SUBMISSION

AEMC – UNLOCKING CER BENEFITS THROUGH FLEXIBLE TRADING

14 SEPTEMBER 2023

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under AEMC's unlocking CER Benefits through flexible trading consultation paper.

The EUAA sees benefits in creating consistency in the regulation of the services that are currently being supplied through third parties (such as FRMP's) with those that already exist for retailers.

The EUAA understands that price-responsive resources refers to many different technologies that may be utilised differently with different price signals. These include behind the meter energy generation that may be directed to export, or equipment to reduce demand on a consumer's site. These are also referred to as Consumer Energy Resources (CER). In this submission, we have used the two terms interchangeably, however prefer the term CER.

The EUAA considers AEMO's proposed requirement for participants who integrate price-responsive resources into the NEM to have a second settlement point unusual when compared to renewable energy facilities with co-located energy storage that have recently been allowed to have a single connection and settlement point rather than the previous dual connection and settlement points with net metering applied. Although smart meter penetration outside of Victoria is low, all jurisdictions must aim for 100% smart meter penetration by 2030. The EUAA is aware that although this does not apply directly to C&I consumers, that C&I that do not already have smart meters are looking to install them within similar timeframes.

The concept of unlocking CER benefits and integrating price-responsive resources into the NEM is to measure load reduction and/or increased export. This is achievable through a single metering/settlement point and is already used with RERT and both retailer and distributor demand response mechanisms.

The EUAA notes that the key arguments in AEMO's rule change proposal centre around small business and residential CER and yet the AEMC considers it better to commence with the C&I sector. However, many of the arguments throughout the AEMC's consultation paper relate to small business and residential establishments. The EUAA would encourage AEMO and AEMC to propose a C&I led rule change with avenues to expand to residential and small business at a later date, rather than the current residential and small business led approach for C&I.

RESPONSE TO CONSULTATION QUESTIONS

1. Energeia cost and benefit analysis approach and methodology

Energeia's cost benefit analysis involves modelling the NEM to estimate potential savings (i.e. benefits) to the wholesale market, frequency services markets, network services and emissions reductions, including case studies and forecasting growth and the long-term benefits of CER flexibility. This is a good starting point for a cost benefit analysis.

However, Energeia's cost benefit analysis appears to not contain implementation and operating costs for FRMP's and consumers. The EUAA would encourage the addition of implementation and operating costs (for AEMO, FRMP's, participants and consumers) to Energeia's cost benefit analysis so consumers can understand what the likely benefits would be, as well as the costs to non-participating energy market consumers i.e. who pays and how much?

2. Key considerations for separately identifying and managing flexible CER

The key benefit for separately identifying and managing flexible CER is for FRMP's to offer a different price point for supply of electricity based on the market risk. i.e. if a price-responsive resource is capped at price x in the wholesale market, then the FRMP can offer a tariff based on the upper risk of price x instead of the current situation where the FRMP (e.g. retailer) offers a tariff based on the maximum risk of the wholesale market cap or on its hedging policy. However, this can be performed and has been performed through a single metering and settlement point, without the need for a second connection or settlement point.

The AEMC should consider ensuring that smart meters rolled out have the capability for dual channels, especially for those participants who are likely to purchase CER. For commercial and industrial (C&I) sites this would fulfill the requirement for one channel for "constant supply" for critical equipment, and the other for price-responsive resources (CER) that can then be managed separately. However, this would need to be investigated on a site-by-site basis as many existing sites are electrically wired from the meter for process streams and not specific equipment.

3. Enabling a second settlement point at a single connection point

In establishing a secondary settlement point within new or expanding C&I, AEMO and AEMC could establish protocols for the separate wiring and metering of devices through SCADA or specific electricity meters for equipment that might become price-responsive resources.

However, for existing C&I sites, many are electrically wired from the meter around process streams rather than specific equipment. In these cases, it may be difficult to reconfigure the wiring to meet the needs of AEMO's separate wiring. AEMO and AEMC may consider sub-metering using SCADA or specific electricity meters for individual pieces of CER equipment.

The benefit of different market offers described at question 2 aside, net metering may be the simplest and most cost-effective solution for many existing C&I sites.

