

16 February 2023

Australian Energy Market Commission

Response to Unlocking CER Benefits through Flexible Trading Consultation Paper

Thank you for the opportunity to comment on the AEMC's Consumer Energy Resources (CER) Benefits through Flexible Trading Consultation Paper (Consultation Paper).

Quinbrook Infrastructure Partners (www.quinbrook.com) is a private equity business that invests in clean energy in the UK, the US and Australia. Our portfolio companies include:

- an electricity retailer that serves both residential and community energy network customers, is Tesla's partner for the Tesla Energy Plan and prides itself on not gouging customers, Energy Locals (www.energylocals.com.au);
- Habitat Energy Pty Ltd (<https://habitat.energy>), the Australian arm of the UK's leading battery optimiser which controls and manages smart energy assets;
- a NEM connected baseload renewable energy generator, Cape Byron Power (www.capebyronpower.com);
- Supernode (<https://supernode.com.au/>) which is developing industrial scale data centre sites across Australia, including the flagship Brendale site (<https://www.quinbrook.com/news-insights/quinbrook-launches-2-5-billion-supernode-data-storage-project-in-brisbane-to-be-powered-by-renewables-and-battery-storage/>).

Our multiples channels of involvement in the NEM, across different levels of the industry, allows us to provide balanced "whole of industry" opinion and set of potential refinements to the flexible trading design. Additionally, our portfolio companies in UK and US markets (which include utility wind, solar and batteries, distributed peaking generation and Flexitricity¹ (www.flexitricity.com) a demand response and flexibility platform) give us an operating knowledge of alternative market designs. Both UK and US markets are currently experiencing comparable electricity market issues to Australia driven by high prices in global fuel markets, with policy makers also considering comparable reform programs in response to both immediate and longer-term market challenges.

¹ Flexitricity successfully proposed UK market rule change P375 referenced in the Consultation Paper).

Our response builds on related previous submissions² and is structured as a short paper. We have provided more detailed feedback in our responses to the specific questions at the end of this paper.

MAIN BENEFITS OF FLEXIBLE TRADER MODEL 2

In our prior ESB2025 Submission we suggested a form of flexible trading arrangement consistent with Flexible Trader Model 2. We believe introducing flexible trading by enabling consumers to have their CER separately identified will bring significant benefits. Some of these benefits in our view include:

- **Economic efficiencies:**

Adopting this proposal will allow participation of the flexible loads into the electricity market. This model also provides higher visibility of the CER and provide valuable data for energy management and planning, enabling power system operator to better anticipate and respond to changes in energy demand. Electricity market participants will be able to use CER to generate electricity when the power system is in need of capacity and to soak up excess renewables when renewable generation is high, and demand is low. The financial benefits of this proposal are aligned with Scheduled Lite³ and Project Edge⁴.

- Accelerating **decarbonization** by improving integration of flexible resources:

Adopting this proposal will enable better integration of the variable energy sources into the grid and reducing curtailing of renewable sources when demand is low. It can efficiently dispatch renewable energy sources, from storage assets such as batteries and V2G EVs, reducing the need for carbon-intensive energy sources and supporting the transition to a low-carbon energy system.

- Providing **customer benefits** through competition and innovation:

Giving the customers the option to contract their flexible loads with one FRMP and their non-flexible loads with another FRMP, or the same FRMP with a different pricing, will bring additional competition into the electricity retail industry. This competition will be

² ESB2025 Submission: Quinbrook Infrastructure Partners, *Submission on P2025 Market Design Consultation Paper*, June 2021. See:

https://web.archive.org/au/awa/20211005065856mp_/https://energyministers.gov.au/sites/prod.energycouncil/files/publications/documents/71.%20Quinbrook%20Response%20to%20P2025%20Market%20Design%20Consultation%20Paper_0.docx

and

MASS Submission: Quinbrook Infrastructure Partners, *Submission on Market Ancillary Service Specification – DER and General*

Consultation, August 2021. See: https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/nem-consultations/2021/mass/submissions/quinbrook.pdf?la=en

³See: <https://aemo.com.au/initiatives/trials-and-initiatives/scheduled-lite>

⁴See: <https://aemo.com.au/en/initiatives/major-programs/nem-distributed-energy-resources-der-program/der-demonstrations/project-edge>

materialized through lower cost of electricity for customers and innovative products and offers for customers. Customers will be able to choose optimization algorithms via their flexible load FRMP to minimize the cost of electricity by dispatching the most cost-effective energy resources to meet demand, including renewable energy sources and flexible loads.

