Progressive Green PTY LTD T/A Flow Power
ABN 27 130 175 343

Unlocking CER benefits through flexible trading – directions paper

Flow Power submission

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About Flow Power

Flow Power is an electricity retailer that works with energy customers throughout the National Electricity Market (NEM). Together with our customers, Flow Power is committed to our vision of creating Australia's renewable future.

We empower customers to take meaningful action. By providing energy knowledge and innovative technology, we are delivering smarter ways to connect customers to clean energy to make our renewable future a reality. We provide our customers with:

- Engineering support, access to live data and transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- Hardware solutions that equip customers with greater information, visibility and control over energy use.
- Access to renewable energy, either through distributed solar and storage installed on site, or through a power purchase agreement with utility-scale wind and solar farms.

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a renewable future.

Overview of submission

The key points we would like to make regarding the AEMC's directions paper are:

- **We support the adoption of flexible trading models for large energy users**. There will be opportunities to manage large, flexible loads separately from other loads that might be less controllable. This will create opportunities for dynamic price signals to be directed toward loads that are able to respond, lowering costs for those customers and providing reliability benefits to the power system.
- **The embedded network framework could be simplified where both NMIs belong to the same customer.** The Commission should explore whether there are opportunities to implement a framework where the local distributor is able to charge network tariffs to the parent and child NMI. We've provided more detail on what this could look like below.

Simplified embedded network

The embedded network framework is established to reflect arrangements where multiple customers exist behind a single connection point. These frameworks are intended to establish governance frameworks and provide necessary protections to embedded network customers.

The proposal contemplated by the AEMC in this consultation paper differs from the standard embedded network arrangement because there is a single customer across parent and child NMIs. This greatly simplifies the arrangements that could be implemented.

To introduce some form of workable framework, the most important feature will be ensuring the two (or more) FRMPs are not required to interact. There are conflicts of interest that would prevent these parties engaging constructively. At the same time, in order to maximise the value of the flexible load, the child NMI should face network charges. This would allow network price signals to be sent through to the flexible load which would in turn inform how and when that flexible load operates.

A potential model that could address the criteria for a workable framework is set out below. This model resembles the embedded network structure; however, it has a simplified numbers of roles by removing the need for an embedded network manager and an embedded network operator. There would be two (or more) NMIs established for a single customer. One would be the parent NMI at the connection to the distribution network. The second would be a child NMI that has subtractive metering with the parent meter. Instead of having an embedded network manager allocating network costs, we are proposing the DNSP would have responsibility for allocating network charges to the parent NMI and the child NMI. This would require both meter reads being available in MSATS. Any fixed charges would be allocated wholly to the parent NMI.

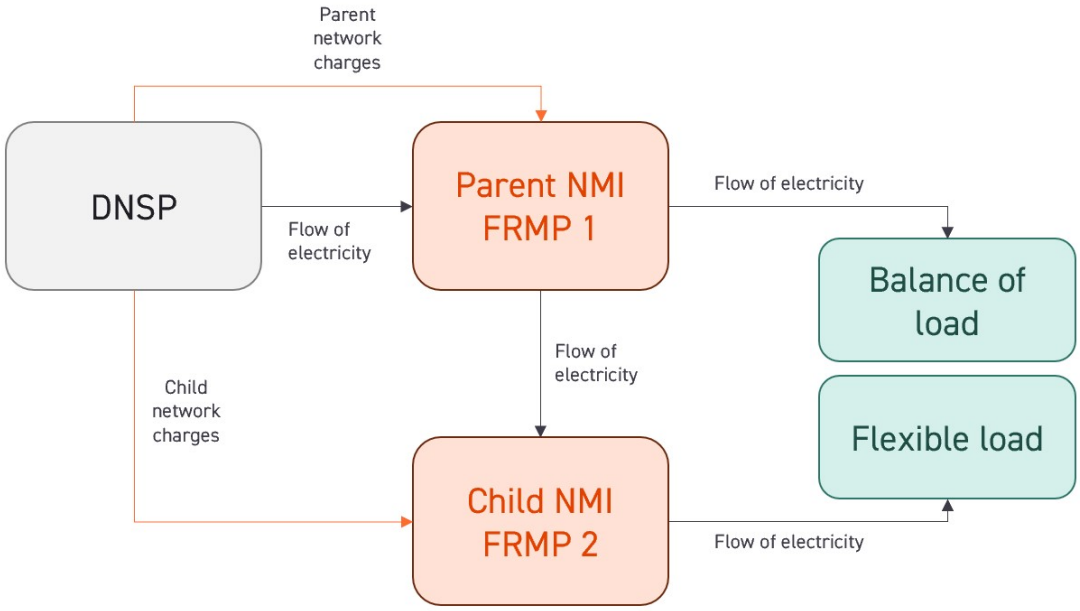

Figure 1. Flow of electricity and allocation of network charges. Adapted from: *AEMC, Updating the regulatory frameworks for embedded networks, final report, p. 137.*

In the AEMC's final report on *Updating the regulatory framework for embedded networks* it noted some challenges associated with this model. There were implementation complexities flagged for DNSPs and

embedded network managers were considered the better option for managing network tariff billing. Under the proposal we've outlined, there would not be a role for an embedded network manager.

We think this model would facilitate the opportunities contemplated by the Commission in their directions paper. However, the barriers and challenges associated with this approach would need to be investigated to understand the extent of the implementation costs.

If you have any queries about this submission, please contact me on (02) 9161 9068 or at Declan.Kelly@flowpower.com.au.

Yours sincerely,

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