

AEMC – DRAFT DETERMINATION: NATIONAL ELECTRICITY AMENDMENT (UNLOCKING CER BENEFITS THROUGH FLEXIBLE TRADING) RULE (ERC0346)

11 APRIL 2024

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to make a submission under AEMC's National Electricity Amendment (Unlocking CER benefits through flexible trading) Rule draft determination.

The EUAA sees benefits in creating consistency in the regulation of the services that are currently being supplied through third parties (such as FRMP's) with those that already exist for retailers.

The EUAA understands that Consumer Energy Resources (CER) refers to many different technologies that may be utilised differently with different price signals. These include behind the meter energy generation that may be directed to export, or equipment to reduce demand on a consumer's site.

The EUAA notes that the Energy Security Board (through its Consumer Energy Resources and the Transformation of the NEM - Critical priorities to support Transformation: A call to action, 2024) and AEMO's Electricity Statement of Opportunities (ESOO) 2023 both indicate that the coordination or orchestration of CER is extremely important for future system security and reliable operation of the NEM. This position is further supported by Energy Networks Australia's (ENA) Electricity Transformation roadmap that states that \$16 billion in network infrastructure investment would be avoided by CER/DER orchestration. Given these findings by different bodies, the EUAA would expect to see a simple structure for CER trading to encourage maximum participation, and that the case for implementation would include estimates of the benefit accruing to consumers, the owners of the CER.

We are pleased to see and support the following draft determination components:

- Voluntary participation for small and large consumers, including the ability for embedded networks to continue to utilise the Embedded Network Framework
- Allowing large consumers to establish a secondary settlement point and engage multiple Financially Responsible Market Participant's (FRMP) at their premises
- Relationships between FRMPs would be governed by existing regulatory and contractual arrangements
- DNSPs would be responsible for establishing and maintaining secondary NMIs

- Leverages existing subtractive settlement arrangements to minimise implementation costs, and
- Distribution network charges would be levied to the primary FRMP.

METERING

From a metering perspective, some of our members are disappointed that the draft determination requires for participants who integrate CER into the NEM to have a second settlement point, while other members agree with your draft determination for a secondary connection point. The main point of difference between these two groups is their ability to arbitrage between the two connection points (i.e. they have a 100% flexible load) versus those that have a less flexible load.

We find the draft determination's dual metering requirement unusual when compared to renewable energy facilities with co-located energy storage that have recently been allowed to have a single connection and settlement point rather than the previous dual connection and settlement points with net metering applied.

At its simplest, unlocking CER benefits into the NEM requires a measurement of load reduction and/or increased export. This is achievable through a single metering/settlement point and is already used with RERT and both retailer and distributor demand response mechanisms. The argument that this is not as accurate as having two meters is not supported by these other mechanisms that utilise a single meter.

We would like to see flexibility built into the final determination to provide consumers with the choice to maintain a single connection point for CER trading, where they have a lower level of flexibility.

We also note that existing embedded secondary meters are allowed to be used as secondary settlement points under the draft determination, and that the National Metering Act 1960 (NMA) has mandatory minimum requirements for the technical requirements of utility meters, which unfortunately makes many of the existing meters ineligible.

We are aware that the NMA requires that only approved meters are used for billing, and are encouraged that the Commission is engaging with the National Metering Institute to have the NMA updated to change the technical requirements on the secondary metering point to allow some of the existing meters to be used, and therefore enable more large energy consumers to participate in CER trading without the need for replacing meters that do not conform to the stringent NMA requirements for meters.

The EUAA recommends that the Commission, AEMO and the National Metering Institute need to be pragmatic in setting the standards for metering of CER, balancing metering market requirements (e.g. accuracy, secure data stream, accessibility and correct format) while balancing this against reduced installation costs by potential participants.

We believe that the additional cost of installing a new "eligible" meter where a suitable (but ineligible) meter already exist, or worse creating a secondary connection point with a DNSP supplied meter, will deter many large consumers from participating in CER trading. However, we do not wish to see meters approved that reduce the security or veracity of the NEM.

BENEFITS

We note that the Commission has used the cost-benefit analysis performed by Energia to justify the net positive outcome of CER trading. However, reviewing Energia's report uncovers that the annual net benefit is relatively small and that the benefit mostly accrues to the network, probably through the infrastructure cost savings that ENA identified.

We note that Energia's cost benefit analysis now contains costs to consumers and FRMPs, however does not model the benefits that accrue to consumers, either as additional reliability, system security or ability to derive a source of income from CER trading. We suggest that the Commission re-visit the modelling to include benefits that accrue to consumers; without which, large consumers will not invest in CER equipment or capability that appears to benefit third parties but not themselves.

EMBEDDED NETWORKS

We acknowledge that the draft determination does not require consumers currently using the embedded network framework to switch to the CER framework. The EUAA and its members see this as a positive. We also endorse the Commissions approach of allowing businesses operating from on-market daughter NMIs within embedded networks to participate in CER trading.

We understand the issues identified by AEMO around "uncontrolled energy settlement anomalies" will be resolved as part of the rule change allowing small generation aggregation and settlement behind the meter as well as development of a technical framework and policies to eliminate the settlement problems at the settlement point(s).

RELATIONSHIP TO VALUES OF CUSTOMER RELIABILITY (VCR) METHODOLOGY

We note that the AER is currently performing its VCR Methodology consultation to set the VCR for 2025 and 2030. In that consultation, AER measures the value based on "all-off" or "all-on", which is contrary to the Commissions draft determination that allows for differentiation of flexible and inflexible loads at individual premises. Having a VCR set high due to the AER's current assumptions may result in over-investment in customer reliability, at the expense of participation in CER trading. We recommend that the Commission engage with the VCR process with AER to ensure that CER trading is not undermined.

CONCLUDING REMARKS

The EUAA supports the development of rules to unlock the benefits of CER. However, the EUAA would encourage AEMO and the AEMC to consider approaches that are flexible, utilise existing infrastructure and processes, are not costly, are not complex and that result in minimal risk to the C&I participants e.g. RERT provides a no loss, no risk situation for C&I consumers with penalties only being as high as the RERT availability payment.

AEMC and AEMO need to consider that C&I electricity customers are focussed on producing a service or product and are not energy traders, and as such, have minimal ability to invest in discretionary additional energy infrastructure without a solid business case.

This business case could be supported by Commission modelling or case studies of likely benefits in trading CER, which is missing from the draft determination, or by being more flexible in the number of connection points.

The EUAA welcomes further discussions with us and our members around the issues raised in this submission.

Do not hesitate to be in contact should you have any questions.



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