

16 February 2023

Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney NSW 2000

Submitted online via: www.aemc.gov.au

Reference EMC0346

Dear Sir/Madam

Australian Energy Market Commission (AEMC) National Electricity Amendment (Unlocking CER Benefits Through Flexible Trading) Rule and National Energy Retail Amendment (Unlocking CER Benefits Through Flexible Trading) Rule.

Thank-you for the opportunity to provide a submission in response to the AEMC's Consultation Paper covering National Electricity Amendment (Unlocking CER Benefits Through Flexible Trading) Rule and National Energy Retail Amendment (Unlocking CER Benefits Through Flexible Trading) Rule (the Paper).

Momentum Energy Pty Ltd (Momentum) is an Australian operated energy retailer, owned by Hydro Tasmania, Australia's largest producer of renewable energy. We pride ourselves on providing competitive pricing, innovation and outstanding customer service to electricity consumers in Victoria, New South Wales, South Australia, Queensland, the ACT and on the Bass Strait Islands. We also retail natural gas to Victorian customers. We aim to offer competitive rates to both residential and business customers along with a range of innovative energy products and services.

1. Background

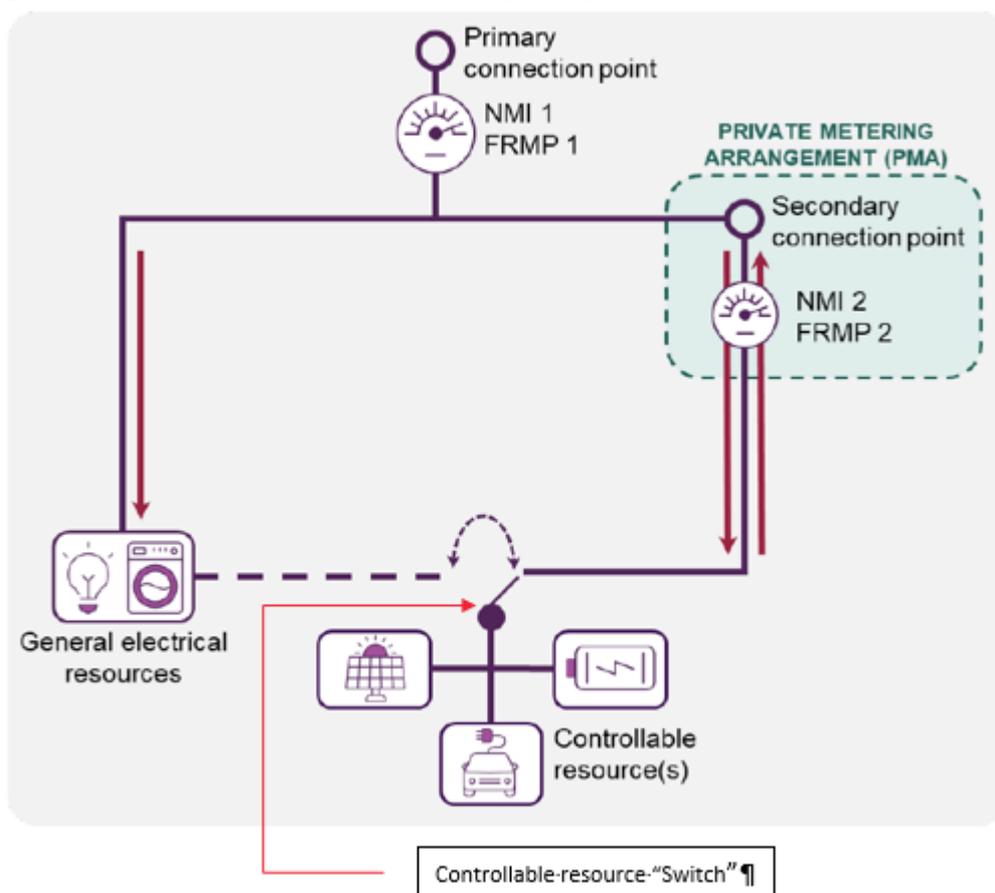
The Paper is in response to the Australian Energy Market Operator's (AEMO) rule change request submitted to the AEMC in May 2022 titled "Flexible Trading Arrangements and Metering of Minor Energy Flows in the NEM". This issue was previously considered by the AEMC in 2015 under the Multiple Trading Relationships rule change. In 2016, the AEMC chose not to make a rule change as the existing market arrangement of installing a second connection point, was deemed an acceptable alternative, at much lower cost to participants. AEMO was also the proponent in 2015 and it is somewhat disappointing that they have not undertaken a cost benefit analysis (CBA) of this proposed solution, before consuming valuable industry resources to review the issue again.

