



The Directions Paper outlines options to progress flexible trading of CER

The Australian Energy Market Commission (AEMC) has released a Directions Paper setting out its initial views and the key areas it intends to progress for the AEMO rule change request on Unlocking CER benefits through flexible trading. Through this rule change, the Commission is aiming to improve the flexibility and trading of consumers' energy resources (CER) to unlock value for consumers. We are also aiming to facilitate better integration of flexible CER into the power system to deliver a more reliable and secure energy system that would benefit all consumers.

The Directions Paper builds on and responds to stakeholder input to the consultation paper published in December 2022.

The Commission is considering the rule change based on three key areas:

Based on the Commission's initial analysis and stakeholder feedback, we split the rule change into three core areas:

- Optimising the value of CER flexibility: Opportunities for separately identifying and managing flexible CER.
- Flexible trading of CER with multiple energy service providers at consumer's premises.
- Opportunities to improve how energy use is measured for street lighting and other street furniture (such as park BBQs).

The first two key areas build on and support the objectives of successfully integrating CER to achieve increased consumer benefits and a more efficient future power system. The third area relates to improving arrangements for managing energy use from street lighting and street furniture given innovation in the measurement capability that is now being built into street lights.

We set out the Commission's position for each area below. Further detail of AEMO's rule change request can be found [here](#).

The Commission is progressing with opportunities to separately identify and manage CER

The Commission considers there are opportunities to optimise the value of CER flexibility by reducing the barriers and costs for consumers to separately identify and manage (i.e., how consumers or their energy service providers (retailers or aggregators) use and interact with) their CER. These opportunities are separate from whether there should be flexible trading with multiple service providers at a single household or business premise. Separately identifying CER allows it to be managed separately from other 'passive' consumer load opening up the potential for different specific products and services which can reward and harness the value of CER.

We are not progressing with options for multiple energy service providers to operate at a single residential or small business premise

For small customers (including residential and small businesses), multiple energy service providers, such as retailers and/or FRMPs at a single property may deliver some benefits via increased competition, innovation, and choice.

However, we consider that the implementation challenges and related costs for introducing AEMO's proposed model (FTM2) with provision for multiple energy providers are likely to be significant for this segment of consumers. We expect that the benefits of this opportunity for some small customers are likely to be far outweighed by the costs passed on to all consumers.

We are progressing with options for flexible trading using multiple service providers for large customers

The Commission considers that there is merit in considering options to improve flexible trading with multiple service providers for large customers. The challenges and costs of implementation (both absolute and relative to total costs for customers) are significantly lower for large customers compared to residential and small business consumers, in part due to large customers not being included in the National Energy Customer Framework (NECF) and having different technically and operational requirements due to business operations.

We note that some energy service providers are currently managing large consumers' energy resources separately from arrangements the large consumer has with their retailer. Noting this, we consider there are opportunities to improve on the available arrangements.

We see benefits in new metering arrangements for street lighting

AEMO proposed a new framework for the measurement of street lighting and other public furniture. This builds on technological innovation for measuring street lighting energy flows (i.e., streetlights are being made with built-in measurement and communications capability). By using actual energy flow data instead of an algorithm to calculate electricity charges (i.e., the current method) we could improve market settlements and better detect changes in energy flows. This could lower energy costs paid by local councils and lead to better maintenance and repair outcomes.

We are considering a range of criteria as part of our assessment and doing a CBA on the benefits of CER and the costs of any changes

We are considering the options for the rule change request having regard to outcomes for consumers, technical feasibility and market operation, market efficiency, innovation opportunities, implementation needs, and decarbonisation.

Energeia, our consultant has been engaged to assess the costs and benefits of increased integration of CER flexibility – both to consumers and to the system. They will prepare a report for this rule change and develop a modelling tool that the Commission can use in this and future rule changes and reviews.

Stakeholders are encouraged to have their say on their approach and methodology paper attached to the Directions Paper. The draft modelling results will be published alongside the draft determination later in the year, again for stakeholder input and comment.

What is the background for this rule change?

This AEMO rule change request forms one of many CER reforms being progressed by market bodies and jurisdictions that are aiming to better integrate CER and Distributed Energy Resources (DER) into the national energy market.

The rule change proposal was developed within the Energy Security Board's (ESB) CER implementation plan that formed part of the ministerially endorsed ESB post-2025 work plan. It aims to ensure that consumers can benefit from their CER assets and, if they choose to make these resources available, contribute to and operate within the system.

This will be key to achieving an affordable, reliable, and secure low-emissions energy supply for all consumers. If CER is integrated well, there will be positive outcomes for all market participants, with flow-on benefits such as cost-efficiency and reliability for consumers – including those who do not have access to CER.

We have mapped and described the broader CER landscape in Chapter two of the Directions Paper. This gives stakeholders an understanding of how this rule change proposal may contribute to the broader goal of integrating CER into the energy market. It also sets out the other CER reforms that intersect with this rule change, including AEMC's integrating price-responsive resources into the NEM.

We encourage you to provide your feedback

We value stakeholder input and engagement on this paper, including responses to the questions set out in the paper. We also welcome stakeholder feedback on any additional matters that may assist the Commission in making its decision.

We intend to hold a stakeholder forum and workshops to work through the detail of the options being considered for this rule change. The timeline for the review is provided in Chapter one of the directions paper.

Making a written submission

Stakeholder submissions to this paper must be lodged by 14 September 2023. Submissions can be made through Commission's website, www.aemc.gov.au, - "lodge a submission" under the "Contact Us" with the project reference code ERC 0346.

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