



19 March 2020

Australian Energy Market Commission
Electric Vehicle in the Retail Market Project Team
PO Box A2449
Sydney South NSW 1235

Reference: RPR0012

To: Electric Vehicle in the Retail Market Project Team

Re: AEMC's Issues Paper – 2020 Retail Energy Competition Review: Electric Vehicles

1. Introduction

1.1 The Motor Trades Association Queensland (the MTA Queensland or the Association) submits views pertaining to the 2020 Retail Energy Competition Review: Electric Vehicles (the Review). The MTA Queensland's comments are on behalf of its constituent divisions and are confined to issues which relate to the interests of the Queensland automotive value chain.

1.2 The 2020 Retail Competition Review of the market dynamics of the uptake of electric vehicles (EVs) is a comprehensive overview of the supply side of the proposed electricity retail market for Australia's land-based transport logistics. The MTA Queensland submits that the effective regulation and operation of the electricity retail market to meet the demand for transport energy is a critical issue for national economic performance, consumer outcomes and for the automotive value chain.

1.3 The displacement of internal combustion engines (ICE) vehicles by EVs will result in severe technology and market disruptions and impose considerable costs that will have to be carried by all participants in the economy. These costs are justified in terms of national social responsibility and the long-term operation economies that will accrue to stakeholders. These benefits include the contribution EVs will make to meeting community environmental expectations and Australia's international emission targets; enhanced fuel security; and longer-term lower operating costs of land transportation.

1.4 The national securities enhancements, social benefits and economic advantages will be compromised if the electricity energy market was to operate inefficiently or with distortions that allowed economic rents to be generated due to a lack of transparency, insufficient competition, or rigidities that disadvantaged small or independent energy retail operators.

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1.5 In considering the social context the Association draws attention to the challenge that social equity will present in the provision of automotive electric energy supply to regional and remote communities. Australia's economic geography means that recharge stations will have business models based on breakeven points and economies of scale. Sub-optimal remote and regional locations will present supply and servicing challenges and will demand careful regulation to prevent local market distortions.

2. The Submission

2.1 The majority of the Paper's focus is outside of the Association's sphere of activity, but we take the opportunity to comment in general on:

Question 1: Context

Are there any other contextual developments the Commission should consider in relation to EV uptake and use in Australia?

Question 2: Role of retailer

What challenges and opportunities, given the current role of retailers in the NEM, are EVs likely to provide retailers?

3. Context

3.1 The Association's interest in this Review derives from members with businesses in the automotive value chain including the franchised new car dealers; other discrete automotive technology and service providers; and the MTAiQ (Australia's first Automotive Innovation Hub) which includes start-ups such as Motion Concepts (eMC) – a Brisbane-based mobility solutions company focused on the needs of the first and last mile transportation of goods in cities. This business will become the exclusive importer, distributor and service agent for two vehicle models CT-KARGO and CT-KUBE, which are fully electric, three-wheel mopeds; and ACE-EV Group which is a new Australian business assembling a range of electric vehicles. The first fleet (delivery van) was assembled in the MTA Institute's workshop.

3.2 A strategic responsibility of the MTA Queensland is to inform members and stakeholders on current and future technological and mobility transformations that would impact the automotive value chain and the economy. Since March 2017, the MTA Queensland has undertaken a series of *Caramageddon* symposia for this purpose. The intention is for a fourth in the *Caramageddon* series, focusing on all aspects of innovation linked to the automotive and mobility industries. A feature will be the exposition of hydrogen and electric vehicles including the latest from leading manufacturers and last mile mobility concepts.

3.3 For the past two years the Association has worked with the Queensland's Department of Transport on the Cooperative and Automated Vehicle Initiative (CAVI). The goal of CAVI is to test cooperative and automated vehicle technologies that make roads safer by contributing towards zero road deaths and serious injuries on the state's roads. It lays the technical foundations for the next generation of smart transport infrastructure and has four components: Cooperative Intelligent Transport Systems Pilot—the largest on-road testing trial in Australia of cooperative vehicles and infrastructure; Cooperative and Highly Automated Driving Pilot; Vulnerable road user pilot; and Change management.

3.4 The Association is a member of the Queensland Electric Vehicle Council and is working with the Council on initiatives that requires further research and scoping work. These include:

- electric vehicle experience programs, including test drives;
- support for electric bus trails with a focus on supporting local manufacturing and/or assembly; and
- support for the installation of public transport charging infrastructure.

4 Comments

Contextual developments

4.1 The electric powered vehicle revolution represents a unique opportunity for Australia to secure a next generation of economic advancement and deliver a broad range of benefits from restructuring and reforming logistics, technological and environmental infrastructures. There will be significant disruptions that will need to be managed by all governments to develop enabling statutory frameworks to facilitate and regulate the implementation and operation of electric powered vehicles.

4.2 The MTA Queensland considers that it is imperative that Australia's jurisdictions work together to provide a harmonised statutory framework for electric and autonomous vehicles. This view is based on our participation in Commonwealth Government agency consultations pertaining to the transition from ICE vehicles to EVs and responses to various Regulation Impact Statements. Government has undertaken a significant body of work on the future policies and regulations to support the implementation of electric and autonomous transport vehicles.