In principle, we support the model and are keen to see further development of the proposal. The approach has the potential to promote investment in flexibility and two-sided markets, to the benefit of consumers and the wider NEM. However, we believe the reform should seek to ensure customer protections are maintained, participants are able to compete on level playing field and that changes are staged. A staged approach that applies to larger customers first would allow the arrangements to be refined as they are implemented and to ensure smaller customers enjoy the smoothest possible transition to the new arrangements (at the cost of some delay).

KEY ISSUES

We believe the reforms are best rolled out to large customers first, with small customers to follow once arrangements have demonstrated net benefits for large customers and implementation issues have been resolved. The key principles we view as important are:

- **Devices, not sites:** The NEM needs to move towards a device-based approach to end-use, and away from the legacy site/household focus. Secondary settlement points are an important step in this direction.⁵
- **Maintaining a level playing field:** Retailers are (appropriately) subject to extensive and costly regulatory constraint. Exposing retailers to competition that does not face the same constraints is anti-competitive and threatens the long-term viability of the retail business model, a collapse of which would harm consumers and wider market efficiency. Wherever possible, we would recommend the AEMC seek to maintain a level playing field. This is of course difficult in the case of smaller customers given the nature of protections under the NECF.
- **Cost-reflective network pricing:** We strongly disagree with AEMO's position that secondary settlement points should not face network charges (on the basis that the customer ultimately pays either way). AEMO ignores both the dynamic nature of the services being provided and the commercial model of these new services. This approach cuts across best practice regulation (avoiding cross subsidies) and years of reform (e.g. the AEMC's 2014 Cost-Reflective Network Pricing Arrangements⁶).

⁵ Consistent with our MASS Submission, AEMO's final decision on the MASS (which locked in connection point level metering of FCAS resources) has further entrenched barriers to device based metering. Requiring co-located FCAS resources to manage variability of co-located load and intermittent generation (by measuring enablement at the common connection point) places these assets at a significant disadvantage compared to stand-alone FCAS resources.

⁶ AEMC, see: <https://www.aemc.gov.au/news-centre/media-releases/new-rules-for-cost-reflective-network-prices>

- **Simplicity:** Our experience is that the vast majority of customers want simpler energy bills that vary predictably, not additional complexity. Participants need to be given scope to innovate new products and services that provide value to customers, recognising a large part of this value likely derives from customers being able to ‘set and forget’.

Applying these principles, we believe that a hybrid approach that differs between large and small customers is appropriate.

For large customers, we support prioritising a level playing field given the absence of NECF constraints:

- Adopting the parallel or multi-element metering model
- Equal treatment of FRMPs at all settlement points (a level playing field)
- Secondary settlement points for any load type, controllable or non-controllable
- Settlement points all subject to a cost-reflective network tariff allocation

For residential and small business customers, we support a level playing field that recognises the practicalities of meeting protections under the NECF:

- Adopting the subtractive metering model with primary and secondary FRMPs
- Primary FRMP bears NECF obligations (we would prefer a level playing field, but support this as a matter of practicality)
- Secondary settlement points only able to be established for controllable CER
- Settlement points all subject to a cost-reflective network tariff allocation.

CONCLUSION

The push to use renewable electricity is happening due to economic and changing consumer preferences. Many customer energy resources such as batteries, rooftop solar, and electric vehicles are now connected to the Australian power system. Providing a pathway to integrate these resources into the National Electricity Market will unlock benefits for the power system, electricity market, and end users. A well-designed Flexible Trader Model suitable for all customers – residential, small and large business – is a strong step in this direction. We welcome its implementation and look forward to contributing to finalisation of the design.

