AEMC

INFORMATION

Unlocking CER Benefits Through Flexible Trading Rule Change

The AEMC has made a final determination and final electricity and retail rules for the unlocking CER benefits through flexible trading rule change

The Australian Energy Market Commission (AEMC) has made more preferable electricity and retail rules for the Unlocking CER benefits through flexible trading rule change request submitted by the Australian Energy Market Operator (AEMO). The AEMO rule change proposal was developed as part of the Energy Security Board's (ESB) consumer energy resources (CER) implementation plan.

The Commission considers that this rule change is an important enabler in the context of the National CER Roadmap. These rules make a series of incremental changes that, alongside other reforms, will unlock substantial benefits for consumers and the system as a whole. The rules will enable three key arrangements:

- Large customers will be able to engage multiple energy service providers at their premises to manage and obtain more value from their CER.
- Energy service providers for small and large customers will be able to separate and manage 'flexible' CER from 'passive' loads in the energy market - leading to innovative products and services for consumers.
- Market participants will be able to use in-built measurement capability in technology such as electric vehicle (EV) chargers and streetlights - to enable innovative and essential products and services at a lower cost.

These arrangements will also provide a strong foundation for emerging and innovative CER products and services to be delivered and integrated into the National Electricity Market (NEM). Together, these arrangements will contribute to a more reliable, lower emissions, and lower-cost energy system for all consumers.

The final rules are a critical step to the successful integration of CER in the NEM

Australian households and businesses are embracing CER at a growing rate. More than three million households and businesses have solar panels and every second household is expected to have them by 2040. More than fifty thousand small-scale battery systems have been installed in the past seven years, and twenty-two million purchases of electric vehicles are expected to be made by 2050.

People are also using CER in the form of 'smart devices' such as hot water systems at home or at work, and controlling or programming their use to manage energy consumption through behaviours, timers and dedicated apps. Distributed energy resources (DER), such as neighbourhood batteries and Virtual Power Plants (VPPs) are also a growing part of the power system.

Government commitments to achieve net zero emissions by 2050 are accelerating this shift and CER and DER will play a critically important role in Australia's energy transformation, helping to reduce overall system costs, improve reliability and achieve a secure, low-emission energy supply for all. If these resources are integrated well, the power system will operate more smoothly, and consumers and industry will enjoy the benefits of cheaper supply.

A range of studies have estimated the net benefit of effective integration and coordination of CER to be between $1 billion and $6.3 billion by 2030-2040.[1]

[1] CSIRO and Baringa consulting, 2019; ARENA, NERA consulting, 2022.

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There are three core areas to the final determination and final rules

The final determination sets out how the more preferable rules would work and how they are different from the proposed rule change for the three core areas. These three areas are outlined below.

Creating an enduring framework for flexible trading with multiple energy service providers at large customers' premises

This rule change creates a new framework that enables large customers to engage multiple energy service providers at their premises. For these customers, such as manufacturers, other commercial operators, and hospitals, this means the ability to take up different product and service offers for their CER. For industry, it means consumer resources and load can better participate in the wholesale energy and ancillary services markets.

Currently, large customers can engage multiple energy service providers by using the embedded network framework or by establishing two connection points to the distribution network to obtain a second NMI. The Commission notes that the embedded network framework was not set up for this purpose.

These rules will provide a more appropriate and enduring framework in the NER for these activities. They remove the need for large customers and their agents (such as small resource aggregators) to use an embedded network and navigate the Network Exemptions Guideline, or obtain a second connection to the distribution network to get a second NMI.

While this framework will be voluntary, the Commission expects that by lowering barriers to entry compared to existing options and using existing market system arrangements, customers and agents will transition to and take up this framework. The AEMC notes that the AER is in the process of reviewing its Network Exemptions Guideline and recognises that the framework created by these rules is a more appropriate avenue for customers to obtain secondary NMIs and engage multiple service providers than the embedded network framework.

Further information, including consideration of stakeholder feedback, the market arrangements, technical requirements, and roles and responsibilities needed for this option are detailed in the final determination.

Creating opportunities to optimise CER flexibility for small customers (households and small businesses)

This rule change is an important first step in creating more options for consumers in households and small businesses to be able to use and manage flexible loads as they choose.

The final rules enable 'flexible' CER loads such as EV chargers and batteries to be separately metered and visible in the energy market from 'passive' consumer loads, such as lights and fridges. It also introduces more flexible metering arrangements to allow for the measurement and management of energy use at a lower cost. These arrangements will be voluntary.

Specifically, these rules enable:

- the establishment of secondary settlement points at a small customer premises, removing the need to establish a second physical connection to the distribution network
- in-built measurement capability in technology such as batteries and EV chargers to be used, removing the need to install a separate meter to the device.

For consumers in households and businesses, this will mean more products and service options that suit their needs and preferences and get the most value out of their CER. For energy service providers, this will make it easier to have visibility of CER and use these resources to participate in the wholesale market, such as through VPPs. This gives consumers the option to use their CER in the grid and be rewarded for it.

While the Commission is committed to pursuing reforms that encourage innovation, the Commission has determined not to progress the option of multiple Financially Responsible Market Participants (FRMPs) at small customer premises at this time. It considers that further work needs to be done on the National Energy Customer Framework to identify arrangements for future energy services that both protect consumers and enable innovation and competition.

These options would be voluntary and based on consumer choice. Further information, including consideration of stakeholder feedback, the market arrangements, technical requirements, and roles and responsibilities needed for this option are detailed in the final determination.

New meter types to enable measurement of energy flows using in-built technology

This rule change will allow market participants to use in-built measurement capability in technology such as EV chargers and streetlights to provide innovative and essential products and services at a lower cost.

It will do this by creating three new meter types with lower minimum specifications to enable technology such as EV chargers and streetlights with in-built measurement capability to be used for settlement and billing. By removing the need to install a separate meter to measure energy at devices, these more flexible metering arrangements will allow for the measurement and management of energy use at a lower cost.

The main features of the new meter types are:

- They will be voluntary to use.
- The meter types will have lower minimum specifications than type 4 meters.
- The in-built measurement capability in the technology will require National Measurement Institute approval.

More detail on these arrangements and stakeholder feedback on these arrangements are provided in the final determination.

We considered the costs and benefits of the proposed changes

The Commission's final determination and preferable rule changes have been informed by cost-benefit analysis conducted by Energeia, stakeholder feedback, and implementation considerations for market participants and AEMO.

Energeia's key findings in relation to rule change arrangements for small and large customers are:

- The system costs associated with this rule change are relatively small and for the benefits to match the associated implementation costs in the best case scenario, only 16 percent of CER devices need to participate at secondary settlement points.
- The rule change will deliver benefits to consumers who participate in CER flexibility primarily through avoided metering costs, noting that other benefits such as competition, innovation and certainty were not quantified.
- For consumers who do not have CER, this rule change could deliver benefits through lower wholesale and FCAS costs, as a result of CER devices participating in dispatch and by networks offering cost-reflective pricing.

Implementation timing

The majority of the rules will be implemented by **1 November 2026**. Arrangements related to in-built metering at primary connection points in technology such as streetlights and EV chargers will be implemented earlier, by **31 May 2026**, recognising the readiness of participants to take up the arrangements and alignment with AEMO's work plan.

The rules provide that AEMO's procedure changes must be finalised by 30 September 2025 and that the AER makes changes to relevant guidelines by 2 November 2026, to enable participants to be ready to proceed in accordance with these implementation dates.

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