14 September 2023

Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

ERC0346 – Unlocking CER benefits through Flexible Trading – Directions paper

Alinta Energy welcomes the opportunity to respond to the Commission's directions paper on the Australian Energy Market Operator's rule change proposal on flexible trading arrangements.

Alinta Energy is an active investor in energy markets across Australia with an owned and contracted generation portfolio of over 3,300MW and more than one million electricity and gas customers. The directions paper proposes an approach to change the rules to support the benefits from integrating consumer energy resources. Overall, Alinta Energy believes the directions paper strikes the right balance between supporting the objective of integration and access while minimising costs to all consumers.

We recognise the rule change proposed by the Australian Energy Marker Operator is one of a number of reforms supporting the integration of CER and distributed energy resources into the NEM supporting the reform work of the Energy Security Board to assist the energy transition.

In relation to flexible trading and CER, Alinta Energy supports the Commission's considered view that establishing multiple service providers at small customer sites at this time should not proceed, given:

- The high implementation and ongoing costs associated with flexible trading for this market segment. While some consumers may benefit, the costs will accrue to all customers, many of whom may not have CER at their premises.
- Existing solutions that allow multiple service providers to offer solutions for customers as registered participants in the market.
- Uncertainty regarding fundamental issues such as the allocation of network charges between multiple participants, responsibilities during outages and retail of last resort events, and the appropriate level of consumer protections that should apply.

We support the Commission's engagement of Energeia to undertake a cost-benefit analysis of increased integration of CER and the comprehensive scope that the analysis will involve.

While noting there are several alternative configurations to creating a second, on-market settlement point, to the extent possible:

- Metering should maximise integration in the wholesale market and meet requirements to provide network services.

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- The case for a lower metering standard for sub-metering should be supported by strong evidence if it is to be used for market settlement purposes, given the marginal cost of additional metering is minor relative to the likely cost of CER assets themselves.
- Metering standards should not exclude a customer and its service provider from using off-market measurement devices if that matches consumer preferences.

The application of AEMO's rule change to large customers should be considered, but the costs of implementation and the ongoing administration and compliance with new rules be considered. Existing alternatives such as a second connection point and the embedded networks framework should remain available as a choice for customers and service providers installing CER.

We would welcome further discussion of this response with the Commission, please contact David Calder (David.Calder@alintaenergy.com.au) in the first instance.

Yours sincerely

Shaun Ruddy
Manager, National Retail Regulation

QUESTION 1: ENERGEIA COST AND BENEFIT ANALYSIS APPROACH AND METHODOLOGY

- Are there any other considerations or issues you consider should be included in Energeia's assessment approach and proposed methodology?

Alinta Energy supports the scope of issue to be considered in Energeia's cost-benefit analysis.

QUESTION 2: KEY CONSIDERATIONS FOR SEPARATELY IDENTIFYING AND MANAGING FLEXIBLE CER

1. What benefits can be gained through separately identifying CER irrespective of whether there is a single FRMP or multiple FRMPs at the customer premises?
2. Are there additional implementation issues that we should consider for the draft determination (and draft rule if needed)?

In the medium term, as CER penetration and diversity (electric vehicles and batteries for example) increases, the benefits from separate identification of CER set out on page 17 of the directions paper[1] are likely to materialise. This information will become important to the customer with CER, their FRMP and distributors primarily.

The identified options for separating CER from passive loads described on page 18 of the direction paper cover the most common possible configurations at a connection point. We note that a number of these options are permitted under the current National Electricity Rules.

QUESTION 3: ENABLING A SECOND SETTLEMENT POINT AT A SINGLE CONNECTION POINT

1. Do stakeholders agree the technical and market considerations outlined above are the key considerations we should address in relation to establishing a second settlement point, irrespective of the metering configuration options available and proposed for separating and measuring CER?
2. Should a second settlement point at a single connection point be restricted to defined situations and conditions (e.g. EV charging)? What criteria and governance processes need to be applied when allowing second settlement points at customer premises?
3. What would be the appropriate framework for approving and verifying alternative measuring devices permitted to be used at the second settlement point?
4. What would the implementation costs be for creating second settlement points with associated metering configuration options?

The Commission has identified the key technical and market considerations in section 3.3.1 of the directions paper.

A second settlement point should be governed by consumer choice and competition within the market. The costs of establishing a second connection point will be ultimately borne by consumers choosing this configuration and should not be defined by specific technologies.

Ideally, the metering standard, accuracy and functionality of any sub-metered/second settlement point should match the conventional connection point metering device. The

[1] Namely- access to different network and retail pricing offers, increased participation in the wholesale energy market, procurement of services to avoid network augmentation and better scheduling and planning information for AEMO.

assertion that existing type 4/smart metering costs are prohibitive should be tested (noting some CER devices have their own in-built measurement and controls). Standard Australia should maintain involvement in accreditation of any measurement devices.

As the Commission states on page 23 of its directions paper, CER will be most effectively integrated for either (both) wholesale and network services. Such benefits and uniformity of standards place the onus of demonstrating benefits of alternative (and lower) standards on proponents of such a new metering class.

QUESTION 4: USING OTHER DEVICES FOR CER MEASUREMENT AND REWARD

- What changes to the rules, if any, should be assessed in relation to these non-market-related devices for CER products and services to consumers?

Alinta Energy does not have a strong view on changes to the rules (if any) are required for non-market related devices. We support the consumer choice and the flexibility for service providers using off-market devices if that is the best solution for a particular CER application and meets the customer needs.

