14 September 2023

Ms Anna Collyer
Chair
Australian Energy Market Commission

Lodged via AEMC website

Dear Ms Collyer,

Unlocking CER benefits through flexible trading – Directions Paper (ERC0346)

Erne Energy is pleased to have the opportunity to provide a submission to the AEMC's Unlocking CER benefits through flexible trading – Directions Paper.

Erne Energy facilitates the understanding of the risks of climate change. Using creative communication approaches that make the complexities of science and technology accessible, Erne Energy collaboratively guides communities or businesses to develop resilient approaches to address and adapt to the changing climate and weather.

Key to addressing the impacts of climate change is transforming our energy systems to low carbon sources and Erne Energy is committed to supporting the rapid electrification of Australia, while balancing the need to invest in industry assets and Customer Energy Resources (CER) to build resilience.

We strongly endorse the AEMC's decision not to progress the flexible trading arrangements as outlined in AEMO's rule change proposal. The creation of multiple Financial Responsible Market Participants (FRMPs) at a single residential connection point, incorporating a primary FRMP and secondary FRMPs, increases complexity for the customer and is likely to result in delays and cost.

The AEMO design also increases complexity and risk for the primary FRMP as well as complicating the allocation of both Distribution Network Service Provider (DNSP) tariffs and dynamic operating envelopes. There is a very real risk that AEMO's proposed approach will actually decelerate CER deployment, which has a significant role in ensuring Australia achieves emission reduction and renewable generation targets.

While there are perceived issues with CER participating in the National Electricity Market (NEM), a case for change and for the changes proposed by AEMO has not been made. CER, rooftop solar PV in particular, is already participating in the market, spilling "excess" generation for free and reducing the wholesale electricity price for all customers, with or without CER[1]. While those with CER are benefiting from their investment, without the need for additional payments from actively participating in the market[2].

While AEMO and the DNSPs are keen to see responsive and flexible CER, there are a barriers to providing customer-side flexibility, both at the residential and commercial and industrial scale.

[1] https://aemo.com.au/-/media/files/major-publications/qed/2023/qed-q2-2023-report.pdf?la=en
[2] https://www.accc.gov.au/system/files/Inquiry%20into%20the%20National%20Electricity%20Market%20-%20June%202023%20Report.pdf

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- There is no market yet for flexibility and no clear value for flexibility.
- Where there have been trials, such as Virtual Power Plants, where customers allow a third party to control their CER, the value to the customer is "thin"[3].
- Customers are not willing to have others control their CER[4],[5].
- Customers expect more value that is actually available[6].
- Customers are actively investing in CER to reduce their dependence on mains electricity[7].
- Customers do not feel the market operates in their best interests[8].

Given the high levels of mistrust and the lack of a social licence to control CER, new collaborative approaches are needed that accommodate customer needs, not just system needs, to facilitate responsive flexibility.

Customers can already provide flexibility through demand response programs, particularly in response to either a DNSP tariff (e.g., Tariff 33 in Queensland) or a retailer tariff. There are specific demand response programs operated by DNSP under the Demand Management Incentive Scheme, that, in Victoria, are based on quality smart meter data to provide a baseline and to provide near instantaneous feedback on behavioural response (e.g., United Energy's "summer saver").

There are other international examples of where smart meter rollout is actively underpinned because the design of the meter enables demand response[9], while also helping customers manage their energy costs.

Clearly, flexibility and metering are closely linked and the results of the AEMC's Review of the regulatory framework for metering services (EMO040) and work on interoperability has an impact on the ability of CER to provide flexibility simply, cost-effectively, and efficiently. The interactions between the multiple regulatory processes, including Scheduled Lite (ERC0352), with facilitating flexibility, should be carefully managed to ensure there are beneficial outcomes for consumers.

We welcome the AEMC's proposal to undertake further work on how residential-scale flexibility can be facilitated, and we would encourage the AEMC to look beyond the NEM and to explore the opportunity to develop non-network support services (akin to the distribution level flexibility markets in the UK), rather than the current DNSP model of directly controlling CER in a "flexibility for free" model.

Thank you for the opportunity to comment on the Directions Paper and we look forward to working the AEMC to progress a collaborative approach to supporting responsive flexibility provision in the clean power system.

Yours Sincerely

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Director, Erne Energy

[3] https://www.linkedin.com/posts/ieefa-asia-pacific_insights-from-dr-gabrielle-kuiper-vpps-activity-7107845406612414464-MNbA?utm_source=share&utm_medium=member_desktop
[4] https://ecss.energyconsumersaustralia.com.au/behaviour-survey-oct-2022/how-people-use-energy-2022/
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