

ACT Sustainable Energy Policy 2020–25

Discussion paper

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INTRODUCTION

ActewAGL Retail (ActewAGL) welcomes the opportunity to comment on the ACT Government’s Sustainable Energy Policy 2020–25 Discussion Paper.

ActewAGL’s overarching messages in response to the discussion paper can be summarised into two broad themes as follows.

Working together toward a net zero emissions future

- ActewAGL encourages the ACT Government to ensure a considered and measured approach to any changes to natural gas usage—with a thorough community consultation process outlining quantified costs and benefits.
- as well as alternatives that would achieve equivalent results. If not adequately quantified, considered and managed, the cost and consumer impacts have the potential to undermine the public support required to deliver on the intent of the Sustainable Energy Policy 2020–25.
- Any considerations regarding the regulatory framework for the ACT should also consider initiatives occurring at a Commonwealth level.
- Competitive market structures should drive investment in new products and technologies, and ActewAGL considers it important there is fair and equitable access to the benefits that can be delivered through these products and technologies.

Energy affordability, energy efficiency and consumer sentiment

- The Energy Support Fund, jointly established by ActewAGL and the ACT Government, has demonstrated the effectiveness of a holistic partnerships model across Government, industry and community organisations through the provision of end to end support solutions for consumers. The same partnerships approach could apply to future programs.
- ActewAGL believes there would be significant benefit to low-income households, as well as the broader community, if the ACT Government increases its focus on ensuring the design and build of more energy efficient housing, particularly for social housing.
- ActewAGL recognises the value in an accelerated roll-out of smart meters in the ACT, given the range of opportunities and benefits they deliver for consumers. These include data and insights to help consumers control their usage and manage their bills for budgeting purposes.
- In partnership with the ACT Government, the Energy Efficiency Improvement Scheme (EEIS) has delivered significant positive outcomes for customers. ActewAGL considers the EEIS could achieve further outcomes and greater energy efficiency savings if it was to expand to larger businesses as well as incorporate additional activities.
 - Additional EEIS activities could include, but are not limited to, demand response capability, energy visualisation in homes and businesses, smart home solutions (like building management systems), measurement and verification tools, energy saving methodologies and transport-related initiatives to incentivise the uptake of Zero Emissions Vehicles (ZEVs). Each of these opportunities are underpinned by smart meter capabilities.

100% RENEWABLE ELECTRICITY

Setting the regulatory environment

ActewAGL considers it important to ensure policy certainty relevant to renewables, innovation, environment and sustainability. Investors are generally more inclined to consider and pursue opportunities in jurisdictions where regulation supports desired outcomes, and is perceived as stable and predictable, with minimised or no regulatory barriers impeding the planning and implementation of investment programs.

ActewAGL would encourage the ACT Government to ensure any regulatory obligations are fit for purpose, and enable the efficient and effective delivery of policy intentions (noting legal and regulatory frameworks which already exist at both a jurisdictional and Commonwealth level).

Minimising costs as demand grows

ActewAGL considers competitive market structures should drive investment in new products and technologies, and considers that appropriate subsidies should support equitable and fair access to the benefits of such products and technologies, avoiding cross-subsidisation.

Cross-subsidisation can disproportionately affect customers, such as feed-in tariffs funded by all customers, including those who are unable to access the benefits of solar for themselves (such as renters, hardship and vulnerable customers and/or those in multi-unit dwellings).

Storage

ActewAGL considers storage has the potential to play a significant role in a future, renewables-dominated electricity grid. This includes the storage of electricity at both a small and large scale, including the utilisation of storage for grid stabilisation.

Despite currently being offered to ACT residents at subsidised prices through the Next Generation Energy Storage Grants Program (NGESP), small-scale batteries still have relatively high upfront costs. This results in payback periods often in excess of the battery's warranty period. To further establish the ACT market for energy storage, ActewAGL would encourage the continuation of funding programs such as the NGESP. Again, ActewAGL considers it important there is fair and equitable access to the benefits that can be delivered through these products and technologies through appropriate subsidies.