Yours Sincerely,



James Allan
Senior Director
Quinbrook Infrastructure Partners

RESPONSES TO THE AEMC’S SPECIFIC QUESTIONS

Below we respond to the AEMC’s specific questions in the consultation paper. We have only responded on questions where we have a specific comment, not on every question.

AEMC Questions	Quinbrook Response
Question number	
<p>Q1. OPTIMISING AND OBTAINING VALUE FROM CER FOR CONSUMERS</p> <ul style="list-style-type: none"> • What are stakeholders’ views on the value that consumers could obtain from their CER, and what incentives may be needed for consumers to take up opportunities that are or may become available? 	<p>We agree with the AEMC’s categorisation of the potential value of CER for residential and C&I consumers.</p>
<p>Q1. cont.</p> <ul style="list-style-type: none"> • Would flexible trading enable consumers to optimise their CER in ways that align with their motivations and preferences? 	<p>Yes. Flexible trading has the potential to enable consumers to optimize their flexible loads in ways that align with their motivations and preferences, by providing market access and new avenues of value capture for CER assets.</p>
<p>Q1. cont.</p> <ul style="list-style-type: none"> • Is there additional value for residential, small businesses, and C&I consumers that could be optimised by the introduction of some form of flexible trading, including the model proposed by AEMO? 	<p>Yes. The value of CER assets can only partially be realised under the current rules. Providing enhanced market access through new and/or updated metering and settlement arrangements has the potential to unlock new business models, products and services that better meet the preferences of consumers. Greater uptake and utilisation of CER is also likely to increase the economic efficiency of the NEM through reduced operational peak demand and increased supply of flexibility to the system.</p> <p>We also support the AEMC’s characterisation of some of the challenges in moving to a flexible trader model, especially with regard to concerns around ‘hollowing out’ of the legacy FRMP and the application of network charges across FRMPs. Reform should seek to ensure customer protections are maintained,</p>

	<p>participants are able to compete on level playing field and that changes are staged. Network charges need to be allocated across settlement points on a cost-reflective basis.</p>
<p>Q2. EXISTING AND FUTURE CER PRODUCTS AND SERVICES</p> <ul style="list-style-type: none"> • Could the introduction of flexible trading create an environment that fosters the development of more innovative products and services that support consumers to optimise and obtain value from their CER? 	<p>Yes. For example, a successful flexible trader model would better facilitate centrally owned and operated VPPs (as opposed to consumer owned VPPs). Currently, Tesla’s SA VPP, which is supported by Energy Locals, is the only centrally owned VPP we are aware of. We believe this reflects the difficulty of the centrally owned VPP in the residential segment. Unlocking this segment would allow institutional capital to invest in CER assets at scale, to the benefit of both participating consumers, including an increased number of vulnerable consumers or those who rent their property, and the NEM more generally.</p> <p>A primary focus of any flexible trader model should be enabling innovative business models, including those related to VPPs, aggregation services and EV charging. This should be balanced by ensuring customer protections are maintained and participants are able to compete on a level playing field.</p>
<p>Q3. BARRIERS TO ACCESSING CER VALUE</p> <ul style="list-style-type: none"> • Does having one connection and settlement point prevent consumers from accessing the full value of their CER? 	<p>Yes. The legacy approach of a single site, having a single connection point, which is also the single settlement point, and is served by a single FRMP will act as a barrier to achieving a dynamic, a two-sided market with extensive CER deployment.</p> <p>The single site/connection point/settlement point/FRMP approach creates material barriers to business models that involve third party (not consumer) ownership of CER assets and/or require wholesale market access and revenues. This approach forecloses on VPPs, EV charging networks and aggregation of small customer loads. As noted in our MASS Submission, we believe such an approach is inconsistent with the NEO.</p>
<p>Q4. OPPORTUNITIES FOR MULTIPLE SETTLEMENT POINTS WITH ONE FRMP</p> <ul style="list-style-type: none"> • Could retailers provide greater value to consumers by adding extra settlement points at premises? 	<p>Yes.</p> <p>The ability of a retailer to add extra settlement points (acting as single FRMP to both settlement points) would enable some new business models, but it is a limited reform. This approach would allow for retailer owned VPPs where retailers owned and installed CER assets and aggregated them into a VPP across consumer sites. Consumers would benefit from reduced energy bills or other</p>

• Are there other regulatory barriers preventing these offers?

forms of value sharing and would not have to fund CER assets themselves. The retailer could face significant asset stranding risk in this model (i.e. what would happen if the customer churned?).