4. Using other devices for CER measurement and reward

The AEMC should consider enabling third party metering devices to be able to be used by FRMP's and retailers to develop tariff options for CER as described at question 2. In this way, a secondary connection point or settlement point becomes unnecessary for consumers to benefit from CER, albeit that the AEMO dispatch engine may not have visibility of these meters and offers.

5. Establishing two connection points as a single premises

While the EUAA can see the benefits for AEMO for consumers having a second network connection point dedicated to CER, the benefits for C&I are not presented in either AEMO's proposed rule change nor in the AEMC's consultation paper. The EUAA finds the argument for two connection points unusual when renewable energy facilities with co-located energy storage have recently been allowed to have a single connection and settlement point rather than the previous dual connection and settlement point requirement. Additionally, many C&I sites will be unable to separately connect CER to the secondary connection point without extensive re-wiring of the site.

The EUAA sees no reason why a second connection point is necessary for price-responsive resources to be integrated into the NEM.

6. AEMO's specific Flexible Trader Model 2 (FTM2) for small customers

The EUAA has chosen not respond to this question, understanding that the AEMC is proposing to not establish FTM2 for small customers at this stage.

7. AEMO's FTM2 for large customers

AEMO's FTM2 allows for multiple FRMP's at a consumer's premises, utilising a sub-meter (either specific electricity meter or SCADA device) to identify and manage CER and provide for flexible trading.

The EUAA notes that a version of AEMO's FTM2 is already being used by many C&I businesses, whereby a third party (in addition to their retailer) manages demand management, RERT etc using behind the meter devices for the management of flexible loads.

The EUAA supports AEMC's proposal to create consistency in the regulation of the services that are currently being supplied through third parties FRMP's with those that already exist for retailers.

Formalising these arrangements and allowing for FRMP's to incorporate separate tariffs for the CER they manage could provide additional benefits to C&I consumers.

The EUAA notes that with the current mechanisms provided through existing FRMP's, some members have experienced less than ideal communication practices. C&I in general have the ability to reduce demand slightly over short periods of time (e.g. cycling refrigeration units), however for longer periods or for larger reductions in

demand significant planning is required to change production schedules and ensure quality of the product and/or service that they provide. Currently the time required for the extensive planning is not always being provided.

8. Multiple FRMPs: Embedded network model

The AEMC outlines that small generation aggregators (SGA) are currently utilising embedded networks (such as those at shopping centres) and this can become problematic at settlement, noting that the embedded network framework was not designed for SGA. The EUAA notes that the AEMC has observed network service providers response to this has been to change embedded network tariffs.

The EUAA considers that the embedded network framework needs to be reviewed to allow small generation aggregation and settlement behind the meter as well as developing the technical framework and policies to eliminate the settlement problems at the settlement point(s). Consideration will need to include dynamic operating envelopes (DOE) and flexible export limits (FEL). EUAA considers that a redesign of the technical framework for embedded networks may resolve currently identified issues.

9. Multiple FRMPs: AEMO's FTM2 proposal

The EUAA is aware that retailers, in particular, are concerned about lost revenues with multiple FRMP's under the FTM2 model.

The EUAA considers that allowing multiple FRMP's on C&I sites may initially impact the business model of the current retailer, but long term could encourage the retailers to innovate and offer competitive and flexible tariffs that cater to the C&I businesses, including market capped pricing for CER (as outlined at question 2 above).

The EUAA is aware that all distribution businesses are considering DOE and FEL to better utilise their networks. The EUAA considers that any new mechanisms that utilise DOE and FEL will further enhance the business case for the distribution businesses to offer new tariffs and for FRMP's to sell these to their customers.

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The EUAA has chosen not to respond to these questions, as they relate to metering of street lighting and local government infrastructure (i.e. BBQs in parks).

CONCLUDING REMARKS

The EUAA supports the development of rules to unlock the benefits of CER. However, the EUAA would encourage AEMO and the AEMC to consider approaches that utilise existing infrastructure and processes, are not costly, that are not complex and that result in minimal risk to the C&I participants e.g. RERT provides a no loss, no risk situation for C&I consumers with penalties only being as high as the RERT availability payment.

AEMC and AEMO need to consider that C&I electricity customers are focussed on producing a service or product and are not energy traders.

The EUAA welcomes further discussions with us and our members around the issues raised in this submission.

Do not hesitate to be in contact should you have any questions.

Andrew Richards
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