ENERGY NETWORKS ASSOCIATION 2014 ANNUAL DINNER
AUSTRALIAN WAR MEMORIAL, 19 NOVEMBER 2014
ADDRESS BY ENA CHAIRMAN PAUL ADAMS

I would like to join John welcoming all our guests tonight for joining us in this remarkable venue.

It is a pleasure to be able to welcome those from amongst the ENA membership to reflect on the enormous amount of work that has been undertaken over the last twelve months. It is also important to share that with our partners. We deliver energy to more than 15 million customers - all of you who help us keep the lights on and the blue flame glowing. Thank you.

As I recognise all of you here for the contribution you make to energy services in Australia, I would also like to acknowledge one leader of our sector for special mention.

Tonight will be **Ian Stirling's** last ENA Annual Dinner as the CEO of Electranet, and as he steps down later in the year, I would like to take this opportunity to pay tribute to Ian's contribution to our industry over a lifetime.

Ian has been part of the electricity industry since 1983, having served in senior positions within throughout the electricity supply chain - including in generation, transmission and distribution. Appointed as CEO of ElectraNet in August 2002, he has been stewarded that organisation in a State which has seen one of the greatest transformations in its energy supply mix. Ian has been a true industry leader through his Chairmanship of the Energy Supply Association of Australia. He has made our industry stronger. He has played a key role in his State's economic development. Please join me in congratulating Ian on his achievement..

There is quite rightly a lot of talk these days about "transformation" in the energy industry. We know that we are in the business of transformation. For well over fifty years access to the Grid or the gas pipeline has changed the way we live our lives, providing comfort and convenience.

From lighting, refrigeration and a range of appliances that changed daily life, to supporting a new range of technology and automation that powers a modern lifestyle, there is one constant - access to safe and reliable energy

The modern grid is more than poles, wires and pipes. All participants in the energy industry – from the consumer to the Chairman of the Board - from the metering supplier to the AEMC - are participants in the **re-engineering** of energy supply and service delivery. Most significantly, that re-engineering is being negotiated, not pre-determined. It is occurring in participatory decisions like those made by 1.3 million Australian prosumers and counting - with more solar panels to come.

Australian networks are integrating rooftop solar panels at world leading rates of penetration – induced by subsidies which, frankly, are now anachronistic and harmful to general consumers. At the same time, there are other technologies travelling quickly down the cost curve – including the battery storage, electric vehicles and energy management systems, which could either provide significant **improvements** or **significant risks** to the economic outcomes for Australian consumers and the safety, reliability and quality of our supply. Behind them on the horizon is the potential for fuel cells and micro-wind turbines.

These are important, and **welcome**, advances in technology that can strengthen the grid and our sector has been actively supporting the deployment of these breakthrough technologies.

Only last month, Ergon Energy announced its Grid Utility support system, which will commence employing storage in sections of its SWER electricity network by mid-2015. This technology will not only deliver better value for Ergon and its customers, it has been adopted will be deployed without subsidies as a rational commercial response. We have seen other initiatives based on utility scale storage by Ausgrid, Horizon Power and Ausnet Services to name a few.

In this dynamic marketplace, it will be vital that we have the right signals in network tariffs to reward consumers for efficient energy choices. So it will be just as vital that our consumer engagement to support a real dialogue with the customer based on value.

The electricity grid **does** provide significant value to consumers today and in the long-term. If you relied only on some websites, you might think *en masse* grid defection will happen soon – say, about 3.30 pm this Friday afternoon.

As Mark Twain famously said – The reports of my death are greatly exaggerated.

It's worth us taking a closer look at the true Value of the Grid.

Tonight ENA has released an important piece of analysis conducted by Oakley Greenwood.

While recent advances in solar and storage technology mean customers could choose to leave the grid entirely, the independent analysis by Oakley Greenwood shows it is unlikely to deliver better financial outcomes or better services.

The study quantifies the often "hidden" services that customers receive from the Grid, and how much it would cost a customer to supply themselves.

