

25 March 2020

Ben Davis
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235



Dear Mr Davis,

Submission to issues paper on electric vehicles in the retail energy market

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the AEMC's issues paper on electric vehicles as part of its retail energy competition review.

General approach of the review

PIAC notes that by exploring a particular technology and its interaction with the energy retail markets, the AEMC proposes to assess whether retailers are innovating in relation to technological change to provide customers with offers they want.

Despite this, the issues paper's questions are very focussed on the retailer's perspective – seeking comment on what retailers are doing and what retailers see as barriers. The consultation questions do not assess what types of retail offers are needed or desired by their customers.

PIAC considers the review should instead approach the matter by seeking answers to the following high-level questions:

- What retail offers to end-users are needed to encourage the efficient uptake and integration of electric vehicles in the NEM?
- What are retailers currently doing to achieve this?
- What are retailers currently not doing but should be doing to achieve this? Why?

Challenges to consumer protections

While many of the first adopters of EVs are likely to be households that are “better off” (given the generally higher cost of EVs compared to new non-electric and especially compared to second-hand non-electric vehicles) this will not be the case as EVs become more mainstream. There is a need for coherent consumer protections that cover EVs to ensure continued access to essential services for households, as well as to help facilitate the uptake of EVs by providing consumer confidence.

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PIAC supports a framework where the consumer protections offered are proportional to the potential harm the consumer may face should something go wrong – the higher the potential harm, the stronger the protections offered to the customer. This should not depend on the model of provision and reflects the nature of energy as an essential service. Similarly, risks of lower harm need only be met with proportionately lower protections. This is discussed further in our submission to the AEMC’s review of energy consumer protections.¹

For a household with an EV, losing electricity supply, such as for non-payment, means losing the ability to charge at home. The consequences of this may include facing higher costs to use public EV charging stations and risk exacerbating financial stress, or losing self-transport capability altogether, if they cannot afford this higher cost or lack of accessible charging infrastructure. A household with a non-electric vehicle that has lost their electricity supply, may still retain the ability to refill their petrol or LPG vehicle.

Therefore, the protections built into retail offers for households with EVs should reflect the different nature of the potential harm to their well-being from losing this service. This will become more important as owning an EV becomes more accessible for a greater number of households.

Changing role and opportunities for retailers

PIAC considers that, in a successfully competitive retail market, EVs should provide an opportunity and a strong incentive for significant retail innovation in response to consumer preferences. Packaging cost-reflective network tariffs from distribution businesses into an amenable retail offer for end-use consumers is an important first step.

PIAC expects, however, that a successfully competitive retail market would be driven to make more significant changes to the range of offers available such as:

- Offers, either from retailers or from independent third-party aggregators, that would utilise the EV charging and discharging loads to provide demand response at times of system peak or at times of local network congestion.
- Retail offers that bundle traditional retail energy services with support to purchase or lease EVs, rooftop PV or storage systems. The partnership between Origin Energy and Hyundai noted in the issues paper is an early example of this.
- Retail offers that bundle traditional retail energy services with access to public charging infrastructure (potentially at discounted rates). The partnership between Powershop and Chargefox noted in the issues paper is an early example of this.
- Smaller, specialist retailers emerging that cater predominantly or even exclusively to EV owners, similar to Pooled Energy catering exclusively to customers with pool pumps.

In addition to true innovation by retailers, the development of more attractive offers for EV customers could be accelerated by the use of EV-specific network tariffs. This could allow more of the upstream benefits of the efficient use of EV charging and discharging to be captured and reflected in the signal and incentives seen by the customer. This was highlighted in a submission by the Alternative Technology Association (now Renew):

¹ PIAC, *National Energy Consumer Framework Review Issues Paper 1: New Energy Products and Services*, February 2020.

ATA believes that cost reflective network pricing signals such as peak time rebates and time of use pricing (including critical peak pricing) are an appropriate way to incentivise EVs. Measures that respond to wholesale market signals or retail costs are also appropriate.

Further, ATA considers the following to be of relevance in the context of pricing signals:

- Given the unique nature of the of the issues and opportunities of EVs, it is appropriate for distributors and retailers to offer EV-specific tariffs, especially where the EV load is externally controlled by any party;
- Given the potential volume of energy that EVs may consume from the network, it is appropriate that ToU tariffs for EVs include:
 - Lower charge for off peak energy use, and
 - Higher charger for peak energy use;than ToU tariffs for non-EV customers;
- Nodal or location pricing may be appropriate and effective, accounting for:
 - Different network losses in different parts of the network;
 - Opportunities to address current or forecast network constraints through the deferral or avoidance of planned network upgrades;
- Distribution business should be required to retain more knowledge of the consumers with major loads than they currently have in order to provide appropriate incentives to consumers and manage the network efficiently.²

Continued engagement

PIAC would welcome the opportunity to engage with the AEMC and other stakeholders to discuss these issues in more depth.

Yours sincerely,

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² Alternative Technology Association, *Submission on Energy Market Arrangements for Electric and Natural Gas Vehicles – Draft Advice*, October 2012, 4.