

General Manager, Retail Markets Branch

Australian Energy Regulator

Attention: Sarah Proudfoot,

Via email:
AERInquiry@aer.gov.au

15 January 2015

Dear Sarah,

Refining our regulation of alternative energy sellers – Issues Paper.

Thank you for the opportunity to comment on the above mentioned issues paper.

Energy Makeovers shares the AER's view that the recent increase in energy storage options necessitates a review of the regulatory framework that applies to Solar Power Purchase Agreements (SPPAs).

Efficient energy storage options are relatively new in the Australian energy supply market and have reduced in price significantly in recent times. The price curve of storage solutions is expected to make it a viable option for many if not most energy supply consumers in the near future. Consumers are likely to adopt energy storage options for the following reasons:

- To provide an uninterruptable power supply for sensitive loads.
- To provide independence (or semi-independence) from traditional grid energy suppliers by optimising renewable energy generated at their premises.
- To reduce the cost of energy consumed in their premise.

The energy storage market to date has been satisfying consumers motivated by the 1st and 2nd reasons. Consumers motivated by the 3rd reason will engage when the cost of energy storage can be amortised into their energy costs at equal or less than grid parity, which is fast approaching.

The following comments are offered in response the specific questions raised in the issues paper.

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?

Energy Makeovers firmly believes that the regulatory framework should ensure that consumers that have signed up to SPPAs do not accidentally find themselves unable to access the fundamental consumer protection provisions available to them under their retail energy contract. Many Australians have benefited from being able to access some of the world's most competitive energy retail markets. These markets are supported by a strong regulatory and consumer protection framework that ensures consumers can access innovative energy product and service offerings whilst relying on their electricity supply as an essential service.

Retail license exempt providers of SPPAs are competing with energy retailers providing grid connected electricity supply but are not required to comply with the necessary requirements of retail licences which have been established for customer protection. This provides SPPA providers with an unfair commercial

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advantage when the cost of storage solutions approaches the cost of grid connected electricity supply.

Energy Makeovers is concerned that customers with an alternate source of energy from a solar PV and storage solution may be able to sustain themselves for extended periods of time following disconnection for non-payment by their grid connected energy retailer. In this circumstance the customer becomes totally dependent on an unlicensed electricity provider for their electricity supply.

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

Energy Makeovers strongly supports the adoption of Option 1 (authorisation). This option ensures that customers will always be protected by retail license provisions and the broader regulatory framework. This option also ensures that providers of SPPAs are prepared for circumstances they may inadvertently find themselves in such as being the only provider of electricity to customers that may rely on electricity supply for life support.

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?

Energy Makeovers believes that exemptions should not be granted. However if they are granted they should include as a minimum all of the potential conditions detailed in the issues paper to ensure customers are well protected and in a consistent way (i.e. provided with the same level of service and protection as a typical licenced retailer).

Energy Makeovers notes that the application of all of the proposed exemption conditions approaches the requirements of a retail license. This would require AER to regulate a shadow electricity retail market in parallel to the traditional electricity retail market creating an unnecessary additional administrative burden on AER.

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

Energy Makeovers believes that the provision of an SPPA is the trigger point at which a retail electricity license should be required.

If you wish to discuss this matter further, please contact me on 0423 0821 689 or bruce@energymakeovers.com.au

Yours sincerely,

A handwritten signature in black ink, appearing to read "Bruce Page".

Bruce Page

Manager, Regulatory Affairs

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