

11 September 2023

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

RE: Unlocking Consumer Energy Resources (CER) Benefits Through Flexible Trading

Dear Anna,

Energy Consumers Australia appreciates the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) Directions Paper: Unlocking Consumer Energy Resources (CER) Benefits Through Flexible Trading.

As you know, Energy Consumers Australia is the national voice for residential and small business energy users, many of whom are increasingly opting to invest in various forms of CER. As more of these consumer assets become integrated into the evolving energy system, industry is asking questions about how to best integrate them efficiently to deliver a reliable and secure system. However, of equal importance is remembering that CER are consumer-owned assets that households and small businesses have invested in. It is key that we ensure consumers retain agency in how they wish to use their assets, and can access the full value and benefits of their investments, tailored to their needs and preferences.

In this context, the following submission makes three key recommendations.

1. That AEMC undertake research on consumer preferences (in addition to the Energeia cost benefit analysis) focusing on testing different options for separately identifying and managing flexible CER, as well as a customer journey mapping analysis.
2. That this additional research be used to inform knowledge gaps and key recommendations in the final determination.
3. That the AEMC prioritise 'least cost' and 'least complexity' for consumers when assessing options for separately identifying and managing flexible CER.

Consumer centric research is a missing piece of the puzzle.

We support Energeia conducting the proposed methodology for a cost benefit analysis. However, this will not derive insights into what the challenges and opportunities are for separately identifying and managing flexible CER from a consumer's perspective. Given the viability of flexible trading arrangements (FTA) relies on consumer engagement and uptake, taking the necessary steps to understand how consumers might use or want to use this mechanism or related service is key.

As it currently stands, cost savings are a key incentive for consumers to engage in a flexible trading arrangement. FTAs could enable consumers to access more competitive pricing arrangements and in turn save money. We know that affordability is top of mind for consumers: 59% of participants surveyed for our latest Energy Consumer Sentiment Survey were concerned that in the next three years electricity and gas will become unaffordable for them, and 77% were concerned it will be become unaffordable for others¹.

We also know that household and small business energy needs and values are diverse, and this diversity can be lost when thinking about consumer behaviour and behaviour change from a purely 'rational' and 'economic' perspective. Testing assumptions and how the 'value add' of FTAs resonates with people through consumer-centric research will help to uncover the full breadth of considerations needed to inform a decision on this potential rule change. Energy Consumers Australia has conducted some initial exploratory research with a small sample size of participants (36 in total) around consumer attitudes towards FTAs (among other topics). We would be happy to talk further with the AEMC about this research.

However, our recommendation is that the AEMC conducts its own robust research into the preferences of households on different models and arrangements identified in the directions paper with a much larger, representative sample size. The research should look to:

- Test the concept of flexible trading arrangements
- Gain insight into the preferences of models and arrangements
- Identify pain points for consumers
- Identify the resources required for engagement.

The research should also map the 'customer journey' to reveal what FTAs would look like in practice, and what the logistics would need to be from the perspective of consumers.

We see this research as complementary to the cost benefit analysis undertaken by Energeia.

The challenges and opportunities that emerge from the additional recommended research should frame the discussion.

The additional research we recommend, which would place consumers at the centre of any future rule change that affects them, would not only provide concrete evidence for the appetite and demand for FTAs, but also potentially uncover specific challenges and opportunities for consumers that may have been missed or overlooked in current discussions and assumptions.

Gaining a better understanding of consumer preferences and willingness to participate in flexible trading arrangements will help the AEMC develop a more comprehensive understanding of how this potential rule change would 'stand up' in practice, which should be a fundamental consideration in the final determination.

¹ ecss.energyconsumersaustralia.com.au/sentiment-survey-june-2023/featured-content-household-sentiment-june-2023/

Options for separately identifying and managing flexible CER need to be ‘least cost’ and ‘least complexity’

What we already know from our ongoing research program into consumer requirements for the energy system in general is that any options for separately identifying and managing flexible CER will need to be ‘least cost’ and ‘least complexity’.

In this context we support the idea of using existing technology embedded in the CER assets themselves to achieve outcomes, like that of flexible trading arrangements. This presents a clear way to achieve identifying and managing flexible CER at ‘least cost’ to the consumer.

From our perspective, ‘least complexity’ means focusing on the benefits from multiple service offerings rather than multiple providers. We support the AEMC’s recommendation to not progress AEMO’s specific proposal for multiple service providers with secondary meters at small customer premises at this time and instead focus on opportunities for separately identifying and managing flexible CER while retaining a single financially responsible market participant (FRMP). We see benefit in multiple service offerings through a FRMP to reduce complexity from a consumer’s perspective at this time.

The challenges and opportunities emerging from CER and the evolving energy system reveal not just technical considerations, but a need to better understand and cater to the needs and preferences of consumers. Consumer-centric research to test the idea and preferences relating to flexible trading arrangements can serve as a vital tool ensuring that potential innovations align with the owners of these resources, and that the benefits are felt not just from a systems perspective but from a consumer perspective.

Thank you for the opportunity to provide our feedback on the AEMC’s Direction Paper: Unlocking CER benefits through flexible trading. If you have any questions about our comments in this submission, or require further detail, please contact Taneesha Amos-Hampson at taneesha.a@energyconsumersaustralia.com.au

Yours sincerely,



Melissa McAuliffe
Acting Director, Energy Services and Markets