There are several business models involving distinct settlement of different loads and CER assets that would be facilitated by this single FRMP/multiple settlement point approach.

In terms of barriers, one example is the MASS. CER assets forming a VPP have their enablement measured at the connection point under the MASS, meaning they have to absorb fluctuations in co-located load and generation when meeting FCAS enablement targets. This places VPPs comprising co-located CER assets on an unlevel playing field compared to stand-alone FCAS resources as highlighted in our MASS submission.

Q5. ENGAGING MULTIPLE FRMPs AT PREMISES

• Should the rules be changed to make it easier for consumers to engage with multiple FRMPs at premises?

• Are there additional benefits or ways in which consumers could receive value through contracting with multiple FRMPs?

Allowing consumers to engage with multiple FRMPs at premises could potentially provide a number of benefits, including increased access to markets and new services, increased competition, greater choice and control for consumers, and improved market efficiency.

At the residential level, this approach moves beyond ‘whole of site control’ business models by allowing multi-party aggregation models.

At the commercial and industrial scale, this means that owning and installing a battery on behalf of a commercial tenant does not require taking on their bulk supply contract, which in many cases is multi-site, multi-year and the subject of a detailed procurement process. This significantly decreases the complexity of new product offerings to C&I consumers by avoiding high commercial barriers to adoption.

We support the rules being changed to support multiple FRMPs per site, subject to ensuring customer protections are maintained and participants are able to compete on a level playing field.

At large customer sites, we support multiple settlement points with multiple FRMPs that are treated equally.

	<p>At small customers sites, we support a primary settlement point and FRMP plus secondary settlement points and FRMPs. A primary FRMP subject to the NECF is necessary as a matter of practicality.</p>
<p>Q5. Cont.</p> <ul style="list-style-type: none"> • Of the challenges identified, would any benefit from a regulatory solution? If so, what are the potential options? • Are there any additional challenges presented by having multiple FRMPs at one site? 	<p>Section 3 of the Consultation Paper includes a comprehensive list of the challenges associated with multiple FRMPs per site. In general, these issues are complex, will require trade-offs between supporting innovation, ensuring vibrant competition and protecting consumers. In most cases these challenges are contingent on regulation. The AEMC is best placed to make these trade-offs consistent with the NEO and in the best interests of consumers.</p> <p>We discuss each challenge briefly.</p> <p>Market and competition issues</p> <p><i>Differences in cost to serve for retailers and FRMPs</i></p> <p>Our concerns mirror those highlighted by the AEMC: “The differences in customer protection requirements, along with other potential differences in obligations to parties such as the network, could create differences in the cost to serve the same customer between different parties. However, as the differences in obligations relate to differences in the services they provide (rather than relating to the fact there are multiple FRMPs), this may not be an issue in practice.”</p> <p>We have concerns around any ability to carve out a component of a consumer’s load (likely a predictable and/or controllable component) and supply electricity without the cost of consumer protections (e.g. complying with the NECF) and/or without cost reflective allocation of network charges. Legacy retailers could increasingly be left with the (higher cost) residual of a customers’ load shape, a disproportionate share of network costs and full retail compliance costs. This outcome sets the stage for a ‘death spiral’ in cost to serve for legacy retailers. It could further lead to significant distributional impacts as low-income households, who are less able to take up CER assets and services, are cross-subsidising costs of higher income household who only have ‘residual load’ served by their retailer and all other load under more favourable CER contracts.</p>

We suggest that, for large customers, FRMPs should be treated on an equal footing and there should be no restrictions on what assets can sit under different settlement points. For small customers, in practice the obligations under the NECF need to fall on a single FRMP and we support the 'primary FRMP' approach as a matter of practicality. In this case, only controllable load should be able to be hosted on secondary settlement points. Cost-reflective network tariffs should be levied at all settlement points for all customers.