QUESTION 5: ESTABLISHING TWO CONNECTION POINTS AT A SINGLE PREMISES

1. Are there any changes we could make to the NER and NERR to assist in overcoming the current barriers to the second connection point?
2. What issues need to be considered in evaluating whether there should be changes to the fixed network tariff for second connection points at the same premises? How (if at all) should this issue be addressed in the NER?

Consistent distributor policies governing the establishment of a second connection point should be investigated, noting these procedures and policies may sit outside the NER and NERR.

With respect to the establishment of second connection point, distributors (subject to the service and installation rules), should not unreasonably withhold approval if this is an approach the customer and its service provider wish to pursue. In relation to fixed "service to property" charges, the justification for charging the full fixed cost twice would need to be demonstrated by distributors to the AER. If the marginal cost of the second connection point is lower, then a lower fixed cost should apply to *both* connection points and split evenly.

The principles for setting fixed and variable network tariffs for multiple connection points could be incorporated into distributor's tariff structure statements. The AER could require distributors to establish common approaches to support harmonization where a second connection point is chosen as a solution to CER integration.

QUESTION 6: AEMO'S SPECIFIC FTM2 FOR SMALL CUSTOMERS

- Do you agree with the Commission's view and its initial position to not progress further with AEMO's specific FTM2 for small customers?

We support the Commission's initial position that AEMO's flexible trader model 2 not be progressed further under the proposed rule change at this time. The reasoning set out in section 4.2.1 of the directions paper demonstrates the allocation of risk and cost to all consumers and

market participants that will exceed any benefits to the smaller number of consumers and service providers that may benefit from progressing FTM2.

QUESTION 7: AEMO'S FTM2 PROPOSAL FOR LARGE CUSTOMERS

- Do you agree that introducing AEMO's FTM2 (or variations to it) for large customers would create an additional or better option for large customers to engage with multiple service providers?

In general, Alinta Energy supports the introduction of FTM2 or a similar model for large customers, noting that arrangements exist today that operate under the existing rules that result in similar outcomes to those furnished under FTM2.

The cost of implementing FTM2 or a similar model needs to be assessed before changes to the NER are made. It is unclear if by restricting FTM2 to larger customers materially reduces the implementation costs on AEMO and market participants to establish systems to support it.

QUESTION 8: MULTIPLE FRMPS: EMBEDDED NETWORKS MODEL

- Other than metering and network connection costs, are there other reasons SGAs use the embedded network framework?
- Would the proposed changes to network tariffs in NSW and Tasmania drive SGAs in those states to adopt different models?
- Do stakeholders consider that the existing embedded network framework should continue to be used to facilitate flexible trading and market participation or should the Commission consider alternative models/framework?
- Are there any additional issues with the use of the embedded networks framework to facilitate flexible trading not already discussed above?

The existing embedded networks framework should be considered as an option to allow flexible trading for large customers. Unjustified barriers (such as discriminatory network pricing approaches) should be avoided.

QUESTION 9: MULTIPLE FRMPS: AEMO'S FTM2 PROPOSAL

- If the Commission introduced FTM2, how would (or should) it affect the existing arrangements that allow forms of flexible trading, such as SGA, embedded networks, and wholesale demand response?
- Would introducing AEMO's FTM2 model for multiple energy service providers significantly impact the business model or costs of the primary energy service provider?
- Would FTM2 encourage distributors to test and implement new tariffs (e.g. dynamic) for sizeable and responsive loads more readily than they have to date?
- Would FTM2 affect the way in which energy service providers (such as aggregators) provide network services?
- Are there any costs or benefits that we have not considered in relation to AEMO's FTM2 proposal?

The introduction of FTM2 should not impact alternative existing arrangements for flexible trading (such as embedded networks and wholesale demand response). The use of FTM2 should be a choice for consumers and service providers/market participants, not a replacement for

alternatives that exist today.

The extent to which FTM2 impacts the primary energy service provider would be determined by competing offers and services made available to large customers. The primary service provider (or FRMP) would have the opportunity to make CER-based service offerings available to their customer also.

QUESTION 10: OPPORTUNITIES AND BENEFITS OF IMPROVING EXISTING ARRANGEMENTS

- Do stakeholders consider there are other matters that the Commission should consider in terms of the opportunities, benefits, and costs for improving existing arrangements for the measurement of street lighting and public furniture?

Alinta Energy supports the approach to street lighting and other street furniture set out in sections 5.1 and 5.2 of the directions paper.

QUESTION 11: MARKET FUNCTIONS AND OBLIGATIONS - METERING ROLES

- Should there be another level of accreditation for Meter Providers in the NER?
- What are stakeholders' views on distributors performing the functions of the MC, MP and MDP for the street lighting and other street furniture they manage, if MEFM is introduced?
- For street furniture not managed by distributors, should the existing competitive framework for metering parties apply if MEFM is introduced?

There may be merit in establishing another level of accreditation for Meter Providers in the NER where minor energy flow metering is in place.

Historically, distributors have by default undertaken metering and data roles for street lighting and street furniture (mainly through type 7 metering). If opportunities for contestability (or contracting to third parties) are feasible, these should be considered.

The competitive framework in place for street furniture not managed by distributors should remain in place.

QUESTION 12: TECHNICAL REQUIREMENTS

- Do stakeholders have views on the removal or amendment of minimum service specifications for minor energy flow meters?
- Do stakeholders have views on inspection and testing requirements for minor energy flow meters?

As discussed above, to the extent possible, minimum service specifications should be maintained, noting there may be justification in some circumstances to reduce these for minor energy flow meters, particularly for street lighting and street furniture. The case is much weaker for electric vehicles, generation, batteries and other CER assets behind the meter.