14 September 2023

Ms Anna Collyer
Chair
Australian Energy Market Commission

Project Reference Code: ERC0346

Dear Ms Collyer,

National Electricity Amendment and National Energy Retail Amendment (Unlocking CER Benefits Through Flexible Trading) Rule 2023, Directions Paper

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) in response to its Directions Paper on the *National Electricity Amendment and National Energy Retail Amendment (Unlocking CER Benefits Through Flexible Trading) Rule 2023*.

This submission is provided by Energy Queensland on behalf of its related entities:

- distribution network service providers, Energex Limited and Ergon Energy Corporation Limited;
- retailer, Ergon Energy Queensland Pty Ltd (EEQ); and
- affiliated contestable business, Yurika Pty Ltd and its subsidiaries, including Yurika Metering.

Energy Queensland supports the transformation of energy-related markets and new innovative supply models which are emerging across the energy sector. We acknowledge that, over time, consumers may seek to access different models to satisfy their energy needs of which flexible trading may be one such approach.

Further, we support an integrated planning approach to capture the opportunities of consumer energy resources (CER). If integrated well, CER may deliver additional benefits to the system. However, we consider attempts to realise these opportunities need to appropriately consider the risks and costs that are likely to arise. As such, there is a need to protect customers in more vulnerable circumstances who may not be able to afford CER.

The optimisation of CER should consider the primary reason many customers invest in CER is to save money on their own energy costs. It therefore follows that customers must be fully informed and understand how the use of their CER by a third party may impact on them. It should not be assumed that all customers intend to make their CER available to the market.

Energy Queensland's views on the questions posed in the Directions Paper are included in the enclosed submissions template. Neither this cover letter nor our detailed responses to questions contain confidential information.

Additionally, we acknowledge and support the position forwarded in the Australian Energy Market Operator's submission in relation to issues with Stand Alone Power Systems (SAPS) and remote communications on generation system metering installations.

A generation system connected to a SAPS requires a connection point, a NMI and a metering installation. The NER requires that the metering installation is a Type 1-4 with remote communications. However, it is typical for the location of SAPS to be in regions that are remote where typical communications networks such as 3, 4 and 5G access might be limited.

Implementing remote communications for these connection points is likely to be expensive. The policy intent of the SAPS framework is to enable DNSPs to install SAPS as an economic alternative to replacing existing network assets in areas that are costly to serve. In cases where a SAPS with a single generation connection point requires additional installation and operational costs to achieve remote communications, this additional expense may make the SAPS less economically efficient and reduce viability.

As discussed further in AEMO's submission, our preferred solution to this issue is to allow the Metering Data Provider to provide substituted metering data for SAPS generation in lieu of a collection process in its entirety (including avoiding establishment of remote comms).

Further, Energy Queensland supports AEMO's proposal that this issue be considered during the current consultation process rather than as a stand-alone rule change request.

Should the AEMC require additional information or wish to discuss any aspect of this submission, please contact either myself, or Mark Simpson on 0467 837 450.

Yours sincerely

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Encl: *Energy Queensland comments to consultation questions*

AEMC – Unlocking CER benefits through flexible trading

AEMC Directions Paper (reference number ERC0346)

AEMC questions	Energy Queensland commentary
QUESTION 1	**ENERGEIA COST AND BENEFIT ANALYSIS APPROACH AND METHODOLOGY**
1. Are there any other considerations or issues you consider should be included in Energeia's assessment approach and proposed methodology?	Energy Queensland is of the view that Energeia's assessment approach could benefit from consideration of additional expenditure that distribution network service providers (DNSP) and AEMO may incur, including additional costs associated with the provision of data and increased communications, to facilitate greater participation of CER in the energy market. Further, Energeia's modelling should consider all additional costs that a first financially responsible market participant (FRMP) (of the primary connection point) may incur if a second connection point (the CER secondary settlement point) were to have a different FRMP. Energy Queensland's retail business, Ergon Energy Queensland Pty Ltd (Ergon Energy Retail), encourages Energeia to engage with National Electricity Market (NEM) participants to incorporate their insights and data into their assessment approach.
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	Energy Queensland is supportive of separately identifying CER and is of the view that this may enable increased understanding of the use cases of these resources and inform how they can best be managed from a customer, retailer and network

