



Clean Energy Council submission to the State of Victoria Department of Environment, Land, Water and Planning (DELWP) interim response to the Review of the Electricity and Gas Retail Markets in Victoria.

Executive Summary

The Clean Energy Council (CEC) welcomes the opportunity to provide input to the State of Victoria Department of Environment, Land, Water and Planning (DELWP) interim response to the Review of the Electricity and Gas Retail Markets in Victoria.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses in solar, wind, hydro, bioenergy, marine and geothermal energy, energy storage and energy efficiency along with around 5,000 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC recognises the Victorian Government's concerns about the price of electricity and welcomes its response to the Bipartisan Independent Review of the Electricity and Gas Retail Markets in Victoria. The CEC shares the Victorian Government's review objective to facilitate better energy market outcomes and affordable energy bills for all consumers.

However, the CEC would be concerned by any material policy changes which acted to stifle investment and innovation in the electricity sector.

Key recommendations

In the interim response to Victoria's Electricity and Gas Retail Markets the CEC urges the Victorian Government to review and, if necessary, reform some of the Panel made 11 broad recommendations to ensure that:

1. A regulated retail price (BSO) does not stifle investment in generation.

Investment in generation (build, buy or offtake) involves a commitment to buy a volume of energy at a particular price in advance. A disincentive may be created when the price at which the energy can be sold to consumers is fixed, as in the case of a short term market price.

This creates the risk that retailers will hold off on commitments to new generation investment, leading to higher wholesale prices.

Though eventually investment may be forthcoming as wholesale prices will have risen well above generation costs, this introduces an inefficiency into the market that all consumers, including those on a regulated price (BSO), will pay for, effectively undermining the objective the regulated price (BSO) was seeking to achieve.

2. A regulated retail price (BSO) does not risk investment in innovation.

With the increase in schemes such as Virtual Power Plants, Demand Response and Peer to Peer developments, consumers are participating in the energy market like never before. Many CEC members have observed and contributed to consumer side innovation investment in the energy market, which has risen steeply over the past 24 months. This is a trend all indications suggest is set to keep rising.

Regulated pricing potentially puts this innovation trend at risk. Retailers are often the vehicle to deliver innovation to customers, through the development of new technologies and services or as the means to deploy technologies and services developed by others. Price inflexibility could act as a disincentive for retailers to rollout innovative products and services to customers. This would have the perverse outcome of inhibiting differentiation between retailers and restricting customers' ability to access new products and services to meet their energy needs and preferences.

We would be very happy to discuss the relationship between continued consumer access to innovation, market competition and regulated pricing market competition in further detail with representatives of the Independent Review of the Electricity and Gas Retail Marketing in Victoria (the Review) and the Victorian Government. We look forward to contributing further to this important area for policy development. We trust that these considerations are also helpful in your work further developing the National Energy Guarantee.

The CEC welcomes the opportunity to discuss this submission in greater detail and can be contacted through Executive General Manager Industry Development, Natalie Collard via ncollard@cleanenergycouncil.org.au or (03) 9929 4100.