Response to Australian Energy Market Commission Flexible Trading Rule Change Directions Paper

Thank you for providing this further opportunity to contribute to the AEMC's evolving thinking regarding the 'Unlocking CER benefits through flexible trading' rule-change proposal. The Battery Storage and Grid Integration Program (BSGIP) at The Australian National University (ANU) sees consumer involvement as key to maximising the potential for all of society to gain from the global decarbonisation transition. Our hope is that this rule change will leverage the significant existing related work on enabling consumers to more easily engage with their energy supply to support people with the appropriate tools and motivation to genuinely benefit from the energy transition.

In BSGIP's submission to the previous consultation paper on this rule-change proposal, we advocated for simple integration options that consumers could easily understand. BSGIP has since significantly developed this position through research and analysis undertaken in a dedicated 'Meter Unbundling' project, which explored how consumers can both benefit from, and be impacted by, novel approaches to revenue metering.[1]

This BSGIP project applied a socio-techno-economic analysis, based on the principles of responsible research and innovation. It demonstrated both benefits and challenges. There are numerous opportunities for metering reform to improve both social and financial outcomes for consumers. But also, well-intentioned reforms have the potential to worsen existing inequities and create poorer outcomes for some consumers. We believe that the insights from this project could aid the AEMC in its evaluation of the potential impacts of rule changes such as this. The final report can be found on the BSGIP website (https://bsgip.com/research/meter-unbundling-conceptual-analysis/) and we would welcome an opportunity to brief relevant representatives from the AEMC on this work.

Our goal in undertaking this project was to explore the limits and impacts of increasing metering flexibility, including social, financial, regulatory, technical and commercial aspects. Our exploration delved into:

- The role that meters play in intermediating the relationship between households and the market;
- The potential for optimised systems to lead to heavily sub-optimal outcomes;
- How opportunities that involve multiple consumers have the potential to improve or substantially worsen inequality; and
- How smarter metering could reimagine how local energy systems are formed and operated.

In undertaking this analysis, we identified several issues that should be explored further by the AEMC and rule proponents to ensure reforms are genuinely for consumer benefit:

- A broader view on consumers' ability to uptake flexible products can mean reforms reinforce existing inequities; and
- Social power imbalances can subvert positive outcomes from reform.

[1] Meter unbundling conceptual analysis: final report. June 2023. Laura Jones, Tim Moore and Michael Thomas. https://bsgip.com/research/meter-unbundling-conceptual-analysis/

The analysis also revealed several positive outcomes that could be enabled by metering reform:

- Potential to reduce the effort required to implement new energy sharing and trading models such as community energy schemes;
- A more explicit way to resolve key issues in adjacent sectors such as charging work vehicles at home; and
- The potential to break normative assumptions around metering and its use cases to enable a fairer and more just energy system.

Additionally, over the 12 months to May 2023 BSGIP undertook (on behalf of Energy Consumers Australia) a package of work titled 'Customer-focussed Network Management'.[2] This activity investigated how consumers should be involved in major reforms. The basis for this work was to relate the outcomes and methods of the 'Access and Pricing' rule change from 2020/21 to the expectations and values of consumers. Key themes from the consumer interactions in this project included:

- Appropriate consumer engagement models during energy system decision making processes; and
- How consumers would like the energy system to respond to their needs.

Using these two findings, we can define how consumers would prefer to engage. Consumers desire a voice in decision making, but still envisage experts as leading these processes. They indicate that experts need to be more responsive to their values and asked for this to occur earlier in decision making processes. This means that consumer engagement processes need to evolve. Consumers should be consulted earlier, using tools such as value sensitive design to explore what is important to consumers. This creates a space which focusses on consumers' expectations rather than proposed solutions to industry-defined problems.

Based on our experiences in this project our recommendations for future market changes are shown below:

Recommendation	**Specific actions**
Develop mechanisms to include consumers earlier in decision making	We found consumers supported the role of experts in energy system design, but wished reforms were more responsive to their context and needs. We propose that a more responsible energy system design process would include consumers early in conceptual design and again as solutions were being selected and refined. Therefore, we propose design processes be reformed to include consumers early, using approaches such as Value Sensitive Design.
Implement mechanisms to care for consumers	Consumers felt unsupported in energy system reform. We feel this leads to significant inefficiency and that expenditure on honest brokers can be justified to mitigate these inefficiencies. Participants gave us many ideas of what an honest broker could look like and they could range from software processes to people supporting complex decisions as communicated in our report. As a first step, we recommend that industry build a method to value and integrate this support in energy system planning and reform. In the short term this could take the form of a project or trial, that aims to build a methodology and economic case for mitigating this inefficiency.

Based on this research, BSGIP proposed a method to enable the creation of more just and inclusive reform. We suggest that similar, consumer-based processes could improve outcomes from reforms such as the rule change currently under consideration by the AEMC.

[2] Customer focussed distribution network management project: Final Report. May 2023. Laura Jones, Brenda Martin and Phillipa Watson. https://bsgip.com/research/customer-focused-network-management/

We note a substantive change in the rule change directions paper (as compared with the previous consultation paper), being the removal of the capacity for small consumers to engage with multiple retailers via the mechanisms enabled by this proposed rule-change. This appears to be driven by a combination of:

- implementation costs for market actors, which would then be expected to be passed on to all consumers; and
- challenges associated with ensuring that appropriate consumer protections are maintained in situations where a single customer could engage with multiple traders for their energy supply.

We understand and support the AEMC's concerns with ensuring that consumers are protected from inadvertent impacts of the rule-change, and acknowledge that removing this aspect from the scope is preferable to implementing a complex change without fully understanding the ramifications that may arise.

We similarly recognise that the concerns raised by stakeholders are material. Our work has found that there are also several other factors that could lead to the reform as originally proposed not achieving its desired outcomes. However, we have also found that a more extensive review of metering could lead to significant additional benefits for consumers; for example, by improving access to community and shared energy schemes and reducing friction in creation and removal of metering points. To this end, we note the potential to better explore the opportunities and risks for multiple traders for managing household CER, and encourage the AEMC to pursue this, coupled with extensive customer-focussed research as discussed above. Potentially the regulatory sandbox approach could be used to trial these solutions.

Our feedback to the AEMC is to use this rule-change as a platform upon which to consider metering in the NEM more broadly. Significant value can be created by understanding the current and potential future role of metering in unlocking value, decarbonising energy, and providing agency to consumers.

We understand the AEMC's reluctance to move forward with aspects of the rule change that it feels will introduce an unacceptable level of complexity for both consumers and for the energy market. We similarly support the goal of ensuring that reforms intended to enable consumer engagement do so by making this engagement simpler rather than more complex. However, we feel it is critical that rule-makers do not shy away from challenging reform solely because it is complex. The energy transition may require fundamental changes to the operation of the NEM, including how it interacts with consumers, and we believe it is important that the AEMC is open to enacting complex reform when the benefits to end-users can be clearly demonstrated.

Thank you again for the opportunity to provide input into this consultation. If you would like to discuss any of our comments in this submission, please contact Tim Moore by email at timothy.moore1@anu.edu.au.

Further information:

- bsgip.com – for information on our mission, work and people
- Meter unbundling conceptual analysis[3] – exploring ways novel metering arrangements can be evaluated as a vehicle to increase household electrification, reduce consumer energy costs, and genuinely improve household experience of their energy supply
- Customer-focussed network management[4] – investigating how incorporating the values of energy users can improve how energy networks make decisions.

[3] https://bsgip.com/research/meter-unbundling-conceptual-analysis/
[4] https://bsgip.com/research/customer-focused-network-management/