Lisa Shrimpton

Australian Energy Market Commission

Submission made online at www.aemc.gov.au

14 September 2023

Dear Ms Shrimpton,

Subject: ERC0346 DIRECTIONS PAPER: NATIONAL ELECTRICITY AMENDMENT (UNLOCKING CER BENEFITS THROUGH FLEXIBLE TRADING) RULE 2023

SA Power Networks welcomes the opportunity to provide feedback in response to the above directions paper regarding AEMO's flexible trading rule change proposal.

We support innovation and customer choice and we share the vision of a future where electricity customers can easily access a broad range of retail products and other energy services that help them to create the most value from their flexible resources. Our feedback on the directions paper is as follows:

1. We support the AEMC's approach of separating AEMO's rule change proposal into three core areas for consideration, being:
    a. opportunities for separately identifying and managing flexible CER;
    b. flexible trading with multiple energy service providers at a customer premises; and
    c. opportunities for new metering arrangements for unmetered supplies like streetlights and street furniture.
2. We strongly support the AEMC's decision not to progress the proposal for flexible trading with multiple energy service providers for small customers
3. We consider that AEMO's proposed model for flexible trading has serious flaws and is likely to be problematic for large and/or commercial customers also
4. We see merit in pursuing opportunities for separately identifying and metering flexible CER, within the context of a single FRMP for the customer
5. We see merit in pursuing opportunities to enable metering for loads such as streetlights and street furniture that are currently un-metered, making use of the metering capabilities present in some of these devices or other suitable low-cost metering solutions.

These points are expanded further below.

1. **We support the AEMC's approach of separating AEMO's rule change proposal into three core areas for consideration**

While we consider that the proposed approach to flexible trading with multiple FRMPs at a customer premises is flawed, we see some merit in the other two aspects of the rule change proposal.

2. **We strongly support the AEMC's decision not to progress the proposal for flexible trading with multiple energy service providers for small customers**

As noted in our submission to the AEMC's previous Consultation Paper[1], our engagement with customers tells us that customers – in particular small customers – are struggling to navigate the choices they face in the existing electricity market, and are seeking to reduce complexity, not increase it. We support the AEMC's decision not to proceed with this aspect of the proposed rule change for small customers.

3. **We consider that AEMO's proposed model for flexible trading has serious flaws and is likely to be problematic for large and/or commercial customers also**

In our view the proposed 'FTM2' model has serious flaws, many of which were described in detail in the AEMC's earlier consultation paper. We discussed these in our previous submission[2], and we note that many other stakeholder submissions raised similar issues in opposing the rule change.

We will not repeat the detail of our previous feedback here, but our overarching concern is that the proposed model would lead to less efficient use both of customers' CER and of the shared network, by impeding the co-optimisation of resources behind the meter and by undermining the effectiveness of both cost-reflective network pricing and 'Dynamic Operating Envelopes'.

While we agree that large and commercial customers are better placed to manage the complexity of multiple trading relationships than small customers, simply restricting the rule change to large customers does not resolve these fundamental problems introduced by the FTM2 model.

We would recommend that the AEMC does not make a rule that locks the FTM2 model into the rules at this time, even for large customers. In our view the approach should be tested via small-scale trials and regulatory sandboxing before any such change to the rules is considered.

4. **We see merit in pursuing opportunities for separately identifying and metering flexible CER, within the context of a single FRMP for the customer**

The success of DNSP off-peak controlled load (OPCL) schemes shows that there is value in separating certain flexible resources (e.g. electric hot water) from regular loads, with separate metering and tariff arrangements. Today, this is generally achieved by the physical separation of these flexible loads on to a dedicated circuit with its own metering, and with a simple control regime based on switching the whole circuit on and off at certain times.

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[1] SA Power Neworks' submission to the AEMC Consultation Paper on flexible trading arrangements, February 2023, available at: [insert ref]

[2] Ibid

Some DNSPs also enrol individual customer loads such as air-conditioners and pool pumps into demand response schemes using direct-to-device communications via an AS 4755 Demand Response Enabling Device (DRED), typically using control signals delivered over the powerlines. In this case these resources aren't separately metered, so the customer receives some off-market reward (e.g. a bill credit) in return for the network benefit achieved by the DNSP's ability to manage these loads to keep them out of peak times.

Having the capability to separately meter and control individual flexible loads, rather than having all such loads physically wired to a common controlled-load circuit with a single metering point and a single point of control, would create opportunities to move to more sophisticated tariff arrangements, move beyond simple switching to finer-grained management using dynamic operating envelopes, and extend the benefits of traditional OPCL tariffs to a broader range of flexible resources. As with controlled load today, this need not require multiple NMIs nor multiple FRMPs.

As we noted in our previous submission we see considerable opportunity in this approach and hence we see merit in exploring changes to the rules around metering and sub-metering arrangements that could facilitate this, including taking advantage of the metering and control functions built into modern smart load devices such as EV chargers (including public EV charging stations where separate metering is required today).

5. We see merit in pursuing opportunities to enable metering for loads such as streetlights and street furniture that are currently un-metered

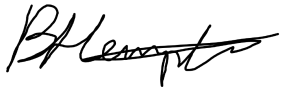
We see merit in changes to the rules that create a pathway to enable loads that are currently un-metered and hence settled based on approximate load profiles to be metered and settled on their true energy consumption, e.g. by changes to metering requirements that enable use of the metering capabilities built into devices like smart streetlights for market settlement.

That said, this should only occur where there is a reasonable expectation that the benefits, in terms of improved incentives to operate efficiency, reduced carbon emissions and reduced errors in the market settlement process, would outweigh any costs involved and/or that customers receiving the service were willing to pay the costs. There are several issues that would need to be considered in this regard, such as:

- we think it should be at the DNSP's discretion as to whether to offer a Minor Energy Flow Metering (MEFM) option for each kind of load that is currently unmetered, given that the demand for this service, and the benefit (compared to existing arrangements) relative to the cost and complexity, will likely vary considerably between different kinds of device;
- in the case of the transition from legacy halogen streetlights to smart LED streetlights, the specific incremental benefits of enabling metering would need to be carefully separated from the broader benefits of the transition to LED, which will account for the majority of the savings in costs and carbon emissions; and
- as noted by the AEMC, the framework would need to consider and clearly identify roles and responsibilities for unmetered loads that DNSPs currently provide data for but do not own.

We would support exploring this opportunity further through a rule change process that aims to develop a suitable MFEM framework. We consider that any such framework should allow for the DNSP to act in the roles of MC, MP and MDP for these applications as this will likely reduce complexity and increase efficiency.

We look forward to continuing to engage constructively with the AEMC, AEMO and other stakeholders to support efforts to transition to a more customer-centric electricity system. In the meantime, If the AEMC has any questions on any aspect of our response, please contact Bryn Williams, Network Strategy Manager, at bryn.williams@sapowernetworks.com.au.



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