



New Energy User Paradigm Workshop: Presentation Notes

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Event Consumer principles – why we need them and how to frame them
Venue Aerial UTS Function Centre, Ultimo Sydney
Date 5 September 2019
Title New Energy User Paradigm Workshop – 5 September 2019

Thank you, Kellie.

I want to do three things in my ten minutes:

1. Explain why this workshop is necessary and important.
2. Provide a thumbnail of efforts here and abroad to develop a set of guiding principles to manage the energy transition.
3. Make a few observations about the power of framing, concepts and language.

Why is this workshop necessary, important and timely?

For those of you who I haven't met, I'm Director of Advocacy and Communications at Energy Consumers Australia. We advocate for households and small businesses in energy policy and regulatory processes and engage directly with companies, drawing on what consumers tell us through our research and interactions with them.

What are they telling us?

They are telling us that energy services are not affordable, they are not Value for Money and they do not have confidence that the sector is working in their long-term interests. This is the lens through which most people think about energy.

Clearly – the fact that the price of energy has for many essentially doubled in the past 10-15 years, with extraordinary price spikes along the way – is a root cause of the dissatisfaction we see coming through our research.

But it is also about a feeling of a lack of agency and control in the face of rising price.

Across the country people are asking themselves what can I do not just to get a better price, but how can I manage my use to keep my bills down?

For many this means door snakes, it means bubble wrap on single-glazed windows, it means switching off microwaves at the socket to save on standby power. It means painting the roof of their house white to reflect heat and ease the load on air-conditioners that are expensive to run.

And for an increasing number of Australians – more than 2 million now – it also means generating and storing their own power.

We equate this to the fans jumping the fence at the MCG to join the game.

This mass migration – driven by necessity and enabled by new technology – has already fundamentally changed the energy system and the energy market.

From a system of a ‘small number of large things’, to a ‘large number of small things’.

From a market big engineering and orthodox economics were enough, to one where there is an incredible new social dimension.

And at the same time as there is a need to decarbonise the system.
But here is the problem.

We have not defined – from the consumers-user-community perspective – how we want to organise this new ‘paradigm’ and to what ends.

The values and principles that are needed to guide policy, regulation, investment, innovation, planning, safety-nets, consumer protections and technical standards to make a system in transition work for consumers are missing.

The lack of a clear ‘social compact’ that captures these values and principles, means efforts to reform the sector – and in the context of DER, to resolve complex issues around pricing, control and access – are not bearing fruit.

I’m not sure about others, but sometimes when I’m in energy sector forums on technical issues I feel a bit like I’m trapped on the runaway bus in the classic 1994 movie *Speed*, with a terrified consumer (Sandra Bullock) driving the bus, and our technical experts (Keanu Reeves) desperately trying to disarm an improvised device, keep the bus above 50 miles an hour, and the passengers calm ... *... all without an instruction manual.*

And our efforts to partner with consumers and the community in the transformation of the sector to meet emissions and other goals are frustrated because the terms of the ‘deal’ haven’t been worked through with them.

Now while Australia special in many ways, others have recognised this problem and are beginning to respond.

I want to highlight two international examples and then refer to some important efforts in Australia that can help our thinking today.

Is there experience we can look to for guidance?

I’ll start with the United Kingdom which I’m most familiar with having worked there as a consumer advocate before Energy Consumers Australia.

Now the climate policy watchers in the room will know that Theresa May, in the dying days of her Prime Ministership, legislated for a long-term, Net Zero by 2050 target. At the same time as the Brexit debate is tearing the country apart, there is a remarkable, bi-partisan political consensus on this big objective in the UK.

What is most interesting from our point of view, is that sitting underneath this long-term target – indeed predating it – is an incredible amount of work that has been done on ‘how’ transition should be managed.

This ‘how’ is expressed in different ways for different purposes, but I want to draw your attention to two examples which will give you the gist of what I am talking about.

Firstly, from the (until very recently) responsible minister for energy Greg Clark – who gave a major speech November 2018 – where he outlined four principles to manage the transition to a future power system:

1. The market principle – wherever possible use market mechanisms that take full advantage of innovation and competition.
2. The insurance principle – given intrinsic uncertainty about the future, government must be prepared to intervene to provide insurance and preserve optionality.
3. The agility principle – energy regulation must be agile and responsive if it is to reap the great opportunities of a smart digital economy.
4. The ‘no free-riding principle’ – consumers of all types should pay a fair share of system costs.

These important point to make is that these principles go well beyond the traditional competition and regulatory concepts that animated the privatisation and un-bundling of the energy system starting in the 1980s and embedded in the laws and the regulations that continue to govern the market now.

Instead we have principles going to risk and uncertainty in transition, going to a new role for government, going to cost allocation and equity issues.

