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Response to National Framework for Non-Economic Distribution and Retail Regulation - Composite Consultation Paper

The Alternative Technology Association (ATA) welcomes the opportunity to provide comment on the *National Framework for Non-Economic Distribution and Retail Regulation* consolidated paper (the Paper), prepared for the Retail Policy Working Group (RPWG) by Allens Arthur Robinson (AAR).

ATA is a not-for-profit organisation established in 1980 to promote the uptake of sustainable technologies in order to protect our environment. The organisation provides service to over 3000 members, who are actively promoting sustainability in their own homes by using good building design and implementing water conservation and renewable energy technologies. ATA advocates in both the government and industry arena for ease of access and continual improvement of these technologies, as well as the production and promotion of information and products needed to change the way we live.

As Australia's premier member-based organisation representing early-adopters of renewable energy systems, ATA is in a unique position to highlight the implications for small-scale embedded generators of the move towards a national framework for distribution and retail regulation and represent the concerns of this small but growing sector of the market.

Response to Recommendations

ATA, along with a coalition of consumer groups, including the Total Environment Centre (TEC), Consumer Utilities Advocacy Centre (CUAC), the Consumer Action Law Centre (CALC) and the Australian Council of Social Services (ACOSS), has jointly developed a response to the recommendations of the paper.

A copy of the response table supplied as Attachment A, addressing the range of concerns identified by the coalition and of great importance to ATA and its members. In addition to the table, ATA has chosen to provide comment on a handful of issues of particular concern.

Distributor Interface with Embedded Generators

Embedded Generation (EG) has a critical and valuable role to play in addressing Australia's electricity demand. In ATA's submission to the Working Paper 2, we welcomed the proposal to provide greater clarity and enhanced provisions, particularly for small-scale embedded generation, through the incorporation of a form of the Code of Practice for Embedded Generation into the National Electricity Rules (NER).

The proposal and subsequent consultation process surrounding the development of a Code of Practice for Embedded Generation (CoPEG) undertaken by the Renewable and Distributed Generation Working Group, is an important piece of work into which ATA and a number of other members of the Climate Action Network Australia co-authored a submission, outlining vital components of any such code or any subsequent Rules relating to embedded or distributed generation.

However, it seems that much of this work, including all reference to CoPEG in the Paper's recommendations, has vanished from the energy market reform process. It is disappointing for our organisation, after having had considerable input into this work and seeing the code as a positive step in clarifying regulation of distributed and embedded generation, to not only see the removal of any reference to it from the Paper, but also to have no clear pathway going forward for incorporating the recommendations of the code into the NER within other work streams of the MCE.

ATA firmly believes that the incorporation of CoPEG into the NEL is essential to give certainty to proponents of distributed generation, and would welcome clarification of the Recommendation 37 concerning the process for new Rules for embedded generation. We firmly believe that the development of new Rules should be subject to the usual AEMC rule change process, rather than being promulgated by Ministerial order.

Contractual model for distribution services

Recommendation 23 concerning small embedded generators states that "consideration should be given to including contractual arrangements dealing with small embedded generators in the framework for the hybrid contractual model." Whilst ATA supports this recommendation in principle, we are unsure as to the reason for the vagueness of the language.

ATA believes that it is essential that the needs of distributed generation be taken into account in all aspects of distribution and retail regulation. As such, the recommendation should be simplified to read: "Contractual arrangements dealing with small embedded generators should be included in the framework for the hybrid contractual model."

Regulation of standing offer and market contract terms

The provision of security of access for customers using micro-generation is an important consideration for the regulatory framework. It is widely acknowledged that those consumers face significant barriers, and the inclusion of such a provision in the Rules is essential to overcome some of the impediments faced by these customers.

In undertaking research for the report *Impediments to Grid Connection of Solar Photovoltaic: the consumer experience*, the ATA uncovered numerous examples of individuals who, after installing distributed micro-generation at their premises and seeking grid-connection, found themselves on market contracts with terms and conditions which were significantly less attractive than their original market contract. In fact, a number of customers even found themselves with increased retail bills, even after taking into account the credit they were receiving for electricity fed into the grid from their micro-generation system.

It is clear that there a number of retailers, whilst happy to accept a grid-connected contract with individuals, were limiting the customers choice of available retail market contracts, thus discriminating against this class of customer. It is essential that provision be made in the Rules to protect customers who supply or use alternative forms or sources of energy, or services that reduce the demand for energy, by limiting their access to the full range of market contracts, or the standing offer on equal terms to all other customers.

Part 2 of the revised recommendations, dealing with Regulation of Standing Offer and Market Contract Terms, lists recommendations regarding "Discrimination based on customer supply or use of alternative energy sources" as a "provisions included for consideration in Working Paper 1 but not proposed to be included in standing offer or market contract terms".

The justification for the removal of the recommendation that "A retailer must not refuse to supply or supply on inferior terms on the basis that the customer supplies or uses alternative forms or sources of energy or services that reduce the demand for energy" was on that basis that the recommendation may be of regulatory rather than contractual concern. However there is no subsequent provision for this recommendation in the Principal Recommendations of the Paper.

Consequently, ATA urges the RPWG to include the recommendation in its entirety as a recommendation under Part 1 – Principal Recommendations, in the first section dealing with retailer obligation to supply small customers, as outlined in the attached table.

Further Contact

ATA commends the RPWG for undertaking this process, and would welcome the opportunity to discuss any aspect of this submission or the Paper further. Please direct any questions or further correspondence to Brad Shone, Energy Policy Manager, on 9631 5406 or Brad.Shone@ata.org.au

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Brad Shone', with a long horizontal line extending to the right.

Brad Shone
Energy Policy Manager
ATA