ActewAGL would also encourage the ACT Government to ensure alternative storage technologies are also considered as they emerge and mature.

ENERGY COSTS AND CONSUMER SENTIMENT

Support for vulnerable customers

ActewAGL recognises the support the ACT Government provides for vulnerable households in managing their utility usage and bills, and would welcome the opportunity to continue working in partnership with Government and the broader community to ensure this support continues.

Utilities Concession

The Utilities Concession provides a considerable level of support for a consumers on a fixed income, to offset the cost of heating in Canberra's cold winter climate. Given the positive outcomes for eligible customers, ActewAGL considers it important the program continues in its current form, which is administered under a delivery model which ActewAGL views as efficient and effective.

Energy Support Fund

The ACT Government's commitment to the Energy Support Fund has directly contributed to the support Care Financial Services is providing to the local community, including targeted financial education for ACT consumers. The energy vouchers which are provided to customers through the Energy Support Fund, encourage consumers to engage with ActewAGL or Care Financial Services, to receive meaningful, personalised support. Through this process, the program has been successful in identifying community members who need additional support.

The program also provides a direct pathway into energy efficiency programs, and identifies concession availability where consumers may have been unaware of their entitlement to assistance.

The Energy Support Fund has demonstrated the effectiveness of a holistic partnerships model across Government, industry and community organisations through the provision of end to end support solutions for consumers. The same partnerships approach could apply to future programs.

Social housing

There is an opportunity for the ACT Government to provide additional assistance to vulnerable customers, through a focus on social housing and ensuring ACT Housing properties are energy efficient.

Through its energy efficiency programs and activities with Housing ACT, ActewAGL has observed opportunities to improve the building standards of many tenanted properties. Tenants can have a limited capacity to implement energy efficiency upgrades, and many in private rentals are unable to reach agreement with landlords for the same.

To assist with mitigating the impact for some of these customers, ActewAGL is working directly with Housing ACT to help low income households reduce their energy usage and bills. This partnership commenced during 2017, and is scheduled to continue until at least 2020. The partnership has been co-funded by ActewAGL and Housing ACT, and enables tenants to receive an energy efficiency upgrade at no cost. Given its direct and positive impact on customers, ActewAGL would support this partnership continuing beyond 2020.

Relevant to housing, ActewAGL would also support the ACT Government increasing the minimum energy efficiency standards for social housing and potentially, ACT renters more broadly.

Increased competition

Competition in the ACT electricity market has intensified significantly over recent years, with a number of retailers increasing and maintaining their presence in the ACT. Market offers have continued to evolve including product options such as:

- discounts off usage;
- total bill discounts;
- various payment arrangements;
- premium solar feed-in tariff credits;
- bundling with gas for a higher discount;
- bundles linked to appliance upgrades; and
- locked-in rate for up to three years.

The conditions in the ACT, where there a number of active retailers and a range of offers available for consumers to choose from, reflect a competitive market that is continuing to benefit the local community.

Ensuring vulnerable and low-income consumers are able to benefit from new technology

Installation of new appliances and technologies in the houses of vulnerable or low-income customers can be complicated by a lower level of home ownership, in particular where a contribution to the cost is required upfront (i.e. a 'co-contribution'). ActewAGL recommends the potential requirement for co-contributions be considered in planning for future initiatives and programs, to ensure adequate support, fairness and accessibility for all customer segments within our community.

ActewAGL considers residents living in ACT Housing properties could benefit from a large-scale meter upgrade program. Smart meters deliver a range of benefits for consumers, including the data and insights to help them control their usage and manage their bills for budgeting purposes. Once consumers have a smart meter, they also have the opportunity to make adjustments to their consumption to access lower rates during off-peak periods.