Potential 'hollowing out' concern

We note our concerns regarding ensuring a level playing field in terms of consumer protections and a cost reflective allocation of network charges. Addressing these concerns mitigate 'hollowing out' in practice. As long as participants can compete on a level playing field, then any wins or losses should reflect competitive market outcomes to the benefit of consumers. Our concerns relate solely to regulatory outcomes that favour one class of participant or service over others and lead to hollowing out.

Tariff arbitrage

We are not particularly concerned about consumers arbitraging usage profiles across multiple settlements points at their site. Such an outcome could only occur if: the commercial offers to the consumer created the arbitrage incentive; the suppliers didn't include fair use provisions; the consumer had significant technical expertise and invested in switching equipment. We also believe the fixed charges associated with supply would collapse any arbitrage opportunity in most cases. We ultimately see this risk as commercially manageable.

Our concern lies with aggregators and other third parties being able to serve part of a consumer's load without paying a cost reflective allocation of network costs, and thereby gaining a competitive advantage via effectively a network tariff arbitrage. (see below)

A FRMP blocking additional settlement points

We would view this as a form of exclusive dealing and sufficiently covered under the Competition and Consumer Act (2010) at this point in time.

Access to data

We support AEMO's proposal.

Network relationship challenges

Allocation of network charges

We are concerned about aggregators and other third parties being able to serve part of a consumers load without paying a cost reflective allocation of network costs, and thereby gaining a competitive advantage via effectively a network tariff arbitrage. We view it as important that a cost reflective allocation of network charges (which could be paired with rules around application of dynamic operating envelopes) is part of any flexible trader arrangements.

Implementation of network capacity limits.

We agree with AEMO's position that DNSPs and AEMO are already considering what is essentially the same issue as part DOE design (e.g. the embedded network case).

Consumer risks and protections

Potential dilution of incentive to serve consumers

We do not view this as a major issue. The onus is on FRMPs to offer compelling services and win uptake. Market forces will decide whether consumers adopt services that involve having multiple FRMPs. Our experience is that consumers

	<p>place high value on simplicity. We expect services involving flexible trading will need to be compelling to overcome the complexity hurdle involved.</p> <p><i>Existing and required consumer protection provisions.</i></p> <p>We agree the issue of consumer protections is complex and changes will likely be needed to realise the benefits of flexible trading and a more two-sided market. It is important that customer protections are maintained and participants are able to compete on a level playing field.</p>
<p>Q6. MODELS FOR FLEXIBLE TRADING</p> <ul style="list-style-type: none"> • How significant are the challenges to establishing an additional connection point, and are there regulatory changes that could be made to overcome them? • Would parallel settlement points behind a single connection point be an efficient option? If so, what factors have changed since the Commission’s decision on this in 2016? • What changes would be required to allow multi-element metering for multiple FRMPs, and what would be the benefits? • How does AEMO’s secondary settlement point proposal compare to the other potential options? • Are there any other models for the Commission to consider? • What implementation costs need to be considered when examining these models? 	<p>We discuss each of the four models below.</p> <p>Additional connection point</p> <p>This approach is likely the most costly in terms of equipment and time as it involves establishing a new connection point with the DNSP. We are not clear on what the incremental benefits are to the alternative models. We believe this approach will create barriers to adoption.</p> <p>Parallel</p> <p>This approach is flexible but does retain the cost of two separate meters. With regard to the Commission’s 2016 decision, we would suggest that the lack of uptake of secondary connection points by consumers suggest that an additional connection point is not economical or involves some other barrier to adoption.</p> <p>Subtractive</p> <p>As with parallel, this approach is flexible but does retain the cost of two separate meters. Subtractive metering also makes ‘hollowing out’ slightly more likely on the margin, as one of the settlement points on site is the ‘residual meter’ and somewhat distinct from any additional settlement meters. In the parallel case all settlement points are treated identically.</p>

