

16 February 2023

Jessica Curtis
Australian Energy Market Commission

Submitted on line

Dear Ms Curtis

RE Unlocking CER benefits through flexible trading

TasNetworks appreciates the opportunity to respond to the Australian Energy Market Commission's (**AEMC's**) request for submissions to its consultation paper on Unlocking Consumer Energy Resources (**CER**) Benefits through Flexible Trading.

TasNetworks is the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider (**DNSP**) and Jurisdictional Planner in Tasmania. The focus of these roles is to deliver safe, secure and reliable electricity network services to Tasmanian and National Electricity Market (**NEM**) customers at sustainable prices. As such, TasNetworks is committed to ensuring customers can maximise the benefit of their investment in CER.

As both a TNSP and a DNSP, TasNetworks' role is to connect customers to each other, whether they be generators or consumers of electricity. This includes providing customers with CER, as much flexibility in the amount and timing of the electricity they trade without negatively impacting the network costs of other (non-CER) customers. TasNetworks has contributed to and supports Energy Networks Australia's (**ENA**) submission and provides the following comments from a Tasmanian perspective.

The introduction of flexible trading is a substantial change to the NEM and will introduce new risks that need to be considered to ensure they can be mitigated or at least understood.

Previous investment in the network has always ensured peak demand can be met but due to the variability in demand (both daily and seasonal) there is excess capacity in the network for long periods. The historic inability to store energy efficiently has in large part prevented a more efficient utilisation of the network. The move to more cost reflective tariffs will provide greater incentives for customers to change their pattern of usage. This should make the most

of any underutilised network capacity, allowing more energy to be transferred across networks without requiring additional investment in capacity. This in turn should deliver lower prices for customers in the long term.

In its rule change proposal, Australian Energy Market Operator (**AEMO**) put forward five options for allocating network charges if secondary settlement points are introduced. As indicated in the Consultation paper, moving away from the status quo would require new layers of data sharing, and administrative, process and system changes, and would incur costs to implement. Given this, TasNetworks' preference would be for no change to the current allocation of network charges.

However, there is a risk that from the introduction of secondary settlement points and the resultant increase in the number of retailers at each connection point, that pricing signals from networks could well be diluted. To ensure efficient investment in the network lies requires customers to have incentives to use the network in a way that responds to pricing signals. With flexible trading arrangements, a customer may have multiple retailers (or financially responsible market participants (**FRMPs**)) responsible for loads with differing characteristics when it comes to the ability to control the load's impact on maximum demand. It is unclear how charges should be allocated between multiple FRMPs at the premises when a customer's network charge is based on their total maximum demand. For example, regardless of whether the charge is split equally or based on relative contribution to demand, it will dilute the pricing signal making it even more difficult to ensure customers receive appropriate pricing signals.

If networks lose their ability to provide incentives to change behaviour, the result will be increased investment in networks to ensure reliability of supply and therefore increased overall costs to customers. Therefore, TasNetworks requests further consideration of how to ensure the integrity of network pricing signals is maintained while minimising the costs to implement any move away from the current process for allocating network charges.

There are also concerns on how this reform can be delivered without further exacerbating some of the inequalities currently experienced by customers. Not all customers can afford to invest in CER and an even smaller subset of these will be looking to use flexible trading arrangements. To allow this small cohort to increase the returns on their investment in CER will come at a cost and it is important that these costs are recovered from those benefiting from the investment rather than being borne by the wider customer base.

To support the establishment of flexible trading arrangements, AEMO introduced the concept of minor energy flow meters, which is worth further investigation. Our initial view is there are pros and cons with the concept. For example, a meter with remote energisation/de-energisation capability could be used as a universal demand management enablement device, opening the door for demand management of all types of loads. However, a major benefit of minor energy flow meters, the lower costs, reduces with every additional capability that minor energy flow meters possess.

AEMO identified that the use of minor energy flow meters could be extended to being used for currently unmetered street furniture sites. Again this has merit and is worth further investigation. As a DNSP that has made a decision to fully exit metering, the practicalities of having DNSPs take back the role of metering coordinator (**MC**) for minor energy flow meters at these sites needs to be explored further. TasNetworks would need to make significant investment to build this capability which may be inefficient given the small number of sites it would be needed for, leaving open the question as to who is best placed to take on this role.

Access to our infrastructure by a third party to manage a minor energy flow meter would need to be carefully managed. One potential solution would be for the DNSP to provide a contracted service for meter installation and maintenance on behalf of a contestable metering provider (**MP**). This would remove the access related issue, as well as the need for the DNSP to hold MP accreditation for a small number of sites.

TasNetworks does not see the need for there to be provisions in the rules regarding explicit information or communication requirements for secondary settlement points. While it could assist a DNSP to get information from the secondary settlement point, if information was required to facilitate an arrangement between the DNSP and customer (for example demand management) then this could be arranged through current processes.

For more information or to discuss this submission, please contact TasNetworks' Technical Regulation Specialist, Tim Astley, at tim.astley@tasnetworks.com.au.

Yours sincerely

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Chantal Hopwood

Head of Regulation