If your family or your business is after an equivalently safe, reliable and hassle free service as today - this research shows that, to provide a nearly equivalent service, a stand alone power system would cost $600 to $850 per month or 5 to 6 times the cost of grid supply.

A Do-It-Yourself solution is unlikely to be the best outcome - over the course of a year, the connected customer is up to $8,700 better off than they would be with a stand alone power system providing a nearly equivalent service.

A disconnected customer would also lose grid benefits like the ability to sell surplus energy or participate in new markets which may emerge using distributed energy resources – such as demand response markets or balancing services.

The Grid will be the gateway for better, more efficient energy services – so quitting the Grid is like having a home computer but disconnecting it from the internet. You still have one – but you are not connected to the community and the services that connection provides yourself and the broader community.

As you know, the overwhelming majority of the rooftop PV systems installed to date are on homes that continue to be connected to the grid. There is a quantifiable benefit to the network as a result of solar installations and Oakley Greenwood analysis suggests that a solar customer connected to the network in an aligned manner helps to lower the cost of network services, estimated at approximately $10 per month.

The reverse is true though – grid services provide demonstrable benefits to solar households, about 7 times greater. This includes the value of the back up service to the customer (of $61 per month) by providing reliable power at night or when it is cloudy. It also includes market access which allow consumers to sell their power into the grid (valued at $8 per month).

In addition the grid provides a range of services that are often hidden, but which consumers benefit from.

**Startup power services,** supporting appliances like air-conditioners that temporarily increase demand by 4 to 5 times when they start up.

**Balancing services,** instantaneously adapting to the customers changing demand throughout the day which can be difficult for solar pv systems alone.

And **power quality services** that protect the safe operation of home appliances.

It is clear that in the future energy users will have more choices about the source of their energy supply.

They may take their energy from the grid, or a combination of onsite sources and the grid.

And they may consider leaving the grid entirely.

However those choices must be based on transparent information and a practical assessment of the costs. (Not only to them but to their broader community).

Recognising the value of the grid, there are two issues critical to the operation of the modern electricity grid that I want to touch upon tonight- Pricing Reform and Consumer Engagement.

It is clear that the network cost pressures on electricity prices are declining across the county.

However, most electricity customers pay network charges based on the volume of energy they use regardless of what time of day it's used or how much it costs to supply.

We still have tariffs for small energy users that are unsustainable and unfair – locking in cross subsidies between consumers.

These cross subsidies are hidden in the current system.

There now exists the opportunity to introduce a fairer system of pricing, which helps to lower the long-term cost of electricity supply.

Progress on the pricing reform agenda must be a matter of high priority at the next COAG Energy Council meeting in December.

ENA has encouraged the COAG Energy Council to support a more integrated approach to network tariff reform and the economic deployment of enabling technology like smart meters.

Related to this is the second point I want to reflect on.

In order for tariff reform to work, the conversation between energy networks and the customers they serve will be critical.

Energy network businesses are actively integrating new technology and business models into their operations, while drawing on their existing expertise and capabilities to deliver an increasingly resilient grid for customers.

However none of this is possible without recalibrating the relationship between networks and consumers.

It is clear that the preferences of consumers will shape the development of future networks, by requiring network businesses to rethink their approach to price, reliability, technology and energy sources.

Customers are engaged in decisions on energy use like never before, as they shop around to lower their bill, respond to price signals and increasingly become producers of energy in their own right.

Not every consumer will want the same level of information or choices.

However Network businesses have an important role to play in supporting consumers, and to ensure they have the information they need and that their voice is heard.

We are all invested in better outcomes for consumers, and this is – and always has been - at the core of energy network approaches to engagement.

I am very confident that with the technical, commercial and policy capability that is connected to and led by the people in this room, the Networks will transform and continue to deliver safe, reliable and affordable energy to all our consumer needs.

I close by saying thank you again to all our partners for joining us tonight.

**ENDS.**