	<p>We agree that maintaining a 'primary FRMP' for the purpose of communication flows and obligations with regard to DNSPs and safety is a benefit of the subtractive approach.</p> <p>Multi-element</p> <p>This approach is flexible and avoids the cost of two separate meters, instead have a single multi-element meter.</p> <p>For large customers, we support both the parallel and multi-element models as these approaches allow all FRMPs to be treated equally. Ideally, both models would be enabled as there would likely be site specific cases where one model was preferred over the other.</p> <p>For small customers, we support the subtractive and 'primary FRMP model as a matter of practicality.</p>
<p>Q7. ASSESSMENT CRITERIA</p> <ul style="list-style-type: none"> • Do you agree with the proposed assessment framework? • Are there additional principles that the Commission should consider as we make our decision, or principles included here that are less relevant? 	<p>We support the proposed assessment framework.</p> <p>We view ensuring that participants are able to compete on a level playing field as being consistent with the NEO and NERO. Consistent consumer protections are a critical part of criteria 1 (outcomes for consumers) and maintaining a level playing field is an important part of criteria 3 (market efficiency).</p>
<p>Q8. COMPETITION ISSUES WITH SECONDARY SETTLEMENT POINTS</p> <ul style="list-style-type: none"> • What are stakeholders' views on whether the proposal would positively or negatively affect competition between FRMPs in this model (for example through a difference in regulatory costs), and could it cause anti-competitive behaviour? • Are there regulatory solutions that we should consider to minimise those risks? 	<p>We have concerns around any ability for FRMPs to gain advantage solely due to differences in regulatory or network costs as a consequence of the flexible trader rules.</p>

Q9. ALLOCATING NETWORK COSTS

- How should network costs be allocated for premises with secondary settlement points?

Network costs should be allocated on a cost reflective basis to ensure a level playing field between FRMPs.

AEMO's position that "Dividing network charges is generally unnecessary because network charges relate to services provided to, and ultimately payable by, the same end user" ignores both the dynamic nature of the services being provided and the commercial model of these new services. This approach cuts across best practice regulation (avoiding cross subsidies) and years of reform (e.g. the AEMC's 2014 Cost-Reflective Network Pricing Arrangements⁷).

The FRMP operating CER assets will not respond to network tariff incentives if that party is not exposed to network tariffs (as AEMO proposes). Insulating one FRMP from cost-reflective network pricing while fully exposing another FRMP creates an unlevel playing field.

This then drives commercial outcomes. The FRMP operating CER assets, free of any exposure to network costs, can offer a lower cost service to the consumer and still make a margin. The legacy FRMP faces all network costs and potentially additional network costs if the CER FRMP adds to site maximum demand and/or usage. The legacy FRMP possibly serves a reduced load volume (depending on the nature of the CER assets).

We view such an approach as a retrograde step that would harm competition and create network tariff arbitrage opportunities which, once entrenched, would be irreversible.

Of AEMO's 5 options, we support Option 2 as preferable.

Q10. INFORMATION AND COMMUNICATION REQUIREMENTS FOR SECONDARY SETTLEMENT POINTS

- What are stakeholders' views on the need to include provisions in the rules regarding explicit information or

AEMO's position makes sense in the context of the subtractive model. There is no issue in the case of separate connection points. For the parallel and multi-element models, all FRMPs should be treated equally and DNSPs should interact with each party.

⁷ AEMC, see: <https://www.aemc.gov.au/news-centre/media-releases/new-rules-for-cost-reflective-network-prices>

communication requirements for secondary settlement points? For example requirements for communication and information between the:

- DNSP and the FRMP for the secondary settlement points (e.g about network support or safety requirements, including those related to jurisdictional network safety), and/or
- ‘primary’ and ‘secondary’ FRMPs?

For large customers, our preference is for a model where FRMPs are treated equally on a level playing field. We do concede there is some operational efficiency in having a ‘primary FRMP’ but it comes at the expense of ‘hollowing out’ of the legacy FRMP as highlighted throughout our response. The AEMC needs to carefully balance operational efficiency versus overall market efficiency (which is contingent on vibrant competition).

For small customers, the subtractive metering and primary FRMP model make sense as a matter of practicality given the obligations under the NECF are better served by a primary FRMP.

Q11. POTENTIAL FOR LIMITATIONS APPLIED AT SECONDARY SETTLEMENT POINTS

- Is there a need for limitations at the secondary settlement point?
- If so, how could these be applied? What are your views on doing so using requirements for the metering coordinator as proposed by AEMO?

