



INFORMATION

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Unlocking CER benefits through flexible trading

Stakeholder submissions invited on AEMO rule change request to unlock CER benefits through flexible trading

The Australian Energy Market Commission (AEMC) has published a consultation paper on a rule change request from the Australian Energy Market Operator (AEMO). AEMO's rule change request seeks to unlock consumer energy resources (CER) benefits through flexible trading.

The AEMC is inviting submissions on AEMO's proposed rule change request and would like stakeholder feedback on the opportunities presented by CER, and the barriers and solutions for optimising the value of CER to consumers and the market. Submissions close on 16 February 2023.

We want feedback on AEMO's rule change request

AEMO proposes to introduce flexible trading by enabling residential and business consumers to have their CER independently identified and treated in market settlements, allowing consumers to engage with multiple service providers if they choose to.

AEMO's proposed model for flexible trading would create new secondary settlement points for CER resources behind consumers' current meters. Under AEMO's proposal the consumer could have contracts with more than one financially responsible market participant (FRMP) for individual devices or one for less flexible load and another for their flexible load - or all of their resources could be managed by one FRMP, but with different types of pricing.

It is possible today for consumers to separately contract their resources if they establish multiple connection points with their distributor. AEMO has stated that there are a number of issues that prevent or disincentivise consumers from taking up this option.

Metering of secondary settlement points

AEMO has also put forward a further proposal to establish a new kind of minor energy flow metering installation in the rules. This metering installation could then be used at secondary settlement points. AEMO has also proposed that this new kind of meter should also be able to be used for currently unmetered loads, such as street lights.

Value that can be unlocked from CER

AEMO's rule change request puts forward that by separating flexible and inflexible load, consumers could access more value from their CER, including through better access to incentives for their CER to support the market and power system operation. The Commission considers that to assess the potential benefits of flexible trading, it is important to first understand the value consumers may be looking for from their CER and what motivations and preferences influence their choices to take up CER or related offers. The Commission considers it is also important to understand what products and services are available or may in the future allow consumers to access value from their CER.

We want feedback on the barriers and solutions for flexible trading

The Commission is also seeking feedback on the broader barriers and solutions for flexible trading for CER, including on the following:

- **Current barriers to accessing value:** AEMO considers that where resources are not separately metered, consumers cannot take up different pricing for different parts of their

load with one FRMP, and there is no option to contract with multiple FRMPs for different offers. This may also create barriers for service providers such as aggregators to contract with consumers. Do stakeholders consider that the current standard arrangement of having one connection point is a key barrier to consumers being able to access the full value of their CER, including through innovative offers from new types of energy service providers?

- **Benefits of multiple settlement points with one FRMP:** Additional market settlement points could allow consumers to split their flexible devices such as a pool pump, battery, and hot water heater from the part of their load that is less flexible, e.g. lighting and take up separate pricing contracts if they choose to. They could also provide opportunities for businesses to manage their energy costs. There are current arrangements for some flexibility, for example existing controlled load tariffs for hot water. Do stakeholders consider there are existing regulatory barriers preventing additional types of flexible offers to consumers, and would there be benefits in having multiple settlement points at premises?
- **Benefits and challenges of consumers being able to contract with multiple FRMPs:** The option to contract with multiple FRMPs could increase competition and unlock value for residential and business consumers who own CER, and we would like input on how a consumer might benefit from this. If introduced, what issues and challenges would need to be addressed, including for retail energy market competition, network related considerations, consumer risks and protections (including whether existing arrangements are fit for purpose for additional settlement points), and operational requirements and implementation such as needs around communication and information flows?
- **Models for introducing multiple FRMPs:** Considering AEMO's proposed model and other potential options, what issues, costs and benefits need to be examined when determining which model is preferable? Other models could include improving the existing ability to establish a second connection point, parallel metering, multi-element metering as done today for hot-water heaters or introducing secondary settlement points as proposed by AEMO, either for a single FRMP or multiple FRMPs.

Submissions close on 16 February 2023

Written submissions responding to this consultation paper must be lodged with Commission by **Thursday 16 February 2023** via the Commission's website, www.aemc.gov.au. Information on how to make a submission and confidentiality is provided in the consultation paper.

The consultation paper also provides the indicative timetable for the rule change request. There will be multiple opportunities for stakeholders to engage in this rule change request, including through one-on-one discussions, stakeholder forums, and other targeted engagement throughout the rule change process, with information provided through the AEMC website.

Background

Consumers are increasingly connecting devices to their homes and businesses such as batteries, rooftop solar and electric vehicle chargers. This CER is now a fundamental component of the power system and is expected to play an increasingly important role in the transformation of our energy system to a decentralised and net-zero system.

As the uptake of CER continues, there is a growing need to also achieve effective market and technical integration of CER. This can unlock additional benefits for consumers with CER and enable the electricity system and markets to operate more efficiently, reliably, and securely in a manner that benefits all customers.

This rule change request builds on the work and recommendations of the Energy Security Board (ESB) in its post-2025 market design review and final advice.

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