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Ms Anna Collyer  
Chair, Australian Energy Market Commission  
Level 15, 60 Castlereagh St  
Sydney NSW, 2000

Reference code: ERC0346

Dear Anna

## **Response to unlocking CER benefits through flexible trading consultation paper**

AusNet welcomes the opportunity to provide this submission to the AEMC consultation paper on the proposed introduction of flexible trading with multiple retailers. AEMO's request to change the National Electricity Rules (NER) features the introduction of secondary settlement points inside residential and business premises and a new subclass of minor energy flow metering. The proposal seeks to provide customers with the option of having different retailers for different metered components of their load, and it asks whether this would be beneficial to all consumers and consistent with the National Electricity Objective.

We are strongly supportive of developing new ways to improve the integration of Consumer Energy Resources (**CER**) with distribution networks and the broader National Electricity Market. The take up of new CER, including batteries and EV chargers, will continue to grow and become ubiquitous throughout our networks. Accordingly, we are adapting to the challenges and opportunities that arise from the extensive use of CER, including internet-connected and controllable resources, to maximise benefits for all customers.

However, our support of regulatory reforms is conditional on it promoting efficiency and having the potential to deliver net benefits to electricity consumers in the present and into the future.

Today, industrial, commercial and rural customers are able to request additional connection points, and all customers are able to establish a second connection point for their CER in the form of an embedded network. These arrangements are alternatives to the proposed introduction of flexible trading with multiple retailers. Although AEMO's rule change proposal refers to the latter approach as a misapplication of the embedded network framework, we consider it serves an effective alternative arrangement for the purpose of trialling secondary settlement points.

Our assessment is that the proposed rule change is not an efficient solution that delivers benefits for all consumers, as:

- It could introduce additional complexity and significant implementation costs. During this period of rising cost of living pressures and the energy transition which requires increased levels of investment across the sector, a high degree of scrutiny must be given to ensure that the benefits of any reform warrant additional complexity and implementation costs. The case has not been made in this instance for the reasons provided below.
- It does not enhance the value all consumers receive from CER and the rule change is not required to enable any of the CER benefits highlighted in the consultation paper, as current alternative arrangements are available and notably have not been adopted by customers.
- The proposed rule changes will hinder the implementation of Dynamic Operating Envelopes (**DOEs**) by distributors and obscures cost reflective pricing for network services, limiting the benefits of pricing reform.

In the sections below, we explain the reasons that have led us to conclude that splitting responsibility for energy at a customer's premises should not proceed. Additionally, we do not support the proposed changes introducing a new subclass of minor energy flow metering. However, we do support the removal of the requirement for a visible display on the meter for all small customer meters.

## **Flexible trading with multiple retailers does not enhance the customer value from CER**

The consultation paper recognises that customer value from CER is driven by a range of benefits. We agree with the CER benefits documented in the consultation paper, however the review should make a clear distinction between arrangements that unlock CER benefits and benefits (if any) that flexible trading may provide in comparison to other, potentially lower cost, options.

The key benefits the rule change is proposing to unlock is allowing for participation of flexible CER in wholesale markets, to provide additional value streams for individual customers and increase competition in the wholesale market. However, residential and small business customers can already contract with their energy retailer's demand response aggregator partners to optimise and control their net energy consumption and generation. This may involve selecting the optimal demand-based network tariff. Retailer aggregators can also establish virtual power plants, participating in wholesale price arbitrage by dispatching the export of energy stored in batteries and changing the timing on controllable loads for internet connected devices. In the future, these virtual power plants are also expected to provide system strength services. These arrangements are available to customers under the current framework.

Separating the responsibility for supplying a customer's energy risks would cause:

1. new consumer protection issues and additional complexity, including how customers interpret consumption charges on the primary and secondary settlement points; and
2. a potential reduction in the commercial negotiating power of the customer in buying energy from their retailer due to the lower amount of energy they are seeking to contract.

A viable alternative to this would be streamlining existing energy supply contracts, and the regulation thereof, to better allow flexible trading with a single retailer. The consultation paper discusses this arrangement as used by the California Public Utilities Commission (**CPUC**). We believe that minor enhancements to the rules can be made to better enable flexible arrangements with a single retailer discussed below, without the need for the extensive reform proposed through this rule change.

For commercial and industrial customers, we consider the proposed arrangements are directly analogous to embedded networks or additional connection points. These customers can set up additional connection points in either a parallel or subtractive embedded network arrangement today with minimal costs compared to the cost of their energy consumption. Notwithstanding this, on our distribution network of over 700,000 residential customers, 70,000 commercial customers and 3,000 industrial customers, we have not seen this occur to date. We believe the reasons for this low utilisation is a combination of the following two reasons:

- customers don't understand the options available, or
- doing so gives the customer fewer opportunities to benefit from their net demand tariff that provides stronger cost reflective signals as consumption and demand increase.

It remains to be seen whether the use of commercial and industrial scale fleet EVs will change this behaviour, with the alternative options available (i.e. either creating new connection points at the site or establishing a single retailer flexible trading arrangement).