4.3 Initiatives on which Federal, state and territory Governments should work together include:

- fiscal reform to replace petroleum excise duties and state fuel revenue taxation and preparation for EV state registration fees and third-party insurance premiums
- prioritising EVs for fleet replacements
- harmonisation of charges and regulatory requirements
- harmonisation of road rules
- harmonisation of specifications for recharging plugs in the same way that fuel nozzles are standard in Australia

Role of Retailer

4.4 The automotive value chain and consumers alike have a vested interest in the role of electricity retailers as, similar to fuel retailers, they are the 'final segment' in the supply chain or the 'payment point' for the product purchased. The Association is wary of the future role of electricity retailers and their pricing regime as the automotive sector transitions from ICEs to battery powered charged by electricity. Electricity retailers, similar to fuel retailers have limited competition and in rural and remote geographical areas are in a monopoly position being the single retailer of electricity.

4.5 The Australian Competition and Commission's (ACCC) quarterly reports on the Australian petroleum market consistently state that 'retail prices in Brisbane are generally the highest among the five largest cities.' The ACCC in its report on the Brisbane petrol market pointed to 'a lack of competition' causing Brisbane motorists to pay more for petrol compared to the southern capitals. The ACCC Chairman Rod Sims said: 'the ACCC's report confirms Brisbane drivers' suspicions that they are paying too much for petrol, and that some local fuel retailers are enjoying high profit margins at their expense.' The Association recognises and is aware as stated in many ACCC reports 'high prices and margins do not necessarily indicate a breach of the Competition and Consumer Act 2010. Without anti-competitive agreements or misuse of market power, 'profiteering' or 'price gouging' is not illegal'.

4.6 The Association recognises the role of National Energy Customer Framework regulatory is to ensure 'consumers have a right to access energy (as an essential service) on fair and reasonable terms' which compliments the Australian Consumer Law. Offsetting this is ACCC's Chairman Rod Sims' comments on the release of the Retail Electricity Pricing Inquiry preliminary report (October 2017)

The ACCC has heard many examples of the difficulties that consumers and small businesses face in engaging with the retail electricity market and the particular difficulties faced by vulnerable consumers.

"Consumers and businesses are faced with a multitude of complex offers that cannot be compared easily. There is little awareness of the tools available to help consumers make informed choices or seek assistance if they are struggling to pay their electricity bills," Mr Sims said.

"Many of these issues arise from unnecessarily complex and confusing behaviour by electricity retailers, and in some cases, this appears to be designed to circumvent existing regulation."

"There is much ill-informed commentary about the drivers of Australia's electricity affordability problem. The ACCC believes you cannot address the problem unless you have a clear idea about what caused it."

4.7 Anecdotal information from members is that electricity retail contracts (financial transaction) are complex. It is noted that the ACCC's quarterly reports emerging from the Inquiry into the National Energy Market refers to 'on-going work to resolve complex issues.' Increased regulatory control and competition in the electricity retail market is necessary to ensure confidence and transparency in the transition to electric powered motor vehicles but does not ameliorate the Association's wariness that due to limited competition the behaviour of the electricity retailers would be similar to fuel retailers. The ACCC chairman Rod Sims word: 'many consumers appear convinced that petrol prices are a rip off' ring loud. It would be disappointing in the extreme if that was the view of electricity retailers in twenty years' time.

4.8 Electricity irrespective of its end use is a commodity with the distinguishing features being specification and price. In the current industrial and domestic markets retailers convert this commodity into a product by transforming it into a financial transaction which allows them to impose product differentiation on what is essentially a commodity. This allows for price differentiation, and unless carefully regulated market, distortions and imposes unfair costs on consumers.

4.9 Association notes from the Review, the present electricity retailing majors are likely to be the principal suppliers to the EV energy market. This means that the practice in the existing electricity market of retailing financial contractions rather than electricity as a commodity will be extended to the transport market. The MTA Queensland submits in these circumstances careful regulation will be needed to ensure that competition is maintained to prevent market distortion and a generation of economic rents.

5. Cooperation

5.1 The electricity energy supply value chain, will benefit considerably from the transition to electricity energy to power land transport in Australia. As such, it appears appropriate for close cooperation to develop between the electricity supply value chain and the automotive value chain. In particular the rate of uptake of EVs would depend on a number of factors in addition to the management of 'range anxiety' mentioned in the Review; such as electric energy security and the whole of life EV costs - especially estimated energy costs of EVs. It appears that there would be mutual benefits in a transparent exchange of cost information between participants of respective value chains as assurances of supply and operating costs forecasts are likely to increase the rate of uptake of EVs.

6 Background

6.1 The MTA Queensland is the peak organisation in the State representing the specific interests of businesses in the retail, repair and service sector of Queensland's automotive industry located in the State. There are some 15,500 automotive value chain businesses employing approximately 88,500 persons generating in excess of \$20 billion annually. It is an industrial association of employers incorporated pursuant to the *Fair Work Act 2009*. The Association represents and promotes issues of relevance to the automotive industries to all levels of Government and within Queensland's economic structure.

6.2 Australia's first automotive hub, the MTA/Q, has been established in specially prepared space at the corporate office. The hub is an eco-system that supports innovation for the automotive industry.

6.3 The Association is the leading automotive training provider in Queensland offering nationally recognised training, covering technical, retail and the aftermarket phases of the motor trades industry through the MTA Institute - a registered training organisation. It is the largest automotive apprentice trainer in Queensland employing trainers geographically dispersed from Cairns to the Gold Coast and Toowoomba and Emerald.

Thank you for your deliberation.

Yours sincerely

A handwritten signature in black ink, appearing to read "Brett Dale". The signature is stylized and cursive.

Dr Brett Dale DBA
Group Chief Executive
MTA Queensland