

# ENA UPDATE



## CEO REPORT

**The past month has seen the ENA team involved in a range of activities, some of which feature elsewhere in this update, and much of it focussed on preparing for the rule change process, with the AER expected to lodge its proposal at the end of September.**

I have participated in a range of forums as part of the ongoing discussion around rising electricity prices - what can be done to manage bill increases, and what we can do as an industry to improve our somewhat battered public image - and in one of those discussions the value customers place on electricity was discussed.

The observation was made that customers simply don't value electricity, in the same way that they value, for instance, access

to mobile phone services. Access to electricity, and good quality, reliable electricity at that, is taken as a right, it's just "there", and the only time most customers think about it is when there is an outage, or when they receive their bill.

The vast majority of customers don't consider the value of what is enabled by electricity, including cooling or heating to keep our homes comfortable, internet services, pay television, charging of mobile phones and devices, or any of the other myriad functions which are enabled by electricity.

Given the focus on the size of electricity bills and the capacity for some households to cope with any increase, it is interesting to think about the services which most households now choose to access and pay for which were not available 15 years ago, including those noted above - the internet, mobile phones and pay television, which average in total around \$150 per month, a sizeable portion of the average electricity bill.

Therein lies a very large challenge, but also a substantial opportunity to change the status quo. The desired outcome from a customer perspective might look like:

"I understand what it means if I buy a 20kw heater or air conditioner in terms of my household costs, and I am happy with the outcomes because I value what I am buying and the costs that go with it, that's my choice.

Similarly, I choose to have my house at 22 degrees, 24/7 and I know what that means for my household costs, and I accept that outcome because I value what I am paying for.

And I am paying my share of the cost of delivering what I choose to buy, and I understand and accept that cost."

There are a lot of changes needed to what currently happens to achieve that outcome, including giving customers much greater control and visibility of their energy purchases, in particular electricity, and education of our customers.

A significant challenge, but one which is worth striving to meet.

Given the increased focus on energy costs, data recently published by the ABS comparing the percentage of current housing costs with domestic fuel and power costs (primarily gas and electricity) presents an interesting picture - domestic fuel and power costs have actually diminished as a percentage of total household expenditure.

Continuously rising housing costs have been the main source of pressure on household incomes, rather than rising energy costs (noting that over the period 1984 to 2010 average consumption and average peak demand have increased considerably), however energy costs are seen to be more discretionary and attract much greater media and public scrutiny, with flow on implications to our industry's public image when those costs increase, and the rises attributed to our part of the energy value chain.

The ESAA has recently commissioned a consultant to conduct a comprehensive stakeholder audit to identify current public attitudes towards the energy industry and where

the opportunity exists to raise the level of understanding about the electricity supply system from a physical and financial perspective, providing a basis for better informed decisions

about how to conduct an effective community campaign. The results will be available to ESAA members in October 2011.

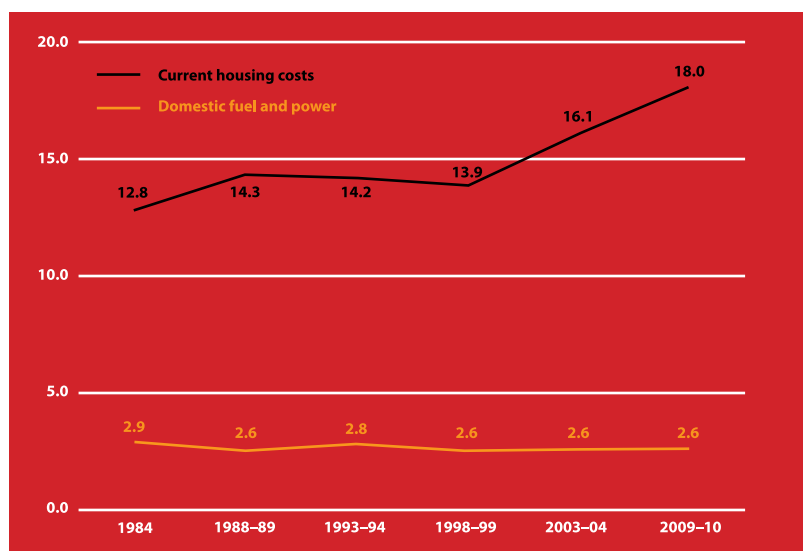
Given the significant overlap of membership between the ENA and ESAA, ENA will not replicate that significant piece of work, but the outputs and recommendations will guide ENA/ESAA member strategies in communications and engagement.

And it may be small comfort, but at least we are not alone:

*"No end in sight for Britain's rising energy costs"* – Guardian, July 13 2011, with additional support costs for renewables, demand reduction and low-carbon generation and the exploitation of demand reduction potential being major contributors.

**John Devereaux**  
Acting Chief Executive Officer

**TABLE 1: PROPORTION OF HOUSEHOLD GOODS AND SERVICES EXPENDITURE (%)**



## ENA SUBMITS TO AEMC POWER OF CHOICE REVIEW

The ENA has lodged a submission to the AEMC's Power of Choice Review (Demand Side Participation Stage 3). ENA, in consultation with its electricity network members, has developed and recommended the following high-level principles that we believe should be adhered to in the development of any altered market and regulatory arrangements that seek to enhance the participation of the demand-side in the NEM.

