Alternative Energy Sellers – Issues Paper

**Introduction**

Energy Matters believes in a world powered by renewable energy; and in free markets that operate without subsidies in the best interests of consumers. To allow solar PV to compete in a free market without subsidies, the AER should act in the interests of consumers and alter regulations to allow new business models to emerge, including:

* The right for a consumer (household or business) to sell excess solar PV electricity to other consumers
* The right for a consumer to purchase solar PV electricity from other consumers
* The right for a consumer to define priority lists for their multiple customers or suppliers
* The right to engage a traditional retailer as a customer (of excess solar PV electricity) or supplier (of electricity) of last resort

If this business model was permitted to emerge:

* Consumers with solar PV will earn more for their surplus energy (i.e. the business case for installing grid-connected solar PV systems will improve)
* Consumers without solar PV will save money
* The installation rate of solar PV systems will increase (compared with business as usual)
* Australia's CO2 emissions will reduce (compared with business as usual)
* Subsidies for solar PV could be eliminated (e.g. RET, LSGCs, STCs)
* Subsidies for fossil fuels could be eliminated (e.g. insufficient pricing of carbon pollution, subsidised network charges for remote areas, fuel tax credits)

This new business model is describe in more detail in the following sections.

**1. What, if any, other alternative energy selling business models are stakeholders aware of (apart from those listed in section 3), and what future business models do stakeholders consider could emerge?**

Energy Matters believes that an emerging business model is for consumers to sell their excess solar PV electricity to another consumer on the same distribution network.  For example, instead of selling excess solar PV electricity to the traditional retailer at the regulated feed in tariff of ~ 8 c/kW·h, the consumer could contract to supply electricity to another consumer a a privately negotiated tariff of ~ 20 c/kW·h. If both the seller and the customer have smart meters then no physical changes to the distribution network are required. It is simply a matter of altering the billing process. The distributor has access to the interval meter data for both seller and customer and can determine the kW·h transferred in each 1/2 hour interval. At the end of each billing period (e.g. each month) the distributor would analyse the interval data and determine (based on the priority lists provided by each consumer) who sold how much to whom. The distributor would provide the interval data summaries to both seller and customer, just as they now provide interval data to traditional retailers. The seller would invoice the customer. The distributor would invoice the seller a regulated tariff for carrying the energy over the network from one consumer to another. The tariff should be a flat rate, e.g. 0.1 c/kW·h/m. For example, if the seller and customer were separated by a distance of 10 m (e.g. they are neighbours), the tariff would be 1 c/kW·h.

This business model would not impact the operations of traditional retailers. The retailers would continue to receive interval meter data from the distributors and they would continue to invoice their customers as usual. The difference is that the invoiced kW·h values would be reduced.

This business model also requires other regulatory changes - the right for a consumer to purchase electricity from more than one supplier; and the right to define the priority of supply. In the example above, the customer would define the seller to have priority #1 on their supplier list. Thus, they would first purchase any excess solar PV electricity from their neighbour and the remainder of their requirements from their traditional retailer. Similarly, the seller would define the customer to have priority #1 on their customer list, with the traditional retailer occupying priority #2. Multiple customers could be defined and the customer of last resort (the traditional retailer) would purchase at the regulated tariff (~ 8 c/kW·h).

This business model would allow solar PV to be competitive on the open market without any taxpayer subsidy. It effectively increases the solar PV feed in tariff available to the consumer (the seller). It reduces the cost of electricity for the customer. It has negligible impact on the distribution network - and the distributor is recompensed for this impact. The only entity that is disadvantaged is the traditional retailer as their revenue will decrease (consumers will be purchasing less electricity from them). However, this is similar to the customer installing their own solar PV system - permissible under the present regulatory regime. Energy Matters believes that the AER should act in the interests of consumers to allow this business model to emerge.

**2. What are stakeholder's views on the AER's proposed policy considerations set out in section 3 above?**

The AER should consider the emerging business model described above as an "alternative energy seller", as the customer retains their right to access the energy retail market via a traditional retailer.

**3. What are stakeholder's views on the AER's proposed approach to granting exemptions and authorisations for alternative energy sellers in section 4?**

The AER should grant a generic industry wide exemption for consumers (householders or businesses) to act as alternative energy sellers of their excess solar PV.

**4. What, if any, other considerations should the AER take into account to regulate the sale of energy under alternative energy selling models.**

The AER should take into account the need to transition to a world powered by renewable energy. The AER should act in the interests of consumers by planning for a 100% renewable economy and altering regulations to allow new business modes to emerge. The AER should consider the opportunities that smart meters offer in enabling new business models. The AER should oblige distributors to provide access to their assets (grid and smart meters) for the transport of renewable energy. The AER should oblige distributors to provide timely access to data from smart meters.

**5. What implications, or future implications, could arise for the regulation of alternative energy sellers under the Retail Law, or other consumer protection legislative frameworks.**

If the AER alters regulations to allow the business model described above to emerge, the implications could be:

* A large number of consumers will wish to become alternative energy sellers
* A large number of consumers will wish to purchase renewable energy from alternative energy sellers in preference to energy from their traditional retailer
* Distributors will have to conduct business with a large number of alternative energy sellers (instead of a small number of tradtional retailers)

**6. What, if any, conditions should be placed on an individual exemption for an alternative energy seller?**

No comment.