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Unlocking Consumer Energy Resources Benefits through Flexible Trading

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory, of which around 22k customers are supported under our hardship program (EnergyAssist). EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio that includes coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise 4,500MW of generation capacity.

We appreciate the opportunity to participate in the consultation for the AEMC's unlocking CER benefits through flexible trading rule change (*directions paper*). The AEMC's consideration of the achievable benefits of the reforms compared against the defined need and overall outcome (positive and negative impacts) is discernible and admirable. As such, we are primarily supportive of the positions formed in the directions paper, we believe that an overarching trend towards providing 'opt-in' solutions to foreseeable but uncertain regulatory decisions carefully balances the dichotomy of fostering innovation with ramifications on the existing consumer protections frameworks.

Providing the ability for CER to be separately identified and managed will provide benefits to the market and should correspond with greater value being attributed to these assets, benefitting customers. We strongly agree with the AEMC's decision to remove the option of a secondary retailer for residential customers, as we believe this would overly costly and risk existing consumer protections. Further consideration is justified into what can enable access to a customer's flexible load and CER, and we support the proposal outlined in the *directions paper* to explore alternative metering options to establish a secondary settlement point.

It is pertinent to recall the initial rhetoric regarding 'smart meters', where there was a belief that these devices would be the enabler of an intuitively connected and managed property, compared with the reality that metering technology was superseded by the technological advancements or the devices within a customer's property.

EnergyAustralia agrees with the AEMC's views that if a device has the capacity to record and share information that complies with the requirements for settlement, it should be considered a suitable metering device. Further, we believe there is the potential for significant cost savings for customers if we were to employ a similar consideration for all metering required for settlement purposes, with the AEMC

recently outlining the requirement for the replacement of legacy metering by 2030[1], it would be remiss to neglect the consideration of a cheaper solution if it were available, particularly in a period of notable cost of living concerns. We encourage the AEMC to explore this option further when the formal rule change is raised to facilitate the Metering review's recommendations.

While we understand the *directions paper's* view that commercial and industrial (C&I) customers have a demand for a secondary retailer at a connection point, as evidenced by C&I customers adoption of the embedded network framework to achieve similar outcomes, we are sceptical of the scale of that application by C&I customers, the nascent demand for the AEMC's alternative, and why either the embedded network alternative or a formal secondary connection are not acceptable options for a cohort of customer that is considered well informed and financially capable.

However, we are supportive of the AEMC exploring this proposal further, given a rigorous cost vs benefit analysis is undertaken and that there is no, or minimal, financial impacts on mass market customers if this is adopted.

We are also supportive of the 'opt-in' proposal for street lighting and other public furniture. Our position from the consultation paper was formed on our view that most unmetered load has little variability and the historical method of determining consumption was suitable; however, we agree with the AEMC's position that an 'opt-in' solution would provide for those customers that want to explore a more precise metering alternative and those that do not.

Ultimately, we support 'opt-in' alternatives as a suitable consideration for any of the AEMC's decisions in which the beneficiaries are not extensive or to the overall NEM, where the potential need is foreseeable but not determined, and where the cost of implementing is a deterrent on any potential benefit received.

Answers to the *directions pape*r's questions are detailed below.

If you would like to discuss this submission, please contact me on 03 9060 1361 or Travis.Worsteling@energyaustralia.com.au.

Regards

Travis Worsteling

Regulatory Affairs Lead

[1] Metering review (aemc.gov.au)

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?

The modelling undertaken by Energeia is limited to their own data, extrapolating this too derive the benefits CER could have NEM wide isn't likely to produce an accurate representation. Including, all available data sources, including data from energy retailers would have presented a more balanced view.

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)?

Separately identifying CER will facilitate the markets that are imagined in a future where customer energy resources and demand response is fundamental to the operation of the NEM. Being able to identify, control, and reward these resources will be required to develop the necessary markets and incentivise investment. However, there is currently no notable need to, or benefit from, separately identifying CER; there is no value that can't currently be obtained via existing frameworks or via solutions offered by the market.

The primary implementation concern that should be recognised is the timeframes to make necessary changes to the relevant metering standards, the limitations on recognised agencies capable of testing and accrediting new metering devices, and the cross over (and subsequent constraints) between the metering roll out.

