



Unlocking CER benefits through Flexible Trading: Rule Change Proposal

Response to the consultation paper

Dear Ms Collyer,

Date: 16 February 2023

FORWARD

The Smart Energy Council is grateful for the opportunity to provide a submission into the rule change on: Unlocking CER benefits through flexible trading, sponsored by AEMO.

The Smart Energy Council is Australia's peak independent body for renewables including solar, batteries, and green hydrogen. The council has over 950 members and 65 years of experience in the sector having been established by the photovoltaic pioneers in the 1950 and 60s who designed and built some of the world's first solar panels and solar hot water systems.

The Council understands Australia's transition to a net-zero emissions economy will deliver massive business and economic benefits; it will deliver jobs, attract investment, innovate, and make our economy more productive and competitive, all while delivering a safer climate. Achieving a strong economy and a safe climate is not just possible, it is critical if we are to confront the challenges of the future. The Smart Energy Councils 950 members provide us with real-world, empirical insights via thematic working groups which assist the SEC with drafting, testing, and advocating for fit-for-purpose smart energy policy. The discussion and outputs of the SEC working groups provide the basis of the evidence provided in this submission.

THE INDEPENDENT BODY FOR THE SMART ENERGY INDUSTRY IN AUSTRALIA

PO BOX 231, MAWSON ACT 2607
INFO@SMARTENERGY.ORG.AU
SMARTENERGY.ORG.AU
ABN 32 006 824 148



**PUTTING ENERGY
INTO ACTION**

Key Issues of Principle

This rule change represents a range of opportunities for Consumer Energy Resources which the Council has placed as a high priority for 2023. Enabling flexible trading for consumers requires a well-developed market mechanism to protect consumers, while also unlocking this opportunity at the least cost. Or better framed, in the long-term interests of consumers.

As such, the Council is continuing to engage with its industry base on the range of issues covered by this rule change proposal. Below are some key concerns with the rule change, which may warrant an alteration of this rule change development. The Council, in conjunction with its industry members, many of whom are FRMP's as well as Rewiring Australia are seeking to engage in this consultation process throughout its entire evolution, until the rule change decision in November. We look forward to further consultation to address the issues outlined below.

Our primary concern is that the rule change is likely to add greater complexity and costs to consumers without providing a comprehensive solution to the problem that ensures the long-term interests of consumers.

1. The rule change may isolate CER from the most important load, the home.

What is the cost of a second settlement point on the consumer?

Is Local network congestion made worse, by disconnecting CER from their local behind the meter energy loads?

At a system wide level, the rule change could create a loop of consumers exporting their CER services, and then having to import energy again to support their non-flexible loads. This enabled trend across the distributed network, could, for obvious reasons could result in significant issues for the grid, cost effectiveness in the utilisation of CER and congestion of the network. For example, would local network congestion issues be exacerbated by disconnecting CER from their local behind the meter energy loads?

2. This rule change may compromise the efficient whole of home approach to best orchestrating Consumer Energy resources, with a single hierarchy of control. The rule change is of course predicated upon enabling competition in the CER space. The Smart Energy Council is supportive of enabling this principle in the CER sector. Nonetheless, given the cost efficiency of CER orchestration via a hierarchy of control, breaking this co-ordination of assets behind the meter requires caution. With two, independent market players (retailers or FRMPs) servicing from two different settlement points, the compliance with DEL and DOE may be difficult and overly complex without additional provisions. Alternatively, further development of the rule change proposal. The Council is open to other market solutions to better enable flexible trading of CER, which perhaps better integrates with the internet of things to deliver friction free orchestration of CER.

3. With two, non-communicating AEMO market participants, at different settlement points, importing and exporting independently of one another, it is hard to envision how Dynamic Operating Envelopes and Dynamic export limits might be managed at the connection point. It is suggested that the consumer might negotiate with the DNSP in the consultation paper to establish the division of network tariffs and controls for their various settlement points. Any scenario where the consumer itself is negotiating network costs is a system which is too complex for widespread adoption. This suggestion points to the complexity that this rule change presents, and thus warrants further in-depth consideration and consultation with FRMP's and their representative peak bodies.

4. The Principle of CER for self-consumption first, may be severely compromised by this rule change. Consumers do not have the sufficient knowledge to foresee this principle being broken down when making contracts with retailers and other energy service providers. The Council recognises the importance of and opportunities from greater access to FCAS and other revenue opportunities, but this must not compromise the consumers best interests.

5. The proposition that retailers should not have their revenue hollowed out by FRMP's based on the principle that FRMP's do not offer the same consumer protections is a point which requires further consideration. The Smart Energy Council, in its further consultation looks forward to a greater explanation and exploration of this contention.

The Smart Energy Council supports the AEMC taking leadership in progressing rule changes to enable an optimization of CER. However, solutions which impose additional costs to consumers require close consultation with the emerging market players, many of whom are members of the Smart Energy Council in order to ensure this rule change will be operational in the market and deliver clear benefits for consumers.

The Smart Energy Council would welcome the opportunity to discuss this matter further. Please contact Wayne Smith, External Affairs Manager, at wayne@smartenergy.org.au or on 0417 141 812.



John Grimes

Chief Executive
Smart Energy Council

16th February 2023