



LO3 ENERGY

LO3 Energy
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08/02/18

Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney, NSW 2000

By email: www.aemc.gov.au

RE: REGULATORY SANDBOX ARRANGEMENTS TO SUPPORT PROOF OF CONCEPT TRIALS

Dear Owen,

LO3 Energy welcomes the opportunity to provide a submission in response to the Australian Energy Market Commission's (AEMC's) consultation paper, "Regulatory Sandbox Arrangements to Support Proof of Concept Trials."

LO3 Energy would strongly support the implementation of regulatory 'sandbox' arrangements.

We are a fast-growing company, headquartered in New York, with deep roots in energy, finance and technology. We are building a blockchain based Local Energy Market (LEM) platform to enable decentralised business models and innovative new energy products and services for consumers. The platform will have capability for peer to peer trading and aggregating resources (such as batteries) for demand response or dispatch into wholesale and ancillary services markets. It will provide consumers with an innovative new mechanism for engaging with energy markets, giving them greater opportunities for sourcing local renewable energy, lowering their energy purchase costs and supporting a more secure and reliable power system.

LO3 Energy has a number of 'proof of concept' trials in place around the world to test the LEM concept, including the Latrobe Valley Microgrid (LVM) project in Victoria.¹

In its ideal implementation, the LEM platform and the range of services it could potentially provide, would be marketed directly to consumers as a separate (non-core) energy service without the need for LO3 Energy to become a retailer, or to negotiate with each customer's retailer to provide the service. However, this is not possible under the existing market rules, as connection points where electricity is consumed must be managed by a retailer and only one retailer is allowed per connection point. In any case, even if these regulatory barriers were not in place, a wider implementation of an LEM type platform would not be possible without supporting changes to AEMO's wholesale market settlement processes.

¹ Details for the project can be accessed at <https://latrobevalley.energy/>



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Consequently, in order to fully test LO3 Energy's LEM platform model will require further investigating the concept of Multiple Trading Relationships (MTR) and the changes to market rules necessary to implement it. The concept of MTR was discussed at length in the AEMC's Reliability Frameworks Review Final Report 2018. Regulatory sandbox arrangements, ideally applied to LO3 Energy's LVM project in Victoria, would provide the ideal opportunity for testing the MTR concept.

Such arrangements would also allow other innovative changes to market rules to be tested in the LVM project. LO3 Energy is keen, for example, to explore the potential for different types of network tariffs for LEM participants. Network charges with a much larger fixed versus variable component would encourage trading in the LEM and improve the utilization of the network. The viability of an avoided transmission use of system (TUOS) rebate applied to local energy purchases in the LEM is something that could also potentially have net-system benefits. However, such innovative tariff designs would likely require changes to the market rules before they could be implemented. Network businesses are therefore reluctant to spend time investigating them.

For these reasons, we believe the concept of a regulatory sandbox has real merit. It would allow market participants to come together to explore, test and finetune innovative changes to the market rules in close collaboration with the key market bodies, the AEMC, AER and AEMO. This would expedite identification of regulatory barriers to innovative new business models and fast track the necessary reforms and rule changes required to support those business models, facilitating more competitive and diverse future energy markets.

We urge the AEMC to expedite the necessary rules changes for sandbox arrangements so they can be implemented as soon as possible.

If you have any questions please do not hesitate to give me a call on +61 439399943

Thank You,

ConVanKemenade

Con Van Kemenade
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LO3 Energy