Helping customers understand energy offers and choose the best deal to suit their needs

ActewAGL benchmarks its energy offers through the Australian Energy Regulator (AER)'s Energy Made Easy service. This service allows customers to determine an estimated annual bill for an indicative 'small', 'medium' and 'large' customer, for both the tariff they are currently assigned to, as well as alternative tariffs. The AER is currently undertaking a significant re-design of the Energy Made Easy service to incorporate new functionality, and make it easier for customers to use.

At a jurisdictional level, the Independent Competition & Regulatory Commission (ICRC) is also currently reviewing the transparency and comparability of electricity offers in the ACT, to ensure optimal outcomes for consumers.

ActewAGL considers the work programs underway at both a jurisdictional¹ and Commonwealth² level are already considering the relevant range of issues to support the best outcomes for customers.

Energy education programs

ActewAGL recognises the essential role it has in supporting and educating customers in relation to their energy usage and bills. However, ActewAGL also considers this to be an area in which there is an opportunity for a greater

¹ Example: ICRC Review of Standing offer prices for the supply of electricity to small customers from 1 July 2020.

² Example: The ACCC is currently monitoring and reporting on the effects of the new Competition and Consumer (Industry Code—Electricity Retail) Regulations 2019. The AER also monitors compliance with obligations set out through the National Energy Customer Framework.

level of shared responsibility. To ensure all customer segments within our community can access energy education information and are empowered to select products that best suit their individual circumstances, ActewAGL recommends the ACT Government continue to support a range of relevant initiatives and programs. These programs can be delivered both directly by Government, as well as through industry and local community organisations, as outlined below.

Care Financial Services

Care Financial Services has proven to be highly effective in the delivery of financial energy education programs across the local community. Care Financial Services provides access to community services, including assistance for customers experiencing utility expense pressures, as well as other cost of living pressures. ActewAGL recently entered into an extended agreement with Care Financial Services to ensure this important community partnership remains in place.

1. Example: ICRC Review of Standing offer prices for the supply of electricity to small customers from 1 July 2020.
2. Example: The ACCC is currently monitoring and reporting on the effects of the new Competition and Consumer (Industry Code—Electricity Retail) Regulations 2019. The AER also monitors compliance with obligations set out through the National Energy Customer Framework.

Hardship programs

There are a number of programs which customers can access if experiencing hardship, including ActewAGL's Staying Connected program, the ACT Civil and Administrative Tribunal (ACAT) Hardship program or support programs provided by other industry and community stakeholders.

The Energy Support Fund has delivered extensive benefits to consumers, and has received broad support from the community sector, including; ACT Council of Social Service, Care Financial Services, St Vincent De Paul, the Salvation Army and St John's Care. The success of the program has been a direct result of the partnership with the community sector to deliver in their role as a trusted third-party liaison service for large numbers of Canberra consumers.

ActewAGL is a signatory to the Energy Charter, a whole-of-sector initiative to address customer expectations. Principle five of the Charter is focused on support for vulnerable customers. ActewAGL is currently collaborating on several cross-supply chain and multi-jurisdictional initiatives under this Principle, and would welcome any input or participation from the ACT Government to further strengthen the support provided to vulnerable customers in our local community.

Disconnections

ActewAGL shares the view that disconnections are a last resort. ActewAGL's processes, procedures and systems are designed to ensure compliance with the requirements set out through the National Energy Customer Framework (NECF), and include a number of attempts to make contact prior to a disconnection service order being raised.

In addition to customer provisions through the NECF, the ACT Utilities Act 2000 provides significant support for consumers, including a provision for 24-hour reconnections at the request of the ACAT.

ActewAGL therefore considers the defined processes, at both jurisdictional and Commonwealth levels, provide adequate customer protections and structure for managing these arrangements.

ENERGY EFFICIENCY

ActewAGL has delivered significant, positive outcomes for customers through energy efficiency programs and services to the ACT residential and business markets, governed by the EEIS.

