

14 September 2023

Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney NSW 2000

Submitted online via: www.aemc.gov.au/contact-us/lodge-submission

Reference: EMC0346

Dear Sir/Madam

Response to the Australian Energy Market Commission's (AEMC) Unlocking CER Benefits Through Flexible Trading – Directions Paper

Thank-you for the opportunity to provide a submission in response to the AEMC's Unlocking CER Benefits Through Flexible Trading -Directions Paper (the **Paper**).

Momentum Energy Pty Ltd (**Momentum, our or we**) is an Australian operated energy retailer, owned by Hydro Tasmania, Australia's largest generator of renewable energy. We pride ourselves on providing competitive pricing, innovation and outstanding customer service to electricity consumers in Victoria, New South Wales, South Australia, Queensland, the ACT and on the Bass Strait Islands. We also retail natural gas to Victorian customers.

1. Introduction

The Paper raises several market and technical issues that are enormously complex to consider and assess. The AEMC has attempted to simplify this assessment by separating the Australian Energy Market Operator's (**AEMO**) rule change request into three core areas including:

1. Optimising the value of Consumer Energy Resources (**CER**) flexibility by examining opportunities for separately identifying and managing flexible CER.
2. Flexible trading of CER with multiple energy service providers at residential and/or commercial premises.
3. Opportunities to improve how energy use is measured for street lighting and other street furniture (such as park BBQs).

Moreover, the AEMC is also evaluating this rule change request in an environment where many other CER regulatory reforms are being assessed.

Some of these other reforms include:

- Integrating price-responsive resources into the National Electricity Market (**NEM**);
- Review of the regulatory framework for metering services;

- Review into CER technical standards;
- Consumer protections for future energy services;
- Development of interoperability policy;
- Review of the regulatory framework for flexible export limit implementation; and
- Network visibility for the market.

Unfortunately, the Paper appears to raise more questions than answers and this is largely due to the:

- Intricate interrelationships of many of these reforms (mentioned above) that may or may not progress;
- Unknown and largely untested capability of the new technology metering devices proposed for settlement metering and new/existing unmetered loads;
- Uncertain level of acceptance by consumers to allow their CER, to be included in any additional benefit realisation activities, other than for their core purpose;
- Variability of the limitations and controls that some CER original equipment manufacturers will place on CERs; and
- Uncertain causes of the monthly variability in unaccounted for energy since the NEM moved to global settlement.

Momentum is of the view that the NEM generally operates effectively and has readily provided for various CERs to be introduced, delivering benefits to customers and also improving the transition to renewable generation. While it is acknowledged that CER could deliver additional benefits to the market and consumers, this must be evaluated against the complexity, risks and cost to implement for these additional benefits to be created. We have a concern that AEMO maybe attempting to capture these uncertain additional benefits prematurely, in a rapidly evolving market and without a complete and thorough assessment of the risks and consequences to the current operation of the market.

2. Specific responses to questions raised in the Paper

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?*

Momentum is very supportive of detailed cost benefit assessments for regulatory changes as we believe they reflect good industry practice. We note Energeia's Benefit Analysis Load Flexibility from CER Methodology Report (provided with the Paper) and raise the following concerns:

- Many of the purported additional benefits of CER need to be carefully assessed, with a very conservative approach to minimise the risk of double counting and overestimation. This is particularly important for this transitioning market whereby a range of other reforms are being considered concurrently.
- It is our experience that small electricity customers have been reluctant to embrace new tariff offerings and new energy products as they prefer a low risk and price certainty approach to energy issues. This is likely to also be the case when additional benefit options for their CER are presented. We expect consumers will be reticent to be involved with any additional CER benefits that are not guaranteed and are not simple to achieve.

- Advocates of CER benefits have regularly commented about the opportunity that electric vehicles (**EVs**) present to the energy market with the support of the EV battery parked in the residential garage. These advocates believe the battery will provide a new resource to manage peak network evening loads and peak wholesale electricity loads. However, it is our understanding that some EV warranties will be void if the battery is used to export electricity to the grid. Also, the smart technologies built into some EVs will not allow vehicle-to-grid export of electricity as it could reduce the life and performance of the battery. While we understand that battery technologies may improve, we believe that a conservative approach should be taken when collating EV related CER benefits.

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?

Momentum supports the AEMC's initial position to **not** progress further with AEMO's specific FTM2 model for small customers. The FTM2 model provided for a private metering arrangement by installing a secondary settlement point behind the primary connection point and or the option for multiple retailers via the same connection point. This would allow customers or agents to switch controllable resources between connection points to enable arbitrage or to supply separate loads and resources. We agree with the reasons the AEMC discussed against this model, particularly the customer protection risks it presents.

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?

As mentioned in the Paper many large customers have already implemented, under the existing NEM market rules, separate arrangements for the management of their various energy resources from their retailer. Therefore, the value of introducing AEMO's FTM2 model for large customers is dependent on what market changes are contemplated and whether the costs of these changes to participants are justified or offset by other benefits.

Retail margins for large customers are very low and we are concerned with how network billing would be suitably split across multiple service providers. Coincident electricity loads and demands across multiple service providers would need to be accurately accounted for, together with suitable arrangements for fixed network charges. Alternatively, the introduction of new network tariffs, that account for multiple service providers may need to be considered. Retailers would also need to be convinced that multiple service providers are treated equally, and that competitive neutrality exists for all parties.

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?

Momentum believes that the use of new technology minor energy flow meters (**MEFMs**) for the measurement of street lighting and public furniture electricity loads is a separate issue and should not be included in this rule change consultation, as it unnecessarily confuses the core rule change

discussion. Whether MEFMs should be exempt from the minimum services specification, outlined in the National Electricity Rules schedule 7.5, is an issue to be considered by an industry technical/testing working group as they need to properly assess the accuracy, life expectancy, communications requirements, and functional fit for purpose use of this new technology. Once a MEFM technical assessment has been undertaken with positive results, a cost benefit analysis, covering the future use of MEFMs for the existing unmetered loads should be determined. It appears that AEMO via, the inclusion of this issue into the rule change, is attempting to accelerate the metering of unmetered loads to assist with the resolution of the unaccounted-for energy problems, that have recently been identified, under global settlement.

3. Summary

Momentum is of the view that it is too early to suitably estimate the additional load and benefits that CER may be able to deliver. We note the widespread concerns, under the current timelines, for the wholesale electricity market to provide reliable supply during the transition to renewable generation. Nevertheless, we should not attempt to second guess the many reforms proposed for the energy market prior to suitably delivering any additional CER benefits. CERs are already delivering their intended benefits and support to the market. The Paper is focused on the additional benefits of CER, that are somewhat uncertain and therefore we need to better understand these technologies and their integration with other regulatory reforms, before we contemplate new draft rules for the NEM.

Should you require any further information regarding this submission, please don't hesitate to contact me on 0478 401 097 or email randall.brown@momentum.com.au

Yours sincerely

[Signed]

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