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26 April 2024

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

Dear Ms Collyer

Re: Unlocking CER benefits through flexible trading

The Australian Energy Regulator (AER) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft determination paper on Unlocking CER benefits through flexible trading.

AER is supportive of the proposed rule change

The AER supports the aim of the proposed rule change to promote choice for consumers to access more value from their consumer energy resources (CER), as set out in the *Draft Rule Determination: National Electricity Amendment (Unlocking CER benefits Through flexible trading) Rule; National Energy Retail Amendment (Unlocking CER benefits through flexible trading) Rule* (the Draft Rule Determination). The draft determination is to make more preferable draft electricity and retail rules (draft rules) for the unlocking CER benefits through flexible trading rule change.

As the National Electricity Market shifts to almost complete reliance on renewable generation over the coming decade, the sources of electricity generation will be more diverse and distributed. The Australian Energy Market Operator's 2023 Step Change scenario sets out the rapid and successful transformation of the energy sector being enabled by strong consumer appetite and willingness to invest in CER.¹ As set out in our final advice report to Energy Ministers for the Review of consumer protections for future energy services (final advice report), the AER similarly considers that the consumer take-up of CER will be pivotal to the continued evolution of the market and the realisation of potentially significant benefits that arise from the energy transformation.

¹ Australian Energy Market Operator, [2023 Inputs, Assumptions and Scenarios Report](#), July 2023.

We are broadly supportive of the direction the AEMC has taken in the Draft Rule Determination to seek to address these challenges and realise the broad potential of CER. In particular, the AER supports:

- the proposed new framework for flexible trading at large customer premises, instead of adopting the current embedded networks framework. As mentioned in our previous submissions relating to this proposed rule change, the AER considers that using the embedded networks framework as a means to obtain separate connection/settlement points could potentially limit consumer choice, inhibit fair competition within the energy market, and introduce further complexities in pricing structures and billing processes.
- the proposed arrangements for disconnection due to non-payment, which is expected to apply at both primary and secondary settlement points for small customers.
- the proposal to include disconnection protection provisions in the National Energy Retail Rules for life support customers at the secondary settlement point.

However, as outlined below, certain elements of the proposed rule change interact with two key AER guidelines and require further consideration. We hope to continue our constructive engagement with the AEMC to ensure these elements are addressed in final rule determination so that the interests of consumers are adequately protected.

Interaction with the AER Network Exemptions Guideline

As highlighted in the Draft Rule Determination, the proposed arrangements may interact with the AER Network Exemptions Guideline. This is because the AER Network Exemptions Guideline takes a broad view of what constitutes a transmission or distribution system but also allows for a range of deemed and registrable exemptions. As noted by the AEMC, there is scope for duplication if metering installations used as secondary settlement points are also subject to exemption conditions under the AER Network Exemptions Guideline. Therefore, the AER would welcome further engagement with the AEMC to ensure the interaction with the AER Network Exemption Guideline is clarified.

Potential changes required to the AER's billing guidelines

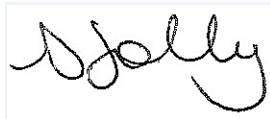
The Draft Rule Determination notes that small customers can establish a secondary settlement point with one financially responsible market participant (FRMP) at their premises. The AER has identified this change may necessitate potential changes to existing AER guidelines, such as the Better Bills Guideline. For example, amendments or clarifications to requirements under the guideline (such as the tiered approach to billing information or the calculation of better offer) may be needed to ensure that the introduction of secondary settlement points does not result in unnecessarily confusing energy bills for consumers. Any amendments would need to account for the variety of business models and plan structures that could be utilised under the new arrangements. We would like to continue discussions with the AEMC on the types of changes required to the Better Bills Guideline so that we are able to provide a timely update to industry participants of the scope of any potential changes to that guideline once the AEMC's final rule determination is published.

Lastly, we note that new energy products and services which are enabled by the introduction of secondary settlement points will likely not be covered by the same consumer protections as those provided to consumers of traditional energy retailers. As set out in our final advice report to Energy Ministers, this may give rise to risks and harms to consumers of new energy products and services. We support this being explored by officials as part of the broader CER work program. A robust consumer protection framework is required to give consumers the confidence to take up the new energy products and services, and to support the energy transition.

We thank the AEMC for the opportunity to provide our input on the Draft Rule Determination, and we welcome the opportunity to work closely with the AEMC for the remainder of the rule change process.

If you have any questions in relation to the submission, please contact Tammie Ko, at tammie.ko@aer.gov.au or on (07) 3052 1204.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Jolly', enclosed in a thin black rectangular border.

Stephanie Jolly
Executive General Manager
Consumers, Policy and Markets