In the Paper, the AEMC suggests that better integration of consumer energy resources (CER) will unlock additional value for households and businesses who own CER, and this will enable the electricity system and markets to operate more efficiently. AEMO believes that flexible trading, whereby a consumer has multiple service providers managing different portions of their energy load, will deliver this outcome. The AEMC and AEMO continue to explore solutions to physically separate alternative supplies of electricity to the site by different providers. They fail to acknowledge that under the competitive market these benefits could also be delivered by multiple parties under partnership arrangements via the existing single connection point. Momentum is concerned that

the AEMC is attempting to facilitate a solution for a business case that is struggling to deliver a positive return in the current market environment. If the additional value created by separating the CER from the existing supply to the premise was sufficient, it would justify the provider's cost to capture this value, by obtaining their own retail licence or by partnering with a retailer under the existing market rules.

2. Flexible Trader Model 2 (FTM2)

Figure 1 Flexible Trader Model 2 (FTM2)



Momentum raises the following issues with the FTM2 (Figure 1 above) as it presents increased risks and costs to FRMP 1:

- Primary retailer (FRMP 1) is responsible for network billing for both their own bundled retail tariff and the network charges for the electricity load delivered via FRMP 2. This creates significant billing system changes and additional credit risks;
- Primary retailer (FRMP 1) delivers all of the mandatory customer protections including hardship support, to the customer regardless of the reduced load revenue delivered via FRMP 2;
- Increased complexity of managing government concessions as customer load is divided across both FRMP 1 and FRMP 2;
- There is increased complexity for customer billing that will show FRMP 1's bundled retail offer and FRMP 2's network billing for different consumptions. Momentum is currently upgrading its billing system to comply with Australian Energy Regulator Better Bills Guideline

Version 2. These billing changes were largely based on the pretext to improve billing simplicity which would be negatively impacted under FTM2;

- Primary retailer (FRMP 1) is exposed to increased risk with increased load shape variability. FRMP 1 is likely to also suffer load and revenue loss;
- Regulated pricing under Victorian Default Offer and Default Market Offer costs will now need to cover, increased variability of load shape, changes to FRMP 1 billing systems and changes to AEMO settlement systems;
- Significant increase in load risk for FRMP 1 due to the “Controllable Resource Switch” as indicated in Figure 1 above. It is not clear in the Paper which FRMP controls the switch and under what circumstances it is used. This switch creates unacceptable risk for FRMP 1 and should be removed; and
- It is unclear which FRMP would be responsible for managing Consumer Data Right (CDR) responsibilities for the site with the possibility of increased complexity and costs for FRMP 1.

3. Cost Benefit Analysis (CBA)

Momentum is aware of and fully supports the intention of the AEMC to undertake a detailed CBA for FTM2. We urge the AEMC to consider the CBA principles discussed in the AER Retail Regulatory Framework Review¹ and the following comments referring to the ability of stakeholders to participate in the rapidly changing regulatory regime.

There are no legislative impediments to the AER incorporating CBAs and PIRs in ways of working. However, it is noted that the current pace of change has already stretched the resources of stakeholders to effectively participate in changes to the regulatory framework under the current regime.

The CBA needs to establish what is likely to happen without any change and this should be the base case, as we believe there is current evidence of innovative offers that could already benefit CER including:

- Pool price pass through offers by retailers;
- Aggregators providing services into wholesale demand response mechanism; and
- Virtual power plant service providers.

The base case could also further investigate the issues raised by AEMO² regarding the impracticalities of installing an additional connection point and consider solutions or amendments that may resolve these stated barriers more efficiently than the costs of FTM2.

4. Summary

Momentum is concerned that the cost allocation of this rule change could be inequitable. There is little doubt that AEMO will incur significant costs for changes to the settlements system and retailers to their customer billing and management systems. These costs will be passed through to all customers regardless of whether they have CER or not. Therefore, the material benefits of this rule change will likely reside with FRMP 2 and/or CER customers. Usually with an efficient change the

¹AER Retail Regulating Framework Review July 2022 FTI Consulting <https://www.aer.gov.au/retail-markets/guidelines-reviews/review-to-simplify-the-retail-market-regulatory-framework>

² Section 3.4.1 AEMC Rule Change Consultation Paper <https://www.aemc.gov.au/rule-changes/unlocking-CER-benefits-through-flexible-trading>



parties that experience the benefit incur most of the financial cost, however this does not appear to be the case for this proposed rule change. This reinforces the need for a robust CBA to be undertaken as it may identify that FTM2 does not deliver a net benefit only a significant wealth transfer from FRMP 1 to FRMP 2.

Should you require any further information regarding this submission, please don't hesitate to contact me on 0478 401 097 or email randall.brown@momentum.com.au

Yours sincerely

[Signed]

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Head of Regulatory Affairs