Principles we can agree or disagree with, but a big step beyond the traditional approach, nonetheless.

But I guess from our perspective, these principles still look a little removed from the core outcomes we want for consumers in a transforming system.

This is where influential work by the UK Energy Research Centre is relevant.

UKERC did a quite **radical** thing and went out and asked consumers across the UK what they thought!

About their values, preferences and attitudes to the transformation of the energy sector.

In essence, the problem they were trying to answer was, *what would it take to get the public to support transformation?*

UKERC found evidence that the public wanted and expected change – which they saw as inevitable – but – they wanted the opportunity to shape that change in line with a distinct set of principles and expressing core values. These being:

1. Reduced energy-use overall and reduced use of finite resources
2. Efficient and not wasteful
3. Environment and nature
4. Secure and stable
5. Autonomy and power

6. Just and fair
7. Process and change

I won't go into the detail behind each of these here, but you can see in the slide how they're organised.

The description of number five – autonomy and power – jumps out for our thinking about how to partner with consumers to get the most out of DER for them and the system:

A system that is developed in ways that do not overly threaten autonomy, infringe upon freedoms, or significantly compromise abilities to control personal aspects of life.

According to UKERC, '**reciprocity**' was the way to reconcile, or perhaps a better word is 'align' this expression of a *right*, with the *obligations* which come with being a part of a community in an interconnected system.

In the simplest possible terms what they're saying is that "I am prepared to change what I do, providing I am confident that the companies, governments, institutions do their bit, bear risk etc. too".

I want to quickly jump from one small island to another by talking about the approach in Hawaii.

ARENA recently hosted Lorraine Akiba a former Hawaiian Public Utility Commissioner, who talked about how mid-way through a major grid modernisation exercise in 2016 – the PUC called a halt to the process, developed new guidance based around a set of principles, which it gave to the companies and told them to go back to the drawing board.

The key section reads (see slide):

In advancing the public interest, the commission shall balance technical, economic, environmental, and cultural considerations associated with modernization of the electric grid, based on principles that include but are not limited to:

1. *Enabling a diverse portfolio of renewable energy resources;*
2. *Expanding options for customers to manage their energy use;*
3. *Maximising interconnection of distributed generation to the State's electric grids on a cost-effective basis at non-discriminatory terms and at just and reasonable rates, while maintaining the reliability of the State's electric grids, and allowing such access and rates through applicable rules, orders, and tariffs as reviewed and approved by the commission;*
4. *Determining fair compensation for electric grid services and other benefits provided to customers and for electric grid services and other benefits provided by distributed generation customers and other non-utility service providers; and*
5. *Maintaining or enhancing grid reliability and safety through modernisation of the State's electric grids.*

Again, what stands out here is the **reciprocity**: new obligations and costs but paired with new expectations about fair reward in return. And all under a preamble about advancing the public interest, and recognising, among other things, a broader set of objectives and interests, including culture.

Now here at home the National Consumer Roundtable, through its new DER Enabling Group, has started to work up a set of eight principles which covers similar territory around the public interest being advancing the overarching goal through reciprocal rights and obligations to what we're seeing in the UK and Hawaii, but cast in distinctively Australian and pragmatic terms.

Kellie will share the full document, but in summary the principles go to:

1. The public good – government spending should be targeted to achieve social and environmental as well as economic benefits, rather than individual benefits.
2. Fairness and equity – government spending on DER should reduce energy inequality
3. Causer pays and benefits – causer pays and rewarding benefits.
4. Transparency – visibility about system-wide costs for the public and policymakers.
5. Materiality – assess the full costs and benefits of DER, and don't fixate on the immaterial.
6. Simplicity – speaks for itself.
7. Complementary measures – ameliorating to cross subsidy consider whether the best response is to directly help affected people.
8. Messaging – don't make DER owners the problem, find ways to empower people on low incomes and renters.

The power of language

I want to finish up by stating a strong personal belief and by making a request of everyone here today. The strong personal belief is that framing and language – however simple and succinct – can act as incredibly powerful organising principles.

Including for things as big and complex as a transforming energy market. We should reflect on the enduring influence of the watchwords of the last big transformation in the energy sector associated with the micro-economic reform agenda: competition; efficiency; productivity.

This point about framing is one that Yolande and Larissa make so well in their recent report on how to engage households on the future grid.

Simple language and principles that we can develop here today to capture the essence of what is important for consumers and the community in our new context can make a similar impact.

Words like my personal favourite '**reciprocity**'.

My request is to place your faith in the words, and not to become frustrated if we crank the handle today and the answers to all the technical challenges associated with DER don't magically pop out the other end.

We need to be patient about the principles, and trust in the process and Trina to get us to where we need to be.

Thank you.

ENDS