For large customers, having a level playing field is the highest priority. With FRMPs treated equally, we see no rationale for limiting what assets can connect at a given settlement point.

For small customers, given the need to maintain a primary FRMP, and that the flexible trading model is meant to promote the greater uptake and utilisation of controllable assets, we support the idea of limiting connecting assets on secondary points to only those which are controllable. We expect this category to grow over time as digital electrical equipment becomes ubiquitous. Limiting assets on secondary settlements points to be controllable would mitigate some (but not all) of the potential for ‘hollowing out’ the primary FRMP.

However, we do not support AEMO’s proposal to have ongoing discretion regarding all CER installs at secondary connection points outside the rule change process. We would prefer the AEMC to provide clear guidance as part of its rule change to ensure long term certainty for market participants.

We do not see a need for kW capacity limits. This only appears necessary if AEMO’s proposal to exempt secondary FRMPs from network tariffs is pursued (we strongly oppose exemption from network tariffs).

Q12. IMPLEMENTATION ISSUES FOR SECONDARY SETTLEMENT POINTS

- How should the NMI for a secondary settlement point be established?

For large customers, we support treating FRMPs separately, including settlement. For small customers, subtractive metering is operationally simpler.

- How could market settlement be best enabled for secondary settlement points? Would subtractive settlement lead to issues in practice, for either the primary or secondary FRMP?
- Do stakeholders support AEMO’s proposed approach to settlement for periods of grid isolation? Are both physical and regulatory restrictions required to address this issue?

Q12. (cont)

- Should the rules forbid the use of embedded networks to establish secondary settlement points within an end user’s electrical installation?

First, we see no *a priori* reason to forbid creative application of the rules by individuals. As AEMO notes “Where an end user believes or determines that the deemed exemption category is applicable to it, there is no requirement to apply for an exemption or register with the AER and exemption is automatic.” These rules reflect the view that individual end users are best placed to make choices about their consumption. We do not believe AEMO has made a convincing case that there is anything “manifestly unsuitable” arising from end users choosing to establish embedded networks. AEMO has not documented the number of such cases, or provided any data relating to consumer harm arising at these installations as a result of consumers self-selecting to be an embedded network. Nor is any data provided on increased operational complexity for AEMO or any other participant.

If well designed, the flexible trading arrangements will provide a better alternative to end users than using the embedded network framework. Seeing adoption of flexible trading arrangements, *and* concurrent reductions in end users establishing embedded networks, would provide an important measure of the success of the flexible trading arrangements.

Second, Energy Locals owns and operates embedded networks. We use child meters to meter our DER assets on embedded network sites separately from occupants. This is an important element of our embedded network design and service delivery. We want to stress that do not support limiting the ability of child meters to be used within embedded networks comprising multiple end users (even if AEMO is successful in limiting the application of embedded networks to single end-users).

Q13. CONSUMER PROTECTIONS

- What are the potential consumer risks and protections required under AEMO's proposal for secondary settlement points, and should they be handled as proposed by AEMO?
- Are there any other issues the Commission should consider in relation to protections under flexible trading?

The Consultation Paper outlines a range of consumer issues and discusses potential solutions (mostly those proposed by AEMO) on the assumption that the subtractive metering model is adopted.

Standard Contracts

On the issue of standard contracts for residential and small customers, we agree that the service model around CER is likely to be varied and not appropriate for the existing standard contract approach. Enforcing standard contracts would likely stifle innovation. A hybrid approach could be to enforce a standard contract annex which must be included in all contracts for service at secondary connection points. This annex would state the consumer obligations that must be met by the supplier/counterparty of the service. This approach would allow for business model and contractual innovation whilst ensuring standardised consumer protections are maintained and that FRMPs compete on a level playing field.

Identifying secondary settlement points

For residential and small customers, we support AEMO's proposed approach to impose obligations on the primary FRMP to identify any secondary settlement points.

Move-in, move-out

We support the approaches outline in the Consultation Paper. It is important that move-in, move-out arrangements are clearly documented for all parties.

