

# Smart Demand

## Workshop –

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### risks and benefits:

### a consumer's perspective

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# Smart demand - New products and services ...

- Things to come .... Already here
- New retail pricing offers (seasonal, time variant (TOU) - CPP)
- Web based portals
- IHD
- Texting and messaging to support customer contact and behavior
- Smart phone apps
- DLC (appliance control of pool pumps, storage etc)
- EV – PV
- Energy management systems to extract best outcome from pricing being offered – third parties (move from a product based industry to a service based industry)
- Trading price for reliability and security of supply capped demand tariffs linked with management systems ?

# Underlying framework who pays and who gets what (pros and cons)

- Mandated or competitive roll out (non mandated):
- Mandated - Increased cost but universal service. Everyone *can* participate in the market but everyone will wear the cost too. While only a few are likely to benefit in the short term. This presents challenges as some people not not want to be involved/take up new services... Can cause consumer resistance (see: Vic, USA, Canada experience)
- Competitive - Reduced cost but with targeted services / products. Only some will get the benefits (NZ and the rest of the NEM). More likely to have positive consumer engagement with this type of approach.
- Mandated or competitive service product offerings -issues apply to price / product allocation – is it mandated – people have to go onto a particular product or price – or is it by choice ( ie underlying network tariffs)

# The approach will shape the retail market – will the benefits be passed though and to who?

- We could end up with a segmented/fragmented retail market where:
- One provides products and services to the mainstream (volume products)
- Another provides niche products – targeted to particular groups / areas / consumption profiles. This can cause confusion if the market is segmented into volume (mass market) players on the one hand and those looking to specialise / offer niche products, on the other hand
- Or the development of a nodal market retail market (driven by network or customer demographic) can reduce competitive pressures. This may result in the long term benefits not being passed though.
- The broader retail market design is a critical issue that we need to consider – it is critical that competitive pressure is there to pass on the benefits.

# The changing role of networks

- The role of the networks is changing – required to consult – what do consumers really want. There is a network coming to talk to you!!
- Networks more actively engaged in consumer lives (portals already here)
- AEMC : LRMC rule change will drive new tariffs
- Conversations currently involve questions such as:
- Are consumers ready to trade price for changes to energy quality, reliability and/or security? Pay a set amount for a usage after which supply switches off?
- Will domestic consumer be willing to pay a bit more so people in the county pay less OR will domestic consumer pay a bit more to keep some manufacturing plans open
- Should cross subsidies remain or nodal pricing such as CCP be introduced?

# Risks

- Confused and fragmented retail market - need to bring people along (nodal pricing, targeted services to particular groups)
- A lack of appropriate regulatory guidance and consumer protections – what's universal what can we all expect
- Benefits are not released early and upfront – failed to keep the tricky and confusing last – where the benefit???
- The market gets ahead of BROADER consumer engagement and expectations, backlash
- Unintended consequences of trading reliability, security and affordability – i.e. people get lower price but reduced service...
- Changes in the social contract of this essential service it could enhance it for all our benefit or and shifts responsibility to the consumer