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Committee Secretary

Select Committee into Fair Dinkum Power
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Secretary

Submission to the Senate Select Committee into Fair Dinkum Power

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (**MEA Group**) thank the Senate Select Committee into Fair Dinkum Power (**Committee**) for the opportunity to provide comments on the Committee's inquiry into the National Electricity Market (**NEM**) and in particular the issues affecting energy consumers (**Inquiry**).

The MEA Group is a vertically integrated generator and retailer focused entirely on renewable generation. We opened our portfolio of generation assets with the Mt Mercer and Mt Millar Wind Farms. Subsequently, in early 2018 we acquired the Hume, Burrinjuck and Keepit hydroelectric power stations, further expanding our modes of generation. We have since supplemented our asset portfolio by entering into a number of power purchase agreements with other renewable generators, and through this investment in new generation we have continued to support Australia's transition to renewable energy. MEA Group has also been active in supporting community energy initiatives, including providing operational and market services for the community-owned Hepburn Wind Farm, supporting the Warburton Hydro project, and funding a large range of community and social enterprise local energy projects through our Your Community Energy program.

With respect to MEA Group's retail side, we also own and operate Powershop Australia, an innovative retailer committed to providing lower prices for customers and which recognises the benefits to customers in transitioning to a more distributed and renewable-based energy system.

The MEA Group is committed to customer empowerment, sustainability, reliability and affordability and is actively involved in most of the aspects of the NEM included in the Committee's Terms of Reference (**Terms**). Set out below are MEA Group's comments in relation to the Terms.

(a) The potential for empowering energy consumers to play a more important role in the National Electricity Market, through providing diverse services

There can be no doubt that energy consumers can play, and are playing, a greater role in the National Electricity Market (**NEM**). The days of centrally-planned electricity generation, transmission and distribution, with the consumer's only role being to pay a quarterly bill, are long gone. Consumers today can, and do, engage at every level.

i. Energy generation

Over two million Australian households have solar generation capacity, clearly indicating that consumers are a major source of new energy generation. To ensure our customers experiences with solar are positive, Powershop has worked with its customers and the solar installation industry to develop *Better Solar*, a program designed to ensure that customers have choices for solar installations provided by reputable businesses. Powershop customers also have access to Powershop's market-leading app, which enables them to monitor both their usage and solar generation and assists them to maximise the value of their self-generation. Powershop is also currently exploring and developing tools that monitors customers' generation and alerts them to any prevailing issues, for example solar customers whose systems appear to be not working.

Our commitment to consumer involvement in solar generation led us to provide customer and energy market services to DC Power Co, Australia's first power company dedicated solely to solar households. DC Power Co is wholly customer owned, having raised money from over 12,500 potential customers through one of the world's largest crowd-funded equity raisings.

One of the challenges of household solar has been ensuring that all households can participate, and not just owner-occupiers. However, participation by renters, landlords and apartment dwellers requires innovative approaches. To this end Powershop has developed, and continues to develop, new solutions that ensure that a customer's form of residence and/or tenure is no longer a barrier to participation in household solar generation. This includes a new Sunyield product, developed with Stoddard, that enables developers, landlords and tenants to share the benefit of household solar generation, and a Solar Gardens project which enables shared investment in local solar for apartment dwellers and others unable to install solar generation at their home.

ii. Demand response and energy efficiency

The need for demand response and energy efficiency is apparent when the system becomes strained under testing weather conditions. Consumers can be a critical success factor at these times, and Powershop's Curb your Power (CYP) program clearly demonstrates this. During the high demand low generation events in Victoria on 24 and 25 January this year, Powershop co-opted approximately 15% of its customers to reduce usage and consequently reduced the need for load shedding in the system. Powershop intends to continue developing and harnessing the CYP program to play a part in lessening demand and contributing to system reliability during peak periods.

iii. Grid stability and reliability services, and iv. alternatives to conventional network investment

Consumers can already participate in the market in the grid stability and reliability space. Powershop has worked directly with distributors on the installation of household solar and battery systems which can be controlled to enhance reliability, delay network expenditure and adjust grid operating conditions to enhance stability.

Consumers can also play a role in avoiding unnecessary network investment, and Powershop has worked with others (including network companies) to facilitate this. In particular, household batteries and other 'behind the meter' storage options offer great potential in this space, and Powershop is exploring a number of options in this regard, including wider roll-outs of batteries, centralised control and dispatch (or Virtual Power Plants) and innovative tariffs to drive appropriate changes in usage at times of peak network stress.

