

25 November 2021

Lisa Shrimpton

Senior Adviser

Lisa.Shrimpton@aemc.gov.au

Dear Lisa,

Re: Extension of time and reduction in scope of 2022 reliability standard and settings review rule change

Flow Power welcomes the opportunity to make a submission in response to the *Extension of time and reduction in scope of 2022 reliability standard and settings review rule change*.

Flow Power is an electricity retailer that works with business customers throughout the NEM. Our vision is to redefine how customers manage energy, putting them at the centre of the market and accelerating Australia's progression towards a net-zero future.

We empower our customers to take control of their energy usage, lower their bills and reduce their carbon footprint. We provide customers with:

- Transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- Hardware solutions that provide greater visibility and control over energy use.
- Access to renewable energy, either through distributed solar and storage installed on site, or through a virtual generation 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 net-zero carbon future.

Overview

We disagree that the function of reviewing the market price settings should be undertaken by the Energy Security Board (ESB). Rather, this function should remain with the Reliability Panel, and be undertaken in parallel to the ESB's consideration of a capacity mechanism. The key points we would like to make regarding the consultation paper are:

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- If the proposal is accepted it, it would weaken the NEM governance arrangements. There are guidelines set up to inform the Panel’s review that wouldn’t be applicable to the ESB. In addition, the ESB’s consultation on the post-2025 review was lacking. Numerous stakeholders suggested market design options to the ESB which were not explored, including considering the role of the market settings in supporting resource adequacy.
- The ESB has previously explicitly ruled out considering the price settings. In the post-2025 review, the ESB noted it felt the Reliability Panel was the appropriate body to review the market settings.
- If the ESB is convinced the energy-only market is insufficient to drive investment and a capacity mechanism is necessary, it should be comfortable to allow the Panel to review and recommend changes to the market settings, and develop the capacity mechanism as add-on to the market.

We’ve provided some additional comments on various aspects of the consultation paper below.

Existing governance arrangements are superior

The Reliability Panel is the most appropriate body to review the market settings and the reliability standard. The Panel has the expertise and experience with reviewing these settings in consultation with industry and consumer groups. The allocation of this function to the Panel is part of a clearly delineated governance framework where roles and responsibilities are clearly allocated, which provides stakeholders with clarity and confidence.

Conversely, shifting responsibility for reviewing the market settings to the ESB will weaken the governance framework. For instance, it is not clear how the ESB would be subject to the current principles and assessment framework that the Panel would use when undertaking its review of the market settings.¹ This would reduce transparency compared to the current arrangements. In addition, the consultation undertaken by the ESB was found to be lacking. The ESB received a large number of submissions, convened technical working groups and held forums. However, we did not see many of the issues raised through submissions or in forums factored into subsequent policy making decisions, making it unclear how the ESB had responded to or used stakeholder feedback.

Energy Security Board decided not to consider price settings

The Energy Security Board previously declined to consider the market settings in its post-2025 review. In its September consultation paper, the ESB said:²

“the ESB considers the current process whereby the Reliability Panel has responsibility to regularly review and (where relevant) recommend changes to the Reliability Standard and settings remains appropriate.”

The ESB had ample opportunity to consider the market settings in its post-2025 review but deferred the consideration of these market settings to the Reliability Panel and its review. As the ESB has already opted against considering the market settings in the context of resource adequacy, we think the role should be left to the Reliability Panel.

¹ NER cl 3.9.3A(e)(1).

² Energy Security Board, *Post 2025 market design consultation paper*, Sep 2020, p. 45.

Suggested alternative approach

The Panel's process of reviewing and recommending changes to the market settings has led to a market design that the ESB considers insufficient to drive necessary investment. In addition, the ESB has described the function of the capacity mechanism as a "price-adder", and suggested the energy only market will continue to "do the heavy lifting". Therefore, it follows that the Panel should be able to update the market settings in line with pre-existing process, and the ESB can design a capacity mechanism to recommend to ministers that would boost investment above the levels expected in the energy-only market design. For these reasons, we suggest:

- The Reliability Panel retain the function of reviewing and recommending changes to the market settings and reliability standard
- In parallel, the ESB can develop the design of the capacity mechanism that will act as add-on to the energy-only market.
- Both reviews can be conducted in parallel, and neither the Panel or the ESB needs to be beholden to one another.

The timing of the review may need to be extended. If it does, any consideration of an extension should be outlined alongside a proposed timeframe for the review of the settings and standard.

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

Yours sincerely,

Declan Kelly

Regulatory Policy Manager

Flow Power