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Mr Sebastian Roberts  
General Manager  
Networks Regulation South  
Australian Energy Regulator  
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**GridX Power Pty Ltd – Application for  
Network Service Provider Exemption**

Dear Mr Roberts

Thank you for the opportunity to comment upon the Australian Energy Commission's Issues Paper on the above exemption application.

TRUenergy supports a light-handed regulatory approach to competitive energy markets, to encourage innovation and maximize community benefit. With respect to the exemption under consideration, we believe further information is required regarding the export-only aspect of the proposal. In particular, a strong case demonstrating the net benefits of such an approach is necessary to justify denying customers the opportunity to participate in the competitive retail market and capture the benefits which otherwise would be available. Detailed responses to the questions asked in the Issues Paper are provided below.

*Is it desirable to determine GridX's application at this time? If not, how should the resolution of GridX's application for exemption proceed?*

In our view further information is required before the application can be adequately assessed.

The competitive retail energy market, and national competition policy generally, is predicated upon the general assumption that the long-term interests of consumers are best served by a competitive market for retail services. If consumer interests are better served by an alternative arrangement, this must be clearly demonstrated by the proponent.

In this case, it must be firstly demonstrated that the proposal is dependant, from either a technical or commercial view, upon the development of an export-only network. Otherwise it is unclear why a conventional embedded network cannot be established, with the proponent (or representative) as the Embedded Network Local Retailer supplying the parent (ie. itself) via the embedded generation, but

allowing other retailers to compete for the child sites (on an energy-only basis) through imported electricity.

As the proponent intends to sell its electricity to the national electricity market, it is presumably of the view that it can compete in this market on a commercial basis. If this is the case, intuitively, the proponent should also be to compete on an energy-only basis with the child sites against retailers sourcing their electricity from the national market.

In addition, further information is required regarding the claimed benefits related to the NEM objective. This issue is discussed below.

*Is the granting of an exemption for GridX likely to advance the NEM Objective particularly, is it in the long-term interests of consumers with respect to price, quality, reliability and system security?*

The proponent advances two benefits related to the NEM objective, namely lower charges and improved reliability. Further information is required with respect to both these claims.

With regard to price, the proponent states that it is currently discounting "*below the rates offered by electricity retailer's in other low emission or green energy offers.*" TRUenergy notes the following in response:

- It is unclear whether the arrangements in the development referred to in the claim are the same as those proposed under the application, whereby the same or a similar rate would be charged.
- There is significant variation in low emission and green products available in the retail market, including various combinations of new hydro, old hydro, wind, solar and gas. If the comparison is with a Green Power accredited product (which excludes gas and old hydro) it is not surprising that prices are lower, given the higher costs of deriving electricity from new hydro, wind and solar sources. It is unknown how the price would compare to a comparable gas-only product. Furthermore, the export-only restriction would deny customers the opportunity to purchase either a lower or nil emissions product, or a non-green product at a lower price.
- As the price referred to is presumably a bundled price, it is unclear whether the claimed discount is due to lower network and transmission charges (ie due to the embedded network) or lower energy charges (ie due to the supply of lower-cost energy from the micro-generators). If it is the former, then there is no case for prohibiting the import of electricity, as savings could still be delivered to the customer through establishing an embedded network under conventional arrangements.

In regard to reliability, further information is required regarding the reliability of the supply, and how it would compare to the reliability of the network that would otherwise supply the estate.

*Is it appropriate to grant GridX a general exemption from the requirement to register as an NSP, or is it appropriate to grant GridX an exemption on a project by project basis only?*

Further information is required regarding why an export-only arrangement is proposed prior to providing a view on the merits of a general or case-specific exemption.

However, it is noted that the arrangement will be restricted to sites where there may be a network constraint. If this is the case, and it is related to the justification for the export-only constraint, then a case specific approach would be appropriate.

*What (if any) are the nature of the conditions on exemption that the AER should apply in respect to retail pricing? Do current and future retail price-cap arrangements in place in NSW provide retail consumers with sufficient protection from potential price-gouging behaviour?*

It is noted that the Australian Energy Market Agreement has committed all jurisdictions to the removal of retail price regulation. Whilst, in the short-term, requiring that a discount be provided against regulated tariffs may provide for some level of consumer protection (recognising that a lower market-based tariff would be otherwise available) this will not provide a long-term solution.

In the absence of competition providing consumer protection, it is possible that price-monitoring arrangements would need to be put in place for each site to ensure that the proponent is indeed advancing the NEM objective.

*If the AER granted GridX an exemption from registration, what additional measures should be implemented to ensure that electricity consumers (or potential consumers) receive timely advice as to the electricity retail arrangements peculiar to any estate on which GridX-type networks might operate?*

It should be necessary for the consumer to acknowledge in writing that they will be unable to choose their electricity retailer. However, given the low cost of electricity, particularly relative to the purchase price of a property, it is unlikely that any measures designed to inform customers would be of influence at that time.

Please contact me on (03) 8628 1122 if you require additional information.

Your Sincerely,

Graeme Hamilton  
Regulatory Manager