ActewAGL considers that additional activities will need to be included in future Eligible Activities determinations, which could include, but are not limited to: demand response capability, energy visualisation in homes and businesses, smart home solutions (e.g. building management systems), measurement and verification tools, energy saving methodologies and transport-related initiatives.

ActewAGL believes the benefits to low-income households, as well as the wider community, could be significantly increased if the ACT Government were to also further promote and incentivise the design and building of more energy efficient housing, particularly social housing. Regular monitoring and enforcement in relation to the current mandatory energy efficiency measures and regulations, is also essential to ensure that current and future regulations and rules in this area are adhered to.

ActewAGL considers the EEIS could achieve further outcomes and greater energy efficiency savings through an expanded approach. Currently, the EEIS has excluded the participation of entities for energy efficiency activities, where the entity has a reporting obligation under the National Greenhouse and Energy Reporting Act 2007. The removal of this aspect of the EEIS would allow large entities to obtain energy efficiency savings in the ACT, further contributing to ACT Government emissions reductions targets.

To better incentivise industry and larger energy users to implement energy efficiency measures, ActewAGL recommends the ACT Government investigate mechanisms that might help overcome barriers caused by split-incentive complexities. The split-incentive consideration is relevant where the party outlaying the capital expenditure (such as a landlord), stands to gain minimal benefit from the energy efficiency installation (where energy efficiency upgrades more directly benefit the

tenant rather than the landlord). The most obvious example of this is rental properties; with more than 40% of renters living in O-star buildings³. A benefit could be achieved from landlords being incentivised to invest in energy efficiency measures.

To further demonstrate leadership in this area, the ACT could take the lead on embracing technologies that can reduce the need for high energy consumption at peak times. The introduction of EEIS activities, such as demand side participation, can provide both the ACT Government and wider community with the ability to demonstrate and experience their practical value in ensuring a resilient and secure grid. This type of program would further embed the ACT as a jurisdiction that is committed to embracing progressive and innovative ideas and technologies as the community moves towards a more sustainable future.

DEMAND MANAGEMENT

Smart meters and other smart devices

As noted in the Discussion Paper, a network with a high penetration of smart meters has the ability to implement cost reflective pricing and can, in turn, facilitate further energy technology and services, such as energy sharing and community batteries.

³ The energy efficiency of rental properties in the ACT, Better Renting, 2018

Currently, there are approximately 15 000 smart meters deployed in the ACT. ActewAGL sees value in an accelerated roll-out of smart meters in the ACT and surrounding region. Smart meters are the gateway technology enabling access to solar PV, battery storage, new tariffs and enhanced demand management, all of which can support the delivery of benefits to consumers.

As noted, from a consumer perspective, a smart meter enables consumers to make changes to their energy usage to access the benefits of cheaper electricity at certain times of the day. They can also use the data from their smart meter to

understand their consumption to make informed decisions regarding how they use electricity. For example, the smart meter data enables customers to draw direct links between their behaviours and choices regarding energy usage, and the price that they pay on their bill. Smart meters also remove the need for estimated bills as the meters can be remotely read.

ActewAGL would welcome the opportunity to partner with the ACT Government in any initiatives that promote benefits of smart meters. ActewAGL has proactively sought to provide information to consumers about the ways in which cost reflective tariffs (such as time-of-use and demand tariffs) can enable them to lower their bills. This includes information on ActewAGL's website, workshops for community organisations and vulnerable consumers, as well as internal workshops and training for ActewAGL staff. Although cost reflective tariffs can be complex when they are new to consumers, ActewAGL is maintaining a focus on ensuring tariffs are communicated in a way that is as simple and easy to understand as possible.

Demand management tariff options

ActewAGL's view is that tariff offerings should be at the discretion of the retailer, which is consistent with the views expressed by the ACCC through its Retail Electricity Pricing Inquiry. Presently, ActewAGL largely mirrors the network tariff structure offered by Evoenergy, however not all retailers operating in the ACT adopt this approach. ActewAGL does not believe retailers should be compelled to mirror the structure of network tariffs in their retail tariffs, but rather, that retailers should have the discretion to design tariffs that are the best fit for their customer base and respond to consumer feedback.