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 primary consideration is the ability for the secondary connection point to have metering that provides suitable settlement data, which could be different depending on the market or service they intend to provide (e.g. aggregator or DNSP requirements may be different to those required by FCAS markets). We do not believe that the secondary connection points should be overly constrained to any defined situations (like EV charging) but should be limited to devices that have the ability to operate dynamically upon request.
We do not believe a new framework is needed to approve and verify alternative measuring devices, there are requirements outlined in regulation that the AEMC can amend, there are agencies responsible for the

setting of Standards and electrical installations, and there are agencies responsible for testing metering (although this is a small market, they have the capacity to expand their remit).

EnergyAustralia is unable to comment on the potential implementation costs for creating secondary settlement points with associated metering configuration options, the scope is too broad and any assumption is likely to be exceedingly under the reality when considering costs across impacted parties; metering testing, registered electrical contractors involvement, customer specifics, etc.

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?

Changes to the rules should be limited to enabling the these devices as acceptable within the market, as there should be no further implications if they have been deemed as suitable for providing the required settlement information.

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?

The main hurdle to overcome when establishing a secondary connection point is the DNSP, whereby they may restrict the connection as it conflicts with their assigned tariff, or they may not have a suitable tariff to be assigned specific to the second connection. DNSPs will be able to explore and develop suitable tariffs that both enable cost recovery and more efficiently allocate the costs at a secondary connection point.

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?

EnergyAustralia strongly support the AEMC's position, AEMO's specific FTM2 for small customers would have reduced the consumer protections that have been established through countless regulatory reforms, would have created a solution undesirable for most customers, and would have been incredibly expensive with very little actual financial reward for the customers that did participate.

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 are sceptical that there is a need for C&I customers to have this, as this is a subset of customers that is reasonably expected to have the capacity to invest in a secondary connection point if the value provided justifies it, and the understanding of the available options that could provide them the solution they desire (e.g. many customers have elected to use the embedded network framework instead of a secondary

connection). We encourage the AEMC to conduct a detailed analysis of the nascent demand for this prior to progresses with its decision.

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?

EnergyAustralia does not have the insight to provide a view on this question, we are unclear as to why the embedded network framework has been deemed inappropriate considering it is providing the outcome sought by the customer and the other participants impacted, with the exception of the DNSPs.

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 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?

EnergyAustralia does not believe introducing FTM2 should affect the existing arrangements, other than reducing the need for the embedded network framework to be used (if it is justified that it isn't the better alternative) FTM2 should only facilitate greater use of the other arrangements.

It is likely that introducing FTM2 for C&I customers would have a significant cost imposition on the primary retailer, as many internal systems would be impacted similarly to what would have happened if this was considered for residential customers; however, aside from this cost, the impact on the business model shouldn't be as pronounced. Energy retailers work closely with their C&I customers to provide them solutions that they require, therefore we already provide options for a range of different preferences and it is foreseeable that would remain in FTM2 was developed.

For aggregators to provide additional network services, they are reliant on the development of associated value streams from the DNSPs. If this was to occur, whether by setting of new network tariffs, or more bespoke arrangements, aggregators could provide network services accordingly.

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?

The proposal to allow an 'opt-in' solution for minor energy flow metering of street lighting and public furniture is the reasonable consideration for the opportunities, benefits, and costs. Ultimately, this is not

something that has been requested by all customers or all retailers that provide an offering to this subset of customers (EnergyAustralia does provide this for our customers in the AusNet and Ausgrid DNSP areas), and allowing those that want it to receive it, while ensuring those that don't are not incurring unnecessary cost seems appropriate.

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?

EnergyAustralia believes that the changes required to enable metering capable of providing appropriate settlement data can be considered for this purpose. We do agree that in many instances it would be more efficient and likely cheaper to have the DNSP remaining the MC, MP, and MDP, as the interaction with these assets is primarily on distribution network infrastructure; however, we would not think the rules need to specify that it should only be DNSPs, particularly if there are instances in which a competitive metering provider can provide the solution cheaper (e.g. for NBN infrastructure a DNSP conducting the work would provide no benefit).

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?

Testing and inspection of minor energy flow meters should align with other meter testing requirements, unless it can be justified and substantiated that the need is reduced.

QUESTION 13: IMPLEMENTATION AND TRANSITION
• Are there any other implementation or transitional issues we should consider for this aspect of the rule change?

No comment.