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Ms Anna Collyer
Chair, Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney NSW, 2000

Reference code: ERC0346

Dear Anna

Response to unlocking CER benefits through flexible trading directions paper

AusNet welcomes the opportunity to provide this submission to the Australian Energy Market Commission's (**AEMC**) directions paper progressing the proposed introduction of flexible trading for large customers and changes to facilitate better integration of flexible Consumer Energy Resources (**CER**) into the power system. The directions paper comes after an initial consultation on the initiating rule change request seeking to introduce into the National Electricity Rules (**NER**) secondary settlement points inside residential and business premises and a new subclass of minor energy flow metering.

As per our response to the earlier consultation paper, we are supportive of developing new ways to improve the integration of CER with distribution networks and the broader National Electricity Market (**NEM**). The take up of new CER, including batteries and electric vehicle (**EV**) chargers, is rapidly growing. EV chargers will become ubiquitous throughout our networks. We are supportive of measures that enable the value from these devices to be optimised in a way that delivers benefits to all consumers.

We are optimistic the changes proposed in the direction paper are more likely to promote efficiency and deliver net benefit to electricity consumers in the long term. This includes limiting the introduction of the proposed Australian Energy Market Operator's (**AEMO**) Flexible Trading Arrangement 2 (**FTA2**) to large customers only, and including measures to incentives increased visibility of non-market CER devices. The decision to narrow the scope for FTA to large customers avoids consumer protection issues, additional complexity and significant system implementation costs for both distributors and market participants. It also allows the industry to learn from large customer flexible trading and assess the viability of small generator aggregators (**SGAs),** and soon to be small resource aggregators (**SRAs**), arrangements at small customer premises. However, to make visibility of CER a viable proposition jurisdictional category-based licencing for SGAs/SRAs will need to be established in NEM jurisdictions, including the largest jurisdictions. In the absence of appropriate licencing for these operators, they are largely limited to operating within embedded networks where general retail and distribution licence exemptions apply.

On the proposed changes to introduce a new metering variant for minor energy flow metering we remain concerned that the changes would add costs and complexity without necessarily being justified by the benefits. The energy saving benefits of active diming would need to justify the costs of integrating these new lights into distributor systems. As these costs may be large, our preference is to adopt the lowest cost solution that leverages existing contestable metering processes, being either a subcategory of Type 4 or a new Type 8 metering category. Local Government Organisations (**LGOs**) are able to justify smart cell lighting deployment with benefits. LGOs deployments of smart cell lighting at scale are subject to justifying the additional costs with benefits. Currently, proponents in our network area are proposing trials in the order of 100-200 smart cell lights, to understand the benefits of metered consumption and lighting level control.

While in principle, we support minor flow meters for smart street lighting and parking sensors that use low levels of energy where it is the lowest cost solution, we are not supportive of removing the requirement for meters that measure significant loads that are comparable to household consumption to comply with:

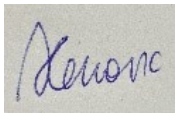
- the minimum services specification, including class 1 accuracy; and
- inspections and testing requirements.

The overall level of meter data accuracy is increased by metering smart lights as compared to applying verified energy consumption by the light type, while for appliances with larger consumption the market and customers are best served by the use of class 1 smart meters. Removing these requirements would compromise data quality, network billing integrity and regulatory processes. Household interval meters being type 4 or type 5 must comply with these requirement specifications, therefore it would be unfair on most customers to establish less accurate metering for other comparable loads owned by telecommunication companies and LGOs.

In the appendix below, we submit responses to the question asked in the directions paper.

If you have any enquiries, please do not hesitate to contact Justin Betlehem on 0433691111 or justin.betlehem@ausnetservices.com.au.

Yours sincerely



Sonja Lekovic
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Appendix A: Responses to questions asked in the directions paper

Question asked in the directions paper	AusNet's response
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?**	We are supportive of the development of cost benefit analysis but caution against heavily relying upon the proposed quantitative analysis, noting the difficulties in modelling factors subject to jurisdictional differences.
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)?**	1. As the energy transition accelerates, it will become increasing important for network operators, such as AEMO and Network Service Providers (**NSPs**), to identify CER as it proliferates most premises. NSPs would benefit from separately identifying CER by the more effective application of cost reflective pricing tariffs to customers. 2. No additional implementation issues identified.
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?**	1. We agree with most of the market considerations, but we challenge the views that AEMO raised about this use of the embedded network framework and pointed to the risks and impacts on settlement integrity and customer protections. We consider that parent metering (at the primary connection point) prevents settlement integrity issues with implied subtractive metering within the embedded network. 2. We consider that restricting secondary settlement points to defined situations has little merit, except to mitigate consumer protections for small customers. 3. Measuring the energy at secondary settlements point, if used for financial transactions, should be NEM metering with accuracy of IEC and Australia Standards class 1 to protect all parties from disputes. 4. Extensive implementation costs result from the application of small customer consumer protections to secondary settlement points (i.e., to avoid large changes to customer data management systems) and the extension NER on the application network tariffs (i.e., to avoid large changes to network billing systems)
QUESTION 4:	No Rule changes are needed to establish the use of CER products and services to consumers. Customers are

