Progressive Green PTY LTD T/A Flow Power
ABN 27 130 175 343

Unlocking CER benefits through flexible trading – draft determination

Flow Power submission

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About Flow Power

Flow Power is an electricity retailer that works with energy customers throughout the National Electricity Market (NEM). Together with our customers, Flow Power is committed to our vision of creating Australia's renewable future.

We empower customers to take meaningful action. By providing energy knowledge and innovative technology, we are delivering smarter ways to connect customers to clean energy to make our renewable future a reality. We provide our customers with:

- Engineering support, access to live data and transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- Hardware solutions that equip customers with greater information, visibility and control over energy use.
- Access to renewable energy, either through distributed solar and storage installed on site, or through a power purchase agreement with utility-scale wind and solar farms.

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a renewable future.

Overview of submission

The key points we would like to make regarding the Australian Energy Market Commission's (AEMC) draft determination are:

- **We support the adoption of flexible trading models for large energy users**. There will be opportunities to manage large, flexible loads separately from other loads that might be less controllable. This will create opportunities for dynamic price signals to be directed toward loads that are able to respond, lowering costs for those customers and providing reliability benefits to the power system.
- **The AEMC should explore other options for exposing the child national metering identifier (NMI) to network price signals.** In our submission to the directions paper we suggested an alternative model for separating the network charges for the child NMI. The AEMC has decided to implement a model where the network charges would be levied at the parent NMI instead. While we appreciate there are implementation challenges, this submission reiterates our concerns about the missing opportunities arising from this decision.

We've provided additional comments on the network charges aspect of the draft determination below.

Extending network charges to child NMI

The AEMC's draft determination allocates the network charges to the parent financially responsible market participant (FRMP), which was consistent with the original proposal from AEMO. The AEMC's rationale for their decision included:

- The existing ability for DNSPs to develop targeted tariffs.
- The costs of implementing billing systems that can separate charges between primary and secondary connection points.

The AEMC did not substantiate the expected costs for DNSPs. In addition, there was very little discussion in either DNSP submissions or the draft determination on the extent of these costs. While we recognise there are significant complexities associated with changes to systems for allocating bills across large numbers of customers, we consider this decision a missed opportunity. The underlying concept enabled by the flexible trading model is allowing for flexible assets to be separately metered to respond to different price signals. Price signals from the local DNSP are a large component of value that can be derived from flexible operation of various assets.

All Flow Power's customers are exposed to price signals from the wholesale electricity market and price signals from network tariffs. This gives them an incentive structure where they are rewarded for consuming electricity when spot prices are low and there is network availability. Being exposed to dynamic wholesale and network prices drives more price efficient use of electricity and rewards customers for more efficient utilisation of the network. Over the course of the energy transition, the incentives and the corresponding consumer actions will help drive a more efficient power system.

We support the extension of network prices to the child connection point because it would create the opportunity for flexible assets on a child connection point to respond directly to wholesale and network price signals, in turn leading to lower costs for the customer and more efficient utilisation of the power system.

Our concern with the AEMC's draft decision to only charge the parent FRMP network costs is that it obscures much of the value of flexibility. The AEMC suggests that much this can be managed indirectly. That is, through contracts and the involvement of the customer. However, we think this suboptimal. The appeal of having a retailer, aggregator or third party manage flexible assets is removing the complexity for the customer. If the optimisation of the flexible assets is done well, it would likely occur with minimal ongoing input from the customer. Relying on the customer to facilitate communication between the parent and child FRMPs would mean greater complexity, and a higher likelihood of miscommunication and mistakes. There will be times where the incentives between the child and parent FRMP are in conflict (such as conflicting FCAS and demand charges). This will create complex situations where it will be up to the customer to discern want happened. There are also network tariffs structures such as AusNet Services' critical peak demand (CPD) charge, where responding to network price signals require notification from the DNSP of a CPD event. This may result in situations where the child FRMP is unaware of a CPD event and consequently does not respond to this event consistent with reducing the customers costs.

Before the final determination, we think the AEMC should explore avenues for network charges being levied to the child connection point. In our submission to the directions paper, we suggested this could occur through the DNSPs subtractive the energy flows between meters. If the AEMC considers this cost-prohibitive, it could still explore other models where subtractive metering allows the DNSP to charge a tariff to the child NMI. Some other options include having AEMO determine the energy flows at the parent and the child NMI and providing this to the DNSP for their billing. We encourage the AEMC to consider alternative options prior to making its final determination.

If you have any queries about this submission, please contact me on (02) 9161 9068 or at Declan.Kelly@flowpower.com.au.

Yours sincerely,

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