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Ms Sarah Proudfoot
General Manager
Retail Markets Branch
Australian Energy Regulator
AERInquiry@aer.gov.au
submitted electronically

Dear Ms Proudfoot,

Refining Regulation of Alternative Energy Sellers

Thank you for the opportunity to provide comments on the Australian Energy Regulator's (AER) Issues paper 'Regulating innovative energy selling business models under the National Energy Retail Law, November 2014'.

COTA Queensland is a state based organisation committed to advancing the rights, needs and interests of people as they age in Queensland. We aim to help create a more just, equitable and caring community in which older people are actively involved and have access to appropriate support, services and care. COTA Queensland believes that everyone, regardless of age, health status, wealth or social status has a fundamental right to sustainable, ongoing, secure and affordable access to energy.

COTA Queensland is aware that the AER has previously published its statement of approach for energy selling by alternative energy sellers such as solar power purchase agreement (SPPA) providers¹. We also understand that new and innovative energy products that involve the sale of energy continue to emerge in the marketplace, and that these products have the potential to drive reductions in the purchase of energy from traditional authorised retailers, and also to deliver much-needed cost relief for customers. COTA Queensland agrees with the AER's view that such innovations will stimulate competition and ultimately benefit all consumers in the NEM. We support the principles-based approach that the AER has taken to date in developing a compliance regime for alternative energy sellers through the application of the individual exemption framework. In our view however, further refinements to the Exempt Seller regime, while possibly a short-term solution, will not be sufficient to accommodate the foreshadowed structural, technological and behavioural changes in the NEM. COTA Queensland considers that a full review of roles and obligations of all types of energy sellers under the National Electricity Law and the Retail Law will be necessary to address the emerging issues. Further details are provided later in this submission (see Option 3).

¹ AER, Final statement of approach for energy selling by alternative energy sellers, 2 July 2014, available at: <https://www.aer.gov.au/node/22188>

In the Issues Paper, the AER has posed a number of specific questions for stakeholder consideration. Our responses to these issues are presented below.

- 1) *What difference, if any, should storage and/or other emerging technologies have on how the AER proposes to regulate SPPA and other alternative energy selling models?*

It is not apparent why storage in particular, or any other technology adopted by the customer should change the approach to regulation of alternative energy sellers. Indeed, there is already an energy storage regime in operation in the NEM in the form of bottled gas. Electricity storage suppliers should be regulated (or not) to the same extent as suppliers of bottled gas.

The key issue appears to be not the technology employed, but the extent to which an alternative energy seller becomes the 'primary' energy provider to a customer, and whether that should impose additional obligations on them. We believe that the only authorised retailer in the current regime should be the one through which a customer is connected to the NEM.

- 2) *What are stakeholders' views on the AER's proposed options? Are there other options to which the AER should have regard?*

With impending technology changes, Option 1 could potentially lead to a situation where a single customer has a relationship with 4 or more authorised retailers (eg. Traditional electricity retailer, traditional gas retailer, solar power & storage provider, electric vehicle & storage provider, etc). If each of these energy sellers is obliged to fulfil the requirements of an authorised retailer, it can only lead to duplication of effort, confusion and additional costs for customers. For this reason, COTA Queensland believes that Option 2 is preferable to Option 1, assuming that under option 2 there is an authorised or 'primary' retailer which is responsible for managing hardship, life support and concession/rebate services for each customer.

As indicated in the issues paper, this approach has the potential to create an uneven playing field between authorised retailers and alternative energy sellers. COTA Queensland suggests that to address this inequity, alternative energy sellers be levied with a fee payable to the customer's authorised or 'primary' retailer as a contribution to the cost of providing hardship, life support and concession/rebate services for that customer.

Option 3

From a customer perspective, we have a number of concerns with either option 1 or option 2. These concerns are as follows:

Assisting customers in hardship

Hardship is not a condition that is confined to the supply of energy. When a customer is experiencing financial difficulty, they are usually having trouble paying their rent/mortgage, medical bills, other utility bills etc. Rather than address the problem in a piecemeal way, it is preferable to take an holistic approach to the customer's financial situation with the help of a financial counsellor and/or other advisors, including an energy advisor. Typically, this is not a core competency for energy retailers or alternative energy sellers, and we question whether they are in fact the best choice as providers of hardship services. The AER's own research shows that of those customers exiting a hardship program in the NEM in 2013-14, only 20% successfully completed the program.² In our view, this success rate is unacceptable. Increasing the number of energy sellers who are required to provide these services, especially if they are smaller niche businesses, will not improve the overall level of hardship services being delivered to customers. It may be timely to consider an alternative approach whereby responsibility for provision of hardship services is addressed at a jurisdictional level.

Services for life support customers

Again, it would appear to be a duplication of effort and resources if more than one party is obliged to ensure added protections are available for customers who require energy-related life support equipment. Furthermore, it is possibly the distributor who has a permanent relationship with the customer, rather than the retailer or alternative energy seller who is best placed to ensure that such protections are in place.

Concessions/Rebates

If a customer has a relationship with multiple retailers, the question of which retailer/s are responsible for administering and applying concessions and rebates arises. It is not clear whether government concessions will be able to be applied against future alternative energy seller accounts. This has the potential to be both complex and confusing if the customer desires the entitlement under the concession/rebate to be applied to more than one retailer's energy bill. It may also be timely to question whether retailers are the most appropriate parties to be administering concessions/rebates.

Therefore we propose Option 3 for consideration. Option 3 envisages all energy retailers/alternative energy sellers having the same obligations such as:

- Information provision
- Billing and payment arrangements
- Estimation of bills
- Pay by date

² AER, State of the Energy Market 2014, p 139

- Receipts
- Pricing
- Undercharging and Overcharging
- Dispute resolution
- Maintaining records

Obligations for functions such as assisting customers in hardship, providing services for life support customers and administration of concessions & rebates could then be transferred to more appropriate parties.

3) *In relation to Option 2 (exemption, rather than authorisation), what, if any, conditions should be placed on an individual exemption for an alternative energy seller?*

The additional condition placed on an individual exemption should be payment of a fee to the customer's authorised retailer to contribute towards the cost of providing hardship, life support and concession/rebate services for that customer.

4) *Should the AER include a 'trigger point' for review of individual cases if it proceeds with Option 2?*

Yes, we believe that it is important that a 'trigger point' be set for review of an exemption to assess whether an exemption remains the appropriate tool for regulating that seller. The trigger point should be either:

- when the exempt seller reaches a particular kWh sale volume or customer base; or
- when the exempt seller qualifies as a generator or distributor in the NEM.

If you require additional information about COTA Queensland or its energy policy position, please contact me on telephone (07) 3316 2999 or by email to mte@cotaqld.org.au.

Yours sincerely



Mark Tucker-Evans
Chief Executive