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Australian Energy Market Commission

Submitted electronically: <https://www.aemc.gov.au/contact-us/lodge-submission>

RE: ERC0346 Unlocking the benefits of Customer Energy Resources

Origin Energy appreciates the opportunity to provide a submission in response to the Australian Energy Market Commission (AEMC) consultation *Unlocking the benefits of customer energy resources*.

Origin supports efforts to ensure the benefits of customer energy resources (CER) are available to customers. However, Origin does not support the rule change proposal put forward by the Australian Energy Market Operator (AEMO).

We agree that there is capacity for customers to obtain greater value from their CER and believe that this can be achieved within the current framework. In our view, an approach that can be achieved within the existing metering framework can be more readily understood by an end customer.

We believe that AEMO's proposal to separate the customer's energy use from energy generation would result in the customer obtaining less value than is presently available to them and exacerbate problems that are already present in managing CER energy flows.

Origin's views on these issues are set out below.

Barriers to accessing CER value

Origin does not agree that the current regulatory framework presents barriers to customers obtaining value from their CER. In AEMO's rule change proposal, 'value' only considers pricing. Origin would argue that value to customers is not only about pricing differentials, and can include customer service, interactive technologies, and other non-energy product benefits.

Small customer premises currently represent a value pool to providers. This pooled value of the customers usage, and any CER that the customer may have, is available to providers through the customers metering and pricing arrangements. Understanding how customers both consume and generate energy allows retailers to create value that can be shared back with that specific customer in a way that they value.

Energy products are currently bundled, but it is not the case that unbundling of energy products would drive any greater value for the customer. 'Unbundling' of utility services introduces cost duplication and lowers incentives for both customers and providers. While the customers usage and generation from any CER are linked under a product, the retailer can understand when excess energy is likely to be available and manage this to maximise the overall benefit, sharing this created value with the customer in providing lower pricing. When these services are unbundled, the customer is likely to see higher pricing for their energy usage and less attractive pricing for the management of their CER because the risk exposure to the provider of both kinds of energy flow are decoupled, meaning they must be individually de-risked instead of de-risking each other.

We consider that AEMO's proposal to allow for multiple Financially Responsible Market Participants (FRMP) would result in an inability for providers to manage exposure to spot pricing for customers using their energy supply and generation points, thus undermining capacity to invest in customer service, product innovation, and technology.

We also believe that AEMO's proposal for multiple FRMPs and secondary 'settlement meters' further complicates an already complex market, and that this introduces a further barrier for many customers. While energy market participants are aware of concepts such as 'time of use' and 'demand response' price signals and tariff reforms, many customers are not familiar with these. Further, these types of tariffs are more difficult for customers to understand and less appealing because they lead to price uncertainty.

While there is a single FRMP for each customer site, inclusive of CER, the retailer can present simplified offers to customers that provide price certainty by ensuring that the CER is run to manage the site exposure to these uncertain tariff structures. This means ensuring that CER is operating to support the greater stability of the grid and optimise efficiency, rather than to arbitrage and maximise value for one specific customer at the detriment of all others.

Challenges of multiple FRMPs

The AEMC note that there may be challenges associated with having multiple FRMPs for a single site, suggesting market or competition concerns, consumer protections issues and operational concerns could arise, among other things. Origin agrees that there would be challenges if multiple FRMPs existed at one site.

We believe that the multiple FRMP model proposed with a single market-facing meter could result in inequitable arrangements that are commercially difficult to manage. For instance:

- It is unclear what licencing arrangements would be required for a multiple-FRMP model, and whether it is expected that all FRMPs be licenced (this is currently a requirement to be a market participant). Differentiation of obligations between FRMPs could lead to inequitable distribution of responsibilities to consumers and result in one type of provider obtaining an advantage or disadvantage within the market.
- Settlements between multiple parties are very complex, including for the purposes of subtractive metering. Such an arrangement would likely need to be coordinated by a third party to avoid disputes, introducing more costs to fund this third party.
- The introduction of multiple FRMPs would lead to multiple Metering Coordinators (MCs) and Metering Providers (MPs), leading to increased complexity of outage coordination. Further, the proposal expects only FRMP1 be required to provide notice of supply interruption, but FRMP1 has no relationship with the other FRMPs, their MCs, or MPs at the site. This represents a risk to both the customer and the other participants.
- Where CER has generation capacity, the NMI belonging to FRMP1 must be capable of completely isolating the site. Under a multiple-FRMP/MC/MP arrangement there is no visibility of the CER or any assurance that compliance is maintained. An inability to ensure isolation at the site could result in energy flows onto the network when works are being undertaken, an unacceptable risk for any participant.