AEMC questions	Energy Queensland commentary
single FRMP or multiple FRMPs at the customer premises?	perspective. Separately identifying CER may allow for tailored solutions that suit each resource and for the strategic utilisation of the most cost-effective CER in different scenarios. This may encourage closer collaboration between customers and market participants to achieve optimal outcomes.
2. Are there additional implementation issues that we should consider for the draft determination (and draft rule if needed)?	Ergon Energy Retail's understanding is that the kinds of products and services conceived under this concept can only be offered under the terms of a market retail contract. Ergon Energy Retail suggests that the AEMC may need to consider what products and services could be offered under a standard retail contract. That is, are they likely to form part of a standard offer to customers? If yes, how? Further, Energy Queensland suggests that an alternative pathway for separately identifying and managing flexible CER could be via dynamic connections (also known as flexible exports in South Australia). Dynamic connections and other DNSP equivalents are deployed using CSIP-AUS, which can provide another source of disaggregated CER monitoring data as per Table 8.1 of SA HB 218:2023.
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?	Generally, Energy Queensland agrees that the technical and market considerations outlined in the Directions Paper are the key considerations that should be addressed in relation to the establishment of a second settlement point. However, we would like to draw the AEMC's attention to an international example where a second settlement point was not required in order for retailers to offer CER management and aggregation services (see Charge Anytime EV add-on | OVO Energy). Further, we are of the view that, if a secondary settlement point were to be entered into MSATS, then the National Metering Identifier (NMI) should not be added into an

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	existing field. We believe it is important that the secondary settlement point NMI is not connected to the primary settlement point NMI through the "reserves" field used for parent/child NMI relationships in MSATS. Doing so could lead to confusion, particularly in cases where a site may have both parent/child NMI relationships and primary/secondary settlement points.
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?	Energy Queensland is generally of the view that customers should be able to make free and informed decisions that best suit their individual needs and circumstances. However, such freedom in decision needs to be supported by strong customer protections, which must be a central focus of reform. It is our view that some loads would not be suitable for second settlements points, for example life support or other critical loads, and that secondary connection points should primarily be used for CER. We are supportive of the development of detailed criteria and governance processes that establish distinct technical prerequisites and allow for the effective oversight of CER. For example, effective governance processes could include fixed circuitry, whereby solar, hot water and electric vehicles would stay under the one channel.
3. What would be the appropriate framework for approving and verifying alternative measuring devices permitted to be used at the second settlement point?	Energy Queensland is of the view that, for large customers, current NEM metering arrangements could continue to apply. If a new framework is considered necessary, Energy Queensland supports the adoption of a framework that is equivalent to NEM standard metering. In some limited scenarios, where access is restricted to network providers (for example, DNSP pole mounted batteries) or sites where it is inefficient to have multiple

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	parties servicing the site (for example, Stand Alone Power System sites), the minor energy flow metering proposal may be suitable for adoption.
4. What would the implementation costs be for creating second settlement points with associated metering configuration options?	Energy Queensland considers that implementation costs would be hard to ascertain at this stage as they may vary at each site depending on the wiring arrangements and electrical circuit separation required. Our contestable services business, Yurika Metering, is of the view that implementation costs may be significant (estimated in the millions) for Metering Coordinators, Metering Providers and Metering Data Providers.
QUESTION 4	**USING OTHER DEVICES FOR CER MEASUREMENT AND REWARD**
1. 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?	Energy Queensland is of the view that, should changes to the rules be considered to incorporate current non-market-related devices for CER products and services, then, as far as is practicable, the rules that apply to existing metering devices should be applied. Participation in the NEM should be equitable and allow for an even playing field. Further, we believe: • If NEM settlement payments are to apply, then consistent data standards must be applied uniformly. • Consumer protection standards should be continued. • Network constraints/limitations must take priority over the needs of third parties controlling these devices. • Data interchange standards should be adopted. For example, to prevent stranded assets.

AEMC questions	Energy Queensland commentary
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?	Energy Queensland considers that any potential changes to the National Energy Rules (NER) and National Energy Retail Rules (NERR) to facilitate a second connection point should seek to address the issues that DNSPs currently have in relation to second connection points. Challenges associated with having two connection points often stem from cost considerations, operational intricacies, safety concerns and IT and administrative constraints. Even if alterations are made to enable DNSPs to charge for a second connection point, the operational and safety challenges would remain, and, at present, these aspects are generally not comprehensively addressed in the NER and NERR. In order to attempt to effectively address operational and safety challenges, a thorough review of the internal wiring at sites and also a review of existing standards such as AS3000 may be necessary. These revisions would need to cover critical matters like preventing back feeding, defining isolation points, considerations for protection arrangements and ensuring appropriate labelling. Nationally aligned guidelines or a technical document outlining these considerations which support national alignment of Service and Installation Rules will be essential. Also required is a review of existing safety jurisdictional requirements, such that any policy developed is aligned with existing requirements. In circumstances where a large customer is seeking a second connection point, we are of the view that the onus to find a workable, and safe, solution should sit with the