Energisation/De-energisation

We can envisage circumstances where de-energisation (as opposed to de-activation) of a secondary settlement point would be preferable. Namely, where the secondary FRMP wished to terminate services due to non-payment. In this

case, having the assets at the secondary settlement point 'revert' to the primary FRMP on de-activation may impose issues on the primary FRMP and may also reduce any incentive to settle outstanding payments to the secondary FRMP (to the extent that some or all services continue for the customer). We suggest processes should ensure secondary FRMPs can de-energise secondary settlement points.

We also agree with AEMO's suggestions regarding de-energisation of the primary settlement point. Primary FRMPs should notify secondary FRMPs of de-energisation as part of the wider notification process. Secondary FRMPs should not be obligated to notify customers but only in the event of a primary FRMP de-energisation. Any de-energisation of a secondary settlement point initiated by the secondary FRMP should be subject to notification to the customer as required by NECF.

Life support

We agree that life support equipment should not be connected to secondary settlement points. Obligations around life support should remain with the primary FRMP.

ROLR

We support AEMO's suggestion that sale of energy services provided at a secondary settlement point would automatically be transferred to a new retailer appointed by the AER. This protects the primary FRMP, which may be a small retailer, from receiving volumes of unhedged customer load during market stress events.

DMO

	<p>The DMO sets a regulated price cap for residential and small business customers. It is not fit for purpose in terms of setting a regulated price cap for controllable load under a secondary settlement point, and there are practical issues in imposing it. Given the primary FRMP is subject to the DMO, and customers can revert any load on secondary settlement points back to their primary settlement point, there seems no basis to impose the DMO on secondary settlement points. We reiterate that there must be a cost-reflective allocation of network charges to secondary settlement points.</p>
<p>Q14. METERING REQUIREMENTS FOR SECONDARY SETTLEMENT POINTS</p> <ul style="list-style-type: none"> • Are current NEM metering installation requirements likely to limit the uptake of secondary settlement points and the associated benefits? • If changes are needed, what of the following minimum requirements need to be set in the NER for market participation and settlement at secondary settlement points?: <ul style="list-style-type: none"> • A physical display at the metering point • Minimum service specifications • Remote communications • Accuracy and data requirements • Are there any other service or technical requirements that need to be specified for metering installations at secondary settlement points in the NER? • Should changes be made to the accreditation and registration of metering providers and metering data providers for secondary settlement points? 	<p>Allowing simpler meters would likely increase uptake, but care should be taken to ensure this is not at the expense of customers, retailers and/or participants in terms of complexity and other issues.</p> <p>We believe metering at secondary settlement points must support: Minimum service specifications; Remote communications; and, Accuracy and data requirements. Based on the types of technology that are likely to utilise a secondary connection point, we do not agree that an onsite display is necessary. We would also suggest the AEMC investigate the extent to which meters integrated within devices can qualify as meters for secondary settlement points. In the case of battery storage systems, integrated metering is common and to be encouraged.</p>

Q15. MINOR ENERGY FLOW METERS FOR USE AT SECONDARY SETTLEMENT POINTS

- Should the requirements that apply to type 4 metering installations be amended to create a new minor energy flow metering installation, or are there more flexible regulatory approaches to enable market settlement for secondary settlement points?
- Are there other changes to requirements for type 4 metering installations that should also be considered for a minor energy flow metering installation?
- What different obligations will need to be placed on metering providers and metering data providers for minor energy flow metering installations? Should these obligations be set out via AEMO's proposed approach of new categories in the NER?
- What would be an appropriate inspection and testing regime for minor energy flow metering installations?

Firstly, current meters should always be able to be used at secondary settlements points. We support the creation of a new 'minor energy flow' metering standard as a voluntary option for secondary settlement points.

Q16. MINOR ENERGY FLOW METERS FOR STREET FURNITURE

- Should minor energy flow meters be able to be used for street furniture?
- If so, should DNSPs be allowed to act as metering coordinator, metering provider, and metering data provider for street furniture under certain circumstances?
- Would any other changes to the rules be required in relation to metering for street furniture?

We support the use of minor energy flow meters for street furniture if it can be demonstrated that this approach will replace a proportion of what's currently 'unmetered revenue' with accurately measured and billed energy usage.