1. Recognise the role that distributors can play in enhancing DSP
2. Recognise that there are two levels of DSP that distributors may engage in
  - Area specific DSP, e.g. to defer network augmentation required to meet peak growth
  - Broad based DSP activities that seek to provide information and tools to help consumers exercise greater choice
3. Explicitly recognise the right and ability of distributors to provide energy management services directly to consumers
4. Support price structures that reflect network cost drivers and incentivise consumers to change behaviour
5. Recognise that market and regulatory frameworks that enable consumer choice need to be flexible to adapt to a changing environment and to respond to learnings from pilots and trials
6. Focus on incentivising desired behaviour rather than regulating outcomes
7. Ensure DSP arrangements do not negatively impact on network reliability

The ENA will continue to work with its members on demand management issues, including a response to the AEMC Directions Paper, which is anticipated to be released in mid December.

## ENA SMART METERING WORKSHOP

Along with the consumer and retailer members of the National Energy Industry and Consumer Forum (the voluntary replacement of the National Stakeholder Steering Committee, NSSC), the ENA coordinated a full day workshop on 21 September 2011 to consider "How to make energy markets smarter".

### "How to make energy markets smarter"

Jim Snow and Lance Hoch from Oakley Greenwood facilitated active and forthright discussions between forty participants including:

- Ten ENA Members,
- Ten Energy Retailers Association of Australia (ERAA) members,
- Nine consumer representative organisations, including ACOSS, VCOSS, Consumer Utilities Advisory Centre (CUAC), Consumer Action Law centre (CALC) and the Alternative Energy Association,
- third parties: Energy Response (now EnerNOC), Billcap and GE
- government representatives from Department of Resources, Energy and Tourism, AEMC, AEMO, Victorian Department of Primary Industries, and
- Smart Grid Australia.

After the facilitator set the scene with an initial background briefing, 20 minutes presentations were made by the key stakeholders addressing issues such as:

- What does the energy market on demand side look like?
- The role of information and pricing?
- How is information, etc. provided to customers and market?
- What do and will we deliver to consumers in products and services?
- How would end users like to and be able to participate in the market?
- How do we facilitate delivery of these products and services?
- How do you make the best of Victoria (moving to a national model)

A facilitated discussion then distilled these views into an agreed range of pertinent issues. After lunch, the group considered "what would success look like in 5-10 years" for customer and industry participants in the energy market. The workshop then commenced consideration of how transition to such a future vision of success could be achieved.

One notable outcome from the workshop was unanimous agreement that mandated rollouts of smart meters were not endorsed, although rollouts with a strong business case were supported. Parties generally

agreed that the development of relationships, products and services would be fluid in the short to medium term and that time is required to enable trials and testing to identify most desirable outcomes. Appropriate engagement, education and protections for customers were identified as significant issues to be addressed.

The written output from the workshop is expected to be delivered before end September and will be widely circulated. Within ENA, it will be reviewed by the Smart Metering Strategy and Coordination Group at its meeting on 18 October and it is expected to assist future work plan discussions within the National Energy industry and consumer Forum to identify priorities for cooperative action.

Governments (Commonwealth and jurisdictional) are seeking guidance from the industry groups for consideration at their SCO meeting in October, before the Ministerial Council on Energy/Standing Committee on Energy and Resources meeting in December 2011.

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## ENA PARTICIPATING IN AEMO SCENARIO'S STAKEHOLDERS REFERENCE GROUP

The ENA recently accepted an invitation from the Australian Energy Market Operator (AEMO) to participate in its Scenarios Stakeholder Reference Group.

This reference group has been established to provide AEMO with technical knowledge, industry experience, perspective and advice to develop and test

the assumptions and design of potential future stationary energy sector scenarios.

Participation in this reference group is particularly important as the final planning scenarios will contribute to the development of demand forecasts for the short/medium term and for the Regulatory Investment Test – Transmission (RiT-T) analysis.

The ENA will provide input to the reference group from the perspective of its transmission and distribution member companies and will also at providing any relevant information from ENA's Networks 2030 document that is currently under development.



### ENERGY NETWORKS 2012

Over two days and via four innovative streams; People, Communications, Environment and Infrastructure, the ENA's Energy Networks 2012 will deliver a high level event showcasing major achievements across the energy supply industry and attract a broad scope of delegates. This inaugural event will also feature an innovative and interactive demonstration hall with plans underway for hosting practical industry demonstrations.

We are designing an event that will be of interest and benefit to a wide range of professionals and practitioners across the entire energy supply industry.

If you work in the energy supply industry, then we encourage you to attend and participate in our Building for the Future.

**For more information**  
please click here: [www.energynetworks2012.com.au](http://www.energynetworks2012.com.au)

### ENA ELECTRIC & MAGNETIC FIELD SCIENTIFIC WORKSHOP

The details for the annual ENA EMF Scientific Workshop are now available and registrations are open.

Details of the workshop and guest speakers are outlined at: [www.ena.asn.au/?page\\_id=7471](http://www.ena.asn.au/?page_id=7471)

The Registration Form is available at: [www.ena.asn.au/udocs/2011/08/EMF-Workshop-Registration-Form-2011-word-vs.doc](http://www.ena.asn.au/udocs/2011/08/EMF-Workshop-Registration-Form-2011-word-vs.doc)

As background info on electric and magnetic fields you may find the new EMF Update (May 2011) of interest – this is available on the ENA web site at: [www.ena.asn.au/udocs/2011/08/EMF\\_Update\\_May-11.pdf](http://www.ena.asn.au/udocs/2011/08/EMF_Update_May-11.pdf)