style="background-color: black; width: 100%; height: 40px; margin-top: 10px;"></div>
<p>Dispute Resolution</p>	<p>Fee options for complaints by embedded network customers</p> <p>At present, embedded network customers do not have access to the ombudsman in Qld.</p> <p>Given the clear policy direction from AEMC/AER/COAG EC, the Qld government seeks to enable embedded network customers to access the services under the most appropriate fee structure.</p>	<p>We have provided a separate submission to the Queensland Government on this matter. We agree that embedded network customers should have access to EWOQ.</p> <p>Preferred fee structure</p> <ul style="list-style-type: none"> • an annual participation (membership) fee component, payable by all covered 'exempt sellers' to account for all fixed corporate costs associated with extending EWOQ access to residential embedded network customers; and • a suitable user-pay fee structure component designed around individual complaints, in a manner akin to Option 3 (maximum price per complaint based on a sliding scale that relates to the number of customers that the embedded network 'exempt seller'). <p>In order to ensure alignment with the fee structure that applies to other EWOQ scheme participants, we recommend the government:</p> <ul style="list-style-type: none"> • Revise the fee structure sliding scale to scale up to the full fee costs, to appropriately account for larger embedded network operators conducting business in Queensland; • Clarify that the fee structure sliding scale accords with customer numbers per site or per company based within Queensland; and • Clarify the correlation between referral and refer back procedural categories under Option 3 with the refer higher level category applicable to existing EWOQ scheme participants and consider aligning the proposed charges for the categories.

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		Please refer to our submission regarding this matter.
	<p>EWOQ structure</p> <p>The Qld Ombudsman scheme is established through legislation as a statutory entity, rather than a set-up as a company like in many other jurisdictions. This means that there is not as much flexibility in the way it is managed.</p> <p>The Qld government is recommending that it remain a statutory entity but with greater flexibility to adjust scope of complaints and cost recovery arrangements, as well as stronger powers to review systemic issues – this is seen as lower cost to implement and will allow for regional offices to continue.</p>	<p>AGL support the Qld government retaining EWOQ as a statutory entity (option 2).</p> <p>We recognise the value regional offices can bring to our customers and the specialised needs our regional customers can have.</p> <p>However, ultimately, we believe the energy markets shift and expansion in to other matters (including the Consumer Data Right, expansion to non-traditional energy sellers etc) and consumers turning more towards digital channels of communication, means it is timely to consider whether the current state based energy ombudsman structure will deliver the most cost effective and efficient external dispute resolution outcome for consumers.</p>
	<p>The Regulator</p> <p>For complaints by energy and public entities there is no single administrator and the role is shared between the AER and QCA. It depends on the nature of the complaint and who made the complaint as to who will consider it and whether it will be done through formal or ad-hoc procedures.</p>	<p>The Qld government is recommending that QCA be responsible for these types of complaints and AGL accepts this option is a reasonable approach for improving dispute resolution processes.</p> <p>However, we do not consider that commercial agreements would be included in the scope of disputes given commercial businesses negotiate dispute resolution as part of any contract negotiations.</p>
<p>Consumer Protection</p>	<p>The framework proposed is to provide for the government to enter into agreements with 'exempt sellers' to administer concessions in addition to retailers.</p> <p>This would allow all eligible customers (even those on off-grid networks who purchase through</p>	<p>AGL support option 3 and believe that all energy customers should be able to access concession support regardless of how they receive that energy supply (e.g. exempt sellers).</p> <p>We also recommend that further consideration be given to white label partnerships (i.e. where retailers use non-licensed organisations for acquisition,).</p>

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	<p>an exempt seller) to receive appropriate financial assistance.</p>	<p>The NSW Government is considering whether white label partnerships should be captured in the NSW Social Code³ for the provision of concessions. We would encourage both jurisdictions to work together and implement the same solution.</p>
<p>Offences and enforcement</p>	<p>The QCA and the Regulator (DNRME) are responsible for various administration and enforcement roles under the legislation – with some duplication. This split of administration and enforcement between the Regulator and the QCA is the source of confusion and inefficiency.</p>	<p>AGL support the splitting of responsibilities so that the Regulator is solely responsible for enforcement and the QCA would be responsible for administration. This would align with regulatory best practice and would deliver a clear compliance and reporting framework and transparent administrative processes (Option B).</p> <p>The design of the regulatory framework that currently governs the energy industry clearly demarcates the rule maker (AEMC) and regulator (AER) and provides for appropriate industry consultation. When the national energy market began operating in 1998, COAG created a new governance structure which included three market bodies (AEMC, AER and AEMO).⁴</p> <p>The NEM governance structure was designed to deliver effective competition, to provide clear accountabilities and to support investment certainty in the energy sector by separating decisions on government policy, energy regulation and energy system operation.</p>

³ <https://energy.nsw.gov.au/government-and-regulation/legislative-and-regulatory-requirements/social-programs-energy-code>

⁴ <https://www.aemc.gov.au/regulation/national-energy-governance>