Given the lack of demand seen to date and the uncertainty over the benefits of the potential reform, we would support the industry leading more trials of appliance level metering for small customers within the regulatory sandbox framework. Trialling the proposal would provide much needed evidence to prove this arrangement is beneficial to customers and determine which customer protections are needed, before committing to the reform.

## **The proposal would obscure cost reflective pricing for network service and hinder the implementation of DOEs**

As customers install and use more CER and it becomes ubiquitous across our network, we strongly support having and providing visibility of these resources, including via the Distributed Energy Resources (**DER**) register. Understanding what CER is behind the connection point helps us plan and operate the network more efficiently. Distributors manage network demand using the metered energy and power quality data and apply network tariffs at the connection point level.

It may also be confusing for customers to receive a bill based on net energy, subtracted energy and gross demand values, and different energy values following the subtractive metering calculation. There appears to be no way to mitigate these problems with the proposed rule changes, either cost-reflective network pricing signals become diluted, or the customer receives very confusing retail bills from their primary settlement point retailer. Residential customer bills can already be a source of customer confusion the prospect of making them significantly more complicated should be rejected. In addition, the alternative of splitting the network tariff across primary and secondary settlement points should also be rejected—this would cost distributors tens of millions of dollars to implement through changes to billing systems which would be expected to outweigh the likely benefits.

Furthermore, the splitting of accountability at the connection points would further complicate the challenge of implementing the key new technology of DOEs, which is essential for maintaining grid reliability in the short to medium term. Under the proposed flexible trading model secondary settlement point retailers and their aggregators could not be assigned responsibility for DOE conformance—frustrating efforts to maintain grid reliability. The alternative of sharing the net DOE capacity between all primary and secondary settlement points does mitigate this problem but will make the implementation of DOEs more complicated and costly.

If the primary retailer takes on the risk of DOE compliance and pricing retailer risk and costs will increase, and likely be passed onto all consumers, including customers experiencing vulnerability. Ultimately, the proposed flexible trading arrangement will either substantially disrupt important initiatives aimed at reducing network investment (of cost reflective pricing and DOEs) or will drive higher retailer costs to customers.

### **The proposed rule change has potential to introduce significant implementation costs**

The consultation paper examined consumer protections for services at the secondary settlement point. We support the incorporation of appropriate consumer protections. However, given the magnitude of risks associated with the proposed reform, appropriate consumer protections would be very costly to implement. These include the need for:

- retailers and distributors to transact the energisation status (e.g. disconnections) between each other or with AEMO's Market Settlement and Transfer Solution (**MSATS**) systems;
- billing protections that involve splitting the network tariff bill (this would require network billing systems to be upgraded); and
- identifying life support requirements at the secondary settlement point.

The cost of these extensive consumer protections is highly likely to outweigh the benefits of the proposed reform.

### **We suggest an alternative to the proposal introducing a new subclass of minor energy flow metering**

A key element of the proposed rule change request is introducing a new metering subcategory for minor energy flow meters, identified by category 4T. Specifically, to remove the small customer metering requirements to comply with the NER minimum services specification and to have a visible display of the accumulative energy consumption.

We do not agree with the establishment of a new metering subcategory for minor energy flow meters. It is difficult to define the criteria for using this metering arrangement, as the proposed subjects of minor energy flow metering is not consistently minor.

- EV charger consumption is typically larger than residential customer consumption.
- Telecommunications equipment consumption is typically larger than residential customer consumption.
- Street lighting consumption is much smaller than residential consumption and smart cell metering in street lighting may not be able to meet energy accuracy standards.

There is no justification for removing the requirement to comply with the minimum services specification or testing standards for meters that measure significant loads (i.e. meters for EVs and telecommunications equipment). Also, it would be perhaps better to introduce smart cell public lighting metering by means of changes to the Type 7 provisions in the metrology procedures and service level procedures for metering data providers.

However, we do support the removal of the requirement in NER 7.8.2(a)(1) clause to have a visible or equivalently accessible display of the accumulative energy consumption for **all** small customer meters, including Type 4 and 5 meters. As AEMO proposed, a visible display on the meter is unnecessary as customers can access the data other ways via online portals under current data access rights. We agree with this reasoning. 99% of our 750,000 customers with smart meters can access their data from their choice of retailer provided online portal or by our portal. Removing the requirement for a visible display would better enable us to install pole mounted smart meters (in cabinets) for large street furniture for customers that refuse a smart meter on their property. This would also make meters on EV chargers and batteries with single retailer trading arrangements or CPUC type of arrangement more viable.

In summary, AusNet does not support implementing flexible trading with multiple retailers or the introduction of a new subclass of minor energy flow metering without stronger evidence of the value of the benefits. Given the added complexity of introducing flexible trading with multiple retailers that cannot be removed once implemented, it is prudent to only make this costly change after justifying it with solid evidence of benefits from trials which could be facilitated by regulatory sandbox framework. However, we suggest removing the requirement to have a visible display of the accumulative energy consumption for all small customer metering as this can facilitate single retailer flexible trading and innovation more broadly.

If you have any enquiries, please do not hesitate to contact Justin Betlehem on 0433691111 or [justin.betlehem@ausnetservices.com.au](mailto:justin.betlehem@ausnetservices.com.au).

Yours sincerely



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