AEMC questions	Energy Queensland commentary
	customer and be reinforced through an appropriate design by the customer's Registered Professional Engineer of Queensland (RPEQ).
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?	We are of the view that there are a number of issues relating to the 'gaming' of network charges and the equitable allocation of network charges that should be considered in evaluating whether there should be changes to the fixed network tariff for second connection points at the same premises. For example: • In circumstances where a different retailer is the FRMP for each of the first and second connection points, would lower network access tariffs for the second connection point be fair and equitable for the retailer of the first connection point? • Could the retailer of the first connection point be in a position to 'game' the situation by pursuing a disconnection, thereby allowing the retailer for the second point to assume the role of the 'first' retailer incurring the higher network access tariff, while the previous 'first' retailer seeks reconnection to benefit from the lower second connection point network access tariff? • If the first connection point was disconnected due to bad debt while the second connection point is still active, would this mean a higher fixed network tariff for the second connection point? • How would second connection points work with standard retail contracts? Given these complexities, it is our view that it may be preferable to treat all connections points the same, as this approach could streamline operations and costs and reduce the need to negotiate complex scenarios.

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QUESTION 6	**AEMO'S SPECIFIC FTM2 FOR SMALL CUSTOMERS**
1. Do you agree with the Commission's view and its initial position to not progress further with AEMO's specific FTM2 for small customers?	Yes. Energy Queensland agrees with the AEMC's position not to progress further with AEMO's specific Flexible Trader Model 2for small customers. We note that consultation on the Better Bills Guideline revealed that many customers have difficulty interpretating their bills and energy plans and we suggest that the implementation of an FTM2 would only increase this issue.
QUESTION 7	**AEMO'S FTM2 PROPOSAL FOR LARGE CUSTOMERS**
1. 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?	Energy Queensland considers that it is important to acknowledge existing challenges with multiple connection points (see above response to Question 5). For example, due to safety considerations, we would not be supportive of any proposal which would allow customers to switch loads or generation between connection points. If AEMO's FTM2 model for large customers is introduced, we encourage the development and consultation of guidance documentation such as procedures and guidelines. Our retail business, Ergon Energy Retail notes that alternate mechanisms already exist for large customers to engage multiple service providers such as: • the Wholesale Demand Response Mechanism (WDRM) was implemented in 2021 with limited uptake or success despite the substantial sunk costs needed to implement the scheme. Of a total 67 MW in capacity across the entire NEM, only 5 MW is bid, 4 MW of which is in the evening peak; • aggregators are already active in this segment of the market; and • the AEMC is also investigating another participation model in Scheduled Lite.

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QUESTION 8	**MULTIPLE FRMPS: EMBEDDED NETWORKS MODEL**
1. Other than metering and network connection costs, are there other reasons SGAs use the embedded network framework?	From a network perspective, it is our experience that it is not typical for small generator aggregators (SGAs) to use the embedded network framework. However, Ergon Energy Retail is seeing an increase in the creation of embedded networks for this explicit purpose. Ergon Energy Retail notes that SGAs establish embedded networks to enable behind-the-meter generation to be paid the prevailing spot price which is then exported to the embedded network and consumed by the owner of the generation. It is our view that this is not consistent with the intent of the embedded network arrangements and should be prohibited as it exposes a retailer to spot market prices which would otherwise be hedged.
2. Would the proposed changes to network tariffs in NSW and Tasmania drive SGAs in those states to adopt different models?	No comment.
3. 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?	Energy Queensland's retail business, Ergon Energy Retail, does not support enabling the practice of SGAs establishing embedded networks to enable trading of CER. We consider this practice is not consistent with the intent of the mechanism.
4. Are there any additional issues with the use of the embedded networks framework to facilitate flexible trading not already discussed above?	No comment.

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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?	No comment.
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?	Impacts on business models may depend on the extent of loss of revenue and opportunity cost to the primary retailer. However, the impacts acknowledged on page 34 of the Directions Paper are, in our view, relevant considerations.
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?	No comment.
4. Are there any costs or benefits that we have not considered in relation to AEMO's FTM2 proposal?	No comment.
QUESTION 10	**OPPORTUNITIES AND BENEFITS OF IMPROVING EXISTING ARRANGEMENTS**