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?**	procuring these products and services today. However, rule changes may be required to establish visibility of non-market CER devices. To the extent that this visibility makes the wholesale electricity market more efficient, it should be incentivised by market payments. To achieve and maintain this efficient cost balance, the AER (with data from AEMO) should be required to review these incentives regularly.
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?**	1. Second connection points can occur at premises today, subject to what is electrically safe. There is nothing stopping distributors from providing efficient network tariffs for secondary connection points, including Time of Use (**TOU**) energy only tariffs (e.g., AusNet's existing NEE52 tariff or a future tariff with stronger TOU signals). Therefore, no changes to the NER and NERR are required. 2. The pricing principles in chapter 6 of the Rules govern the establishment of network tariffs and promote efficient outcomes to customers. They do not prevent the establishment of network tariffs with no fixed component, as we have such tariffs today.
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 agree with the Commission's view to not progress the proposed FTM2 for small customers. Applying FTM2 to small customers would necessitate the complexity of managing consumer protections and the significant implementation costs would escalate the costs of electricity for all customers.
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?**	We, in principle, agree with the adoption of the proposed FTM2 for large customers. The proposed FTM2 framework would minor large customer embedded networks. Adopting this framework would involve system changes to recognise the new role. Therefore, we would prefer to utilise the embedded network framework as it would deliver the same benefits without any system implementation costs.
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?**	We remain supportive of the embedded network framework as it applies in Victoria, noting the additional licence exemption requirements for renewable energy and customer protections that apply for residential embedded networks. Small generator aggregators use these arrangements to avoid jurisdictional licencing issues. That is either needing a retail licence or a site-specific generator/seller licence. Until jurisdictional reforms create category specific licencing this will remain an issue in Victoria.
QUESTION 9: MULTIPLE FRMPS: AEMO'S FTM2 PROPOSAL **1. If the Commission introduced FTM2, how would (or should) it affects the existing arrangements that allow forms of flexible trading, such as SGA, embedded networks, and wholesale demand response?**	1. We suggest introducing FTM2 for large customers would have no detrimental impact on other arrangements that could also allow forms of flexible trading. 2. We present no views on the impacts to primary energy service provider, other than to emphasize

2. Would introducing AEMO's FTM2 model for multiple energy service providers significantly impact the business model or costs of the primary energy service provider? **3. Would FTM2 encourage distributors to test and implement new tariffs (e.g., dynamic) for sizable 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?**	we vigorously support the interests of our customers, and any rule change must therefore benefit the long-term interests of consumers and the environment. 3. As the energy transition continues to accelerate, customers with separate metering of responsive CER are likely to participate with network tariff incentives that better reward efficient consumption and generation participation. Our forthcoming network tariff trial for EVs identifies and rewards participation based on data analytics.
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?**	We consider that the benefits of smart cell and other small meters for public lighting must be robustly assessed and weighed against the real alternative. For example, the smart cell street lighting will save energy via active diming and allow Local Government Organisations (**LGOs**)to more quickly identify faults, however they would require 100% replacements over a geographic region to save on public light patrol inspections and the cost of meter data and communication systems also need to be justified. As LGOs continue to trial and pilot smart cell lighting, we hope these costs will decline.
QUESTION 11: MARKET FUNCTIONS AND OBLIGATIONS - METERING ROLES **1. Should there be another level of accreditation for Meter Providers in the NER?** **2. 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?** **3. For street furniture not managed by distributors, should the existing competitive framework for metering parties apply if MEFM is introduced?**	1. We do not present a view on whether another level of accreditation for Metering Providers is required. 2. We would expect contestable service providers would play a key role in developing the smart cell street lighting in the NEM. However, it is unknown whether scale deployments of smart cell lighting can occur without distributor involvement. If smart cell lighting is deployed as a subcategory of Type 4 or a new Type 8 metering, the LGAs would need benefits to justify the metering costs to maintain robust accuracy and timely data collection, processing and provision. However, distributor involvement would require a clear and compelling case in an Electricity Distribution Price Review that is strongly supported by LGOs, customers and the AER. We would need to make substantial investments in IT systems to provide this service and would need regulatory certainty. Consequently, we aim to better understand smart cell lighting and benefits it provides as we participate in more and larger trials on our network. 3. For street furniture not managed by distributors, the competitive framework for metering parties should be adopted with either a new Type 8 metering type to distinguish it from Type 4 that a class 1 accuracy meters and not conflict with metering rules in Victoria that would instead mandate Type 5 smart metering.

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?**	While we are supportive of minor flow meters for smart street lighting and parking sensors that both use low levels of energy, we are not supportive of removing the requirement to comply with: • the minimum services specification, including class 1 accuracy; and • inspections and testing requirements for meters that measure significant loads that are comparable household consumption (i.e., meters for EV charges and telecommunications equipment).
QUESTION 13: IMPLEMENTATION AND TRANSITION **Are there any other implementation or transitional issues we should consider for this aspect of the rule change?**	The implementation of any changes to meter classifications and establishment of new market roles and accreditations will require procedure change consultation followed by IT system delivery based on those system changes. It is reasonable to expect the procedure changes to take 10 months and consequential system changes to take another 10 months. We estimate the likely industry implementation date for these rules changes would be Nov 2025.