

14 September 2023

Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Dear Anna Collyer,

Re: Unlocking CER benefits through flexible trading – directions paper

Simply Energy welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC) directions paper on the Australian Energy Market Operator's (AEMO) rule change request in relation to flexible trading arrangements.

Simply Energy is a leading energy retailer across Victoria, New South Wales, South Australia, Queensland and Western Australia. Simply Energy is owned by the ENGIE Group, one of the largest independent power producers in the world and a global leader in the transition to a zero-carbon economy. As a leading retailer focused on continual growth and development, Simply Energy supports the development of effective regulation to facilitate competition and positive consumer outcomes in the market.

Simply Energy provides its customers with access to innovative products that have a focus on distributed energy and consumer energy resources (CER), such as residential virtual power plants (VPPs) and electric vehicle (EV) charging. Simply Energy is also currently collaborating with several distribution network service providers (DNSPs) regarding opportunities for network-owned, retailer-leased, community batteries.

We are pleased that the AEMC is not progressing secondary FRMPs for small customer premises

Simply Energy is supportive of the AEMC's position to not progress AEMO's proposal for multiple service providers with sub-meters at small customer premises. As noted in our submission to the consultation paper, we consider there would be material implementation costs and unintended consequences of progressing with AEMO's rule change request in relation to small customers.

In addition to the technical and operational challenges of AEMO's proposal, we re-emphasise that it is not clear what market failure the rule change request is seeking to address. We are already seeing strong growth in consumers' take-up of CER, which is forecast to continue for the foreseeable future as the price of CER devices and EVs continue to fall, and the availability of these assets improve.

Simply Energy is not aware of any research that suggests consumers are not satisfied with the current opportunities to monetise their CER devices and that they seek the capability to contract with secondary parties to provide services on a sub-meter.

There is value in the AEMC further considering sub-meters with a single FRMP at a premises

Simply Energy supports the AEMC further consulting on the introduction of sub-metering arrangements as a separate question to the introduction of secondary FRMPs. As there is unlikely to be significant demand for sub-metering arrangements, any solution should have minimal system impacts and not result in costs that are incurred by customers that do not participate.

We encourage the AEMC to undertake a detailed cost-benefit analysis of its preferred option if this would result in a shift from the status quo. Simply Energy does not consider there is currently sufficient evidence to suggest that consumers are not satisfied with the opportunities to monetise their CER devices under existing market arrangements.

Flexible trading with multiple service providers should not be implemented for large customers

Similar to the points we have raised in relation to small customers, we are not aware of any evidence that there is a market failure that would be addressed by this rule change for large customers. The evidence of some large businesses establishing secondary connection points appears to suggest that the size of these customers means that these outcomes may be economically justifiable without the need for this reform.

It does not appear to be an efficient market outcome to incur the implementation costs of this reform when there is not strong support for reform from large energy users. Our understanding is that implementing the flexible trading model for one cohort of customers would mean that retailers would still need to incur the same system and IT costs that were a key reason the AEMC has decided to not progress this reform for small customers. For example, some of these costs would include:

- Updates to metering data functionality – differentiating metering data between the multiple FRMPs at a site will require development of this functionality and costs to be recovered from all participants and their large customers.
- Updates to MSATS – AEMO will need to update the MSATS system, which will require resources and costs from all participants to implement.
- Updates to billing systems – Relevant retailers will need to update their billing systems to interact with the flexible trading reforms, to ensure that energy that flows through the primary meter can be accurately allocated to any sub-meters at large customer sites.

In addition to direct costs of implementation, the retailer at the primary connection point would likely experience unpredictable variability of their large customer's load due to decisions made by the FRMP at a sub-meter (which may include the arrangement between the large customer and the secondary FRMP ending). A prudent retailer would hedge their risks of this variability on an ongoing basis, which would likely result in higher energy prices for all large energy consumers. In addition, we expect that the retailer at the primary connection point would incur ongoing costs due to receiving queries on billing issues that are caused by, or should be directed to, the FRMP at a sub-meter.

Concluding remarks

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at matthew.giampiccolo@simplyenergy.com.au.

Yours sincerely

A handwritten signature in black ink that reads "James Barton". The signature is written in a cursive, flowing style.

James Barton
General Manager, Regulation
Simply Energy