NATURAL GAS

ActewAGL encourages the ACT Government to take a carefully considered and measured approach when formulating future plans for natural gas, and to ensure the community is fully informed regarding the cost and benefit impacts of any relevant decision.

A balance needs to be reached between a reduction in emissions through natural gas usage, and the impact on consumers (including consideration for a transition plan to manage the cost and lifestyle impacts).

ActewAGL is continuing to model the impacts of the proposed changes, however considers substantial subsidies would be required for customers in managing the transition (including changes to appliances, increases in costs of gas and/or electricity prices driven by a multitude of factors).

Given the extensive impacts of any changes to natural gas usage in the ACT, ActewAGL considers an appropriately significant community consultation process should occur with community education regarding the quantified costs and benefits,

and other options which could achieve equivalent results (such as a focus on the transport sector given its large emissions profile for the ACT).

ZERO EMISSIONS VEHICLES (ZEVs)

ActewAGL supports the ACT Government's ZEVs strategy, and believes there is both proven and emerging technology which supports the desired environmental, economic and social outcomes.

ActewAGL has supported the establishment of this market and the take-up of electric vehicles across our local community. ActewAGL was the founder of the Electric Vehicle Council (EVC) during 2009, and ActewAGL New Energy is the primary provider of the electric vehicle charging infrastructure (fast and rapid chargers) in the ACT.

ActewAGL is partnering with the ACT Government and a consortium of key stakeholders (Nissan, Jet Charge, Sg Fleet, Evoenergy and the Australian National University) for a Realising Electric Vehicle to Grid Services (REVS) project. This is an ARENA-funded project which will facilitate the development and commercialisation of bi-directional charging, and help inform development aspects such as how EVs can be used to increase asset utilisation. Research and development projects such as REVS, are critical in helping understand consumer perspectives and behaviours, as well as ways in which these assets can be integrated into the existing infrastructure.

Further research and development is required to examine the delivery of vehicle-to-grid and vehicle-to-home services, as well as the orchestration of these assets. This is necessary for better asset utilisation as well as to reduce the operational cost of the asset. ActewAGL is open to discussions around both participation, or leadership of, research, development and deployment initiatives which would deliver on policy intentions and facilitate mutually beneficial outcomes for partners.

In considering the transition to ZEV transport, ActewAGL would encourage a cost benefit analysis around the various options that would transition the ACT to ZEVs. Behavioural economics and associated cultural norms could be considered to help inform the solutions that the ACT community would respond to. For example, an extension to the customer contribution model in the EEIS could also be developed to incentivise the uptake of ZEVs in the ACT.

The Discussion Paper suggests that one pathway to meet the ACT's emission targets is for half of all new car sales in the next 10 years to be ZEV's (which could equate to around 80 000 ZEV's). Currently, the upfront cost for ZEVs is considered high, and choice relatively limited. ActewAGL considers further incentives are necessary to accelerate the initial uptake. The best example of how early incentives can drive adoption and uptake over the longer-term, has been the feed-in tariffs provided to customers with solar, which helped drive rapid growth. Incentivising take up is a proven approach which will help establish the market and drive scale. As the technology matures and the market becomes established, incentives and subsidies will become less critical.

While the most mature of the ZEV technologies is electric, ActewAGL would encourage the ACT Government to ensure alternative technologies are considered as they emerge and mature.

INNOVATION AND INDUSTRY DEVELOPMENT

ActewAGL considers research, innovation and industry development will be central in ensuring the ACT can achieve its climate, sustainability and infrastructure goals. ActewAGL considers there are a number of key opportunity areas for innovation where in the ACT; given its access to education and research organisations with world-leading thinking, and a relatively concentrated geography.

By promoting Canberra as an innovation hub, the ACT Government can help in attracting further talent and investment to the Territory.