Our 'Grid Impact' virtual power plant offering, developed with Reposit, was utilised during recent network events, which demonstrated the feasibility of empowering consumers through new and innovative solutions. MEA Group is also preparing to invest in network level storage which will directly defer, and in some cases may totally remove, the need for network investment, while also offering stability and security services.

v. Peer-to-peer trading between households and businesses

Trading of excess energy between households and businesses has the potential to significantly assist the market. Powershop established the first at-scale peer-to-peer trading exercise when it launched Your Neighbourhood Solar, which enabled neighbours to support local investment in rooftop solar. This opportunity to pay a small premium for energy provided locally was widely accepted and demonstrated the feasibility of, and appetite for, local energy trading. The fact that a household would pay a premium to support an initiative that does not offer

a direct, physical benefit for their own household (ie put solar panels on their own roof), is we believe evidence that this aspect of the market should be given attention and investigated further.

(b) The potential for these services to deliver lower energy costs and increased energy reliability

MEA Group is confident that greater consumer involvement will lead to lower energy prices and increased reliability. Increased supply at the local level will reduce system losses and the need for additional network investment, while distributed generation reduces the reliability challenges associated with the failure of large generation units and transmission elements.

It is important to state however, that some attention needs to be given to the possibility that a section of society will be left behind in the transition. First, it is possible that those in the community that cannot access, or afford, rooftop solar, will be left paying for an additional proportion of grid costs; indeed, many would argue that this cross-subsidisation is already occurring. Secondly, evidence is emerging that in some locations, the penetration of rooftop solar is starting to lead to issues with grid stability in the local network. Over time, this will require investment in the network, which may lead to the question of who pays, particularly whether it will be the consumers who have installed solar, or all consumers.

The environmental benefits of solar are unequivocal, the investment case for the consumer (in terms of reduced bills) is clear, and the fact that solar can reduce peak network demand (benefiting all consumers) is demonstrated. It is also true to say that further discussions as to the underlying regulatory issues, and what steps must be taken to ensure the future is equitable and fair for all, will emerge and need to be addressed in the near future.

(c) The changing role of retailers in the National Electricity Market in light of the growing empowerment of consumers

It is clear that the evolution of the Australian energy system from a centrally planned and delivered system to a fully devolved market will lead to significant changes in the role of retailers. Today, retailers have the role of managing wholesale energy risk exposure for consumers; this is critical as when wholesale prices suddenly rise (an essential feature of the market to attract dispatchable generation) the vast majority of consumers are not exposed to, nor able to manage, high prices. In the future, this role will remain but retailers will also play a key role in facilitating consumer empowerment and innovation.

In many respects retailers will become a consumer's agent in this new model, making access to the complex markets and systems simple, and managing risk exposures that individual consumers cannot bear. Retailers who do not adjust to these changes are likely to fail, as has happened in other markets undergoing significant transformations.

(d) The impacts of privatisation

Privatisation (and disaggregation) has enabled significant innovation to enter the market, indeed it has enabled the creation of Powershop, our customer initiatives and tools, and our contributions towards shaping the market. Combined with the introduction of significant fiscal discipline and strong cost reduction drivers, privatisation has resulted in significant cost benefits for consumers.

Contrastingly, constraints on competition, including price regulation, excessive government intervention and complex regulation have at times resulted in sub-optimal consumer outcomes, notwithstanding the intentions of such interventions. Further, there is evidence that market participants that are still wholly government owned are in fact some of the least efficient and/or market responsive participants. Areas still subject to excessive regulation, limited competition or which are still government owned (or have only recently been privatised) may be yet to achieve the full benefits of privatisation.

(e) Regulatory reforms which would empower energy consumers

The current market structure has enabled, and will continue to enable, greater empowerment of energy consumers. While there will always be minor adjustments which could be made, the current rule making processes are fit for purpose for making such adjustments. While those championing change will always seek more change at a greater pace, it is worth contemplating the significant advances already made and the

potential for further, equally significant advances to be made in the near future as a result of current market activity. Ultimately, there is a balance to be struck in a market where investors in both large and small generation (including rooftop solar) do so with an investment mindset of years and decades, and we should be mindful that an environment of rapid change could chill the confidence of investors at all levels.

The biggest regulatory reform that would empower consumers, and benefit the energy industry and the community as a whole, would be a greater commitment to evidence-based policy making and a rejection of capricious responses to market issues. Consumers would greatly benefit from policy stability and a whole of community commitment to supporting well developed market policies.

(f) The likely long-term impacts, including to emissions, reliability and stability, of energy consumers playing a larger role

It is clear that greater consumer empowerment, which is the natural consequence of allowing a competitive market to operate, will lead to increased reliability and stability and provide a strong platform from which to address our shared emissions challenges.

(g) Other related matters

MEA Group would submit to the Committee that much of the content addressed under the Terms are already under consideration, if not subject to development and change, and the community is already benefiting from innovations in these areas. We would respectfully ask the Committee to recognise these advances and be careful to not recommend excessive changes to current market arrangements which are already underpinning these outcomes and will, if allowed to develop, deliver consumers, the community and the economy with affordable, reliable and sustainable power.

Yours sincerely

Ed McManus
Chief Executive Officer
Meridian Energy Australia and Powershop Australia