We consider that as CER with storage capacity (batteries) increases, products and services will develop to provide additional value. Current arrangements have allowed the development of products and services to obtain better value from CER for customers without introducing these complexities. We believe they can continue to do so.

Origin would suggest that a simpler way of achieving greater visibility of CER at a site is via a primary meter with dedicated channels for CER. This is possible under current arrangements and would allow for CER to be better managed to achieve value for the customer. This requires that a provider manage the CER and the customer would in effect relinquish control of the CER; this is what most customers currently elect to do.

We acknowledge that a small number of customers may want to control their CER themselves. We believe this is a low proportion of all customers. Overall, this individual-control approach increases risk exposure to the customer and the system, since it is unlikely individuals will respond to market signals in a manner that benefits all. A dedicated provider can respond to obtain the best possible outcome for a customer while also considering the needs of the broader energy system.

Existing and future CER products and services

Retailers already provide CER products and services. These are driven by customer needs. Origin has been developing solutions for customers to obtain greater benefit from their CER for a number of years.

For our larger business customers, we are working to simplify the energy transition, providing tailored energy and decarbonisation solutions. These solutions can include elements such as renewable energy, demand response, solar, batteries, energy management and electric vehicle fleet management.

We have also developed a proprietary Virtual Power Plant (VPP) platform to connect and use artificial intelligence to orchestrate distributed assets. Assets connected to the VPP have grown from 159MW in June 2021 to 449MW in December 2022, including an increasing variety of distributed energy and Internet of Things (IoT) devices. These devices include hot water systems, solar, batteries, air conditioners, EVs and various industrial assets, which are aggregated, controlled, and dispatched in response to market and portfolio positions, creating value for both Origin and customers through a lower cost of energy. Origin views the integration of these devices as a key long-term reform.

Origin has developed a behavioural demand response program that rewards customers for reducing energy usage during periods of peak market demand. It has proven to be very engaging with customers, with a participation rate of 69 per cent, resulting in significant energy reduction.

We have an app for customers to use, including in-app solar and battery features that provide customers with powerful insights on how they use and manage energy in their homes.

Origin also provides installation of solar photovoltaic (PV) systems and batteries to residential and business customers, and ongoing support and maintenance services. We also provide serviced hot water, natural gas and electricity via embedded networks and other related services such as communal solar and battery systems to apartment blocks.

Minimum service specifications, and minor energy flows for street furniture

AEMO suggests that secondary settlement points could have different Minimum Service Specifications (MSS). Current MSS require remote re- and de- energisation service, remote meter read service, remote installation inquiry service, and a smart meter reconfiguration service. These MSS were designed to allow the relevant FRMP to provide consistent and individualised service through the submetering point, thus releasing the benefits of CER. It is unclear why submeters should not also have this functionality.

Additionally, AEMO suggest that submeters with limited MSS could be installed on street furniture such as lamps and traffic lights, or other unmetered supply. We consider that such submetering installations would provide no benefit since street furniture operates on an agreed flat load. Individual metering of these assets is currently possible but would introduce additional metering costs while providing no additional benefit.

Assets which have fluctuating load such as public barbeques can already be metered.

Origin considers that there may be benefit in developing a 'standard offering' at the meter point. This would be a Type 4 meter with a set number of channels for CER to be recorded on, much like the operation of controlled load tariffs. This would result in all data recorded being on-market and available to the customers chosen provider when offering a product or service and could lead to greater unlocking of value for all customers.

If you have any questions regarding this submission, please contact Courtney Markham in the first instance on (03) 9821 8086 or at Courtney.Markham@originenergy.com.au.

Yours sincerely



Matthew Kaspura
Manager Green and Future Energy Policy
Origin Energy Limited
+61 2 9503 5178 Matthew.Kaspura@originenergy.com.au