

Electricity networks must focus on core business to maintain energy security: new CPD paper

A secure energy future will remain out of reach unless Australia's energy system adjusts to new technologies like rooftop solar generation and battery storage, according to a paper released by the Centre for Policy Development and Oxford University's Sustainable Finance Programme.

Avoiding Gridlock: Policy Directions for Australia's Electricity System argues that rising prices, lower energy consumption and technological advances in renewable generation and storage are reshaping our electricity system. Regulators must keep pace to improve outcomes for consumers and strengthen overall energy security.

"Retail prices for electricity have nearly doubled in the last decade" said Alexander Marks, lead author of the paper. "This has mainly been due to massive investments by distribution businesses to meet peak demand that never materialised. Instead, households are generating electricity on their own roofs to reduce electricity bills."

Ben Caldecott, Director of the University of Oxford's Sustainable Finance Programme, which supported the research, said, "People going off grid means that the costs of the grid fall on a shrinking customer base. Even more affordable battery storage and solar power will make this even more acute. This could pose real problems for the owners of network."

This new paper finds that technological advances can support a more secure, climate-friendly and customer-centric electricity system – but only if policymakers update the way the electricity system is regulated.

"We must ensure that innovative 'behind the meter' services are widely available so households can better track and tailor their own energy use" said Mr Marks. "Distribution networks have a mixed record on customer service and innovative services. The flawed roll out of smart meters in Victoria is a prime example".

"Distributors should focus on core business – ensuring the security and the resilience of the grid. Allowing them to crowd out innovation in naturally competitive areas of the electricity system, such as household battery systems, smart metering or load control, would be a mistake."

The paper recommends that restrictions on distributors competing in behind-the-meter services should be tightened – and that whole-of-system resilience in the context of increased renewables and a changing climate should be made an explicit objective for networks under a revamped National Electricity Law.

"The Finkel Review is a crucial opportunity to reassess the pricing, regulation and resilience of electricity networks," said CPD Policy Director Sam Hurley. "This paper addresses some of the issues that need to be a core part of that discussion."

Author Alexander Marks is available for interview.

Discussion Paper available here: <http://cpd.org.au/2016/12/avoiding-gridlock>

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