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1. 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?	Energy Queensland is of the view that the AEMC should have regard to the following matters when considering improvements to existing arrangements for the measurement of street lighting and public furniture: • It is a benefit that customers will have the ability to modify their installation with changes captured instantly. Current arrangements require the customer to notify the DNSP of proposed changes which is generally a time-consuming process. • Content management systems (CMSs) are specific to the smart controllers being used. This may be challenging when the technology is still evolving, and restrictive for a DNSP if there are multiple customers using multiple products. • Implementation and ongoing costs associated with the installation should be a particular focus, especially in remote areas. • Asset management and remote reading functions should be able to be separated since one Metering Coordinator/Metering Provider/Metering Data Provider may need to operate over multiple platforms. Having the ability to read measurement devices on street lighting and public furniture via a common platform (similar to NEM meters today) may significantly reduce implementation costs.
QUESTION 11	**MARKET FUNCTIONS AND OBLIGATIONS - METERING ROLES**
1. Should there be another level of accreditation for Meter Providers in the NER?	Energy Queensland is supportive of the addition of another level of accreditation for Meter Providers in the NER. The current accreditation definitions in the NER do not cover the proposed use case set out in the Directions Paper. A new accreditation may

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	be introduced to cover the proposed and future minor energy flow metering type devices introduced into the network.
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?	Energy Queensland is of the view that it is important to have an option for the DNSP to perform the MC, MP, MDP functions, but we would not support a mandatory obligation to do so. We consider that a DNSP may only want to be the MC, MP, MDP for assets that it owns (i.e. other street furniture). In this instance, there may be benefit for the DNSP being the MP Further, we are of the view that there may be benefit in refining definitions of street lighting and street furniture as the ability to work on and manage a meter on a streetlight is significantly different to the ability to work on and manage a meter on street furniture (for example, a BBQ). Further, consideration needs to be given to separating metering from control as a string of lights could have one meter point but multiple controllers.
3. For street furniture not managed by distributors, should the existing competitive framework for metering parties apply if MEFM is introduced?	Energy Queensland is supportive of the existing competitive framework for metering parties being applied if minor energy flow meters are introduced.
QUESTION 12	**TECHNICAL REQUIREMENTS**
1. Do stakeholders have views on the removal or amendment of minimum service specifications for minor energy flow meters?	Energy Queensland is of the view that specific minimum service specifications should be established for minor energy flow meters, given these have smaller and more constant/predictable loads. This could include the scaling back of minimum service specifications as some of the existing requirements may be redundant in relation to minor energy flow meters. Consideration of specifications should take into account

AEMC questions	Energy Queensland commentary
	rural regions that lack telecommunication coverage with a view to retaining the existing calculation methods for these sites. Costs associated with maintenance would need to be factored in to prevent undermining the intended outcomes, such as cost saving and efficiency gains.
2. Do stakeholders have views on inspection and testing requirements for minor energy flow meters?	Energy Queensland is supportive of the implementation of inspection and testing requirements for minor energy flow meters. This would ensure the identification of failure trends before any potential widespread breakdown occurs and reduce ongoing maintenance costs. An annual sampling testing approach may be appropriate to ensure adequate records are available for trend analysis. We would be supportive of incorporating a remote testing function directly into minor energy flow meters. This may enable a set of testing routines to be executed when initiated by a maintenance coordinator through a remote app.
QUESTION 13	**IMPLEMENTATION AND TRANSITION**
1. Are there any other implementation or transitional issues we should consider for this aspect of the rule change?	Energy Queensland agrees with the AEMC's position that the proposed minor energy flow meter framework be forward-looking only and that no mandatory obligations are imposed to retrofit existing infrastructure. It is our understanding that the AER is currently considering reverting the service classification of metering services (type 6) by a DNSP back to standard control services from the current categorisation of alternative control services. This would shift the recovery of costs to all network users and limit the ability for DNSPs to recover costs from specific end users that wish to adopt this technology. This may potentially limit or delay timely implementation.

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	We acknowledge that consideration of rule changes is a time-consuming process and that proper process, including consultation, needs to be followed. However, we would like to note that the AEMC's indicative timing for the rule change, March/April 2024 to publish a final determination and final rule (if any), and quarter 3 2025 for approximate implementation, does not neatly align with Ergon Energy Network and Energex's current regulatory determination timeframes. Our DNSP regulatory proposals are to be submitted to the AER in January 2024. This timing misalignment will make it challenging for our DNSPs to develop a smart lighting strategy, explore procurement and digital solutions, forecast expenditure and develop potential new tariff offerings. As a consequence, customers may have to wait until our next regulatory determination period in 2030 to reap the full benefits of minor energy flow meters. We suggest that the AEMC consider how the regulatory requirements under Chapter 6 of the NER could be utilised to allow flexible arrangements for DNSPs in their regulatory proposals and to allow more time to consider technical, commercial and regulatory implications associated with a change in the regulatory framework.