

27 February 2023



Mr Benn Barr  
Chief Executive  
Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2000

Dear Mr Barr

### **ERC0346 – Unlocking CER benefits through flexible trading, Consultation paper**

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) in response to its *Consultation Paper on Unlocking CER Benefits through flexible trading* (the Consultation Paper).

This submission is provided by Energy Queensland, on behalf of its related entities, including:

- Distribution network service providers (DNSPs), Energex Limited and Ergon Energy Corporation Limited;
- A regional service delivery retailer, Ergon Energy Queensland Pty Ltd (EEQ); and
- Affiliated contestable business, Yurika Pty Ltd and its subsidiaries, including Yurika Metering.

Energy Queensland supports the transition of energy-related markets and new innovative supply models which are emerging across the energy sector. We acknowledge that over time, consumers may seek to access different models to satisfy their energy needs, of which flexible trading may be one such approach. The Flexible Trading Arrangements (FTA) model is currently a high-level concept proposed by the Energy Security Board, with the AEMC seeking stakeholder views on how such an arrangement could operate in practice. However, in order to fully appreciate the operational impacts and provide comments on the identified options in the Consultation Paper further detail is required. Notwithstanding, Energy Queensland makes the following high-level comments in response to the AEMC's Consultation Paper.

#### **1. The proposal represents a major reform to existing arrangements where the underlying need is yet to be confirmed.**

Consumers have access to virtual power plants, small generation aggregation, wholesale demand response and a variety of innovative tariff options, yet uptake of these products has been limited. In our retailer EEQ's experience, small customers, in particular, are hesitant to move from known to new tariffs and products without sufficient financial incentives. For example, installation of rooftop solar photovoltaics only increased once Governments developed supporting feed-in-tariff schemes that incentivised consumers. We therefore query whether the FTA model will deliver

financial or other incentives consumers require to maximise CER value and facilitate additional CER uptake.

As such, we recommend the AEMC undertake additional research with consumers, similar to the Australian Energy Regulator's (AER's) behavioural insights research it undertook in developing the Better Bills Guideline. The additional engagement with consumers should: —

- determine the extent to which they want FTA;
- determine whether they are willing to pay FTA establishment costs;
- the circumstances under which they are willing to hand-over responsibility for the operation of their CER to a third party; and
- the protections they require in adopting FTA.

Both consumers with and without CER installed (including those in hardship and in vulnerable circumstances) should be included to ensure impartiality.

In Energy Queensland's opinion, a rule change should only be progressed once additional insights are obtained that demonstrate and provide support for a FTA and its associated implementation costs.

## **2. The rule change proposal does not take into account consumer preferences.**

In EEQ's experience, consumers want simplicity in their energy supply in terms of tariffs and products. However, we are concerned that the FTA proposal will introduce complexity into the consumer/retailer relationship. We also anticipate that consumers who adopt FTA will be limited to those with the financial security, energy literacy and capacity to establish and participate in this supply arrangement, further expanding the divide between consumers who can afford to install CER and those who cannot.

## **3. The costs versus benefits of such a major reform should be sufficiently evaluated.**

While the Consultation Paper identifies the forecast range of value for consumers stemming from demand flexibility, there is very little detail on the benefits or implementation costs. Consistent with best practice regulation, a robust cost benefit analysis should be undertaken prior to settling an FTA policy, especially when consumers are reluctant to take up other innovative offerings whilst electricity/energy companies have been required to invest in expensive system changes to enable the reforms despite low uptake rates.

## **4. Costs and benefits will be uneven across the electricity sector.**

It is clear based on the options presented in the Consultation Paper that different participant types will have very different views on preferred FTA models, due to the disproportionate spread of costs participants will incur with respect to systems and processes changes and staff education. The costs, risks and mitigation opportunities for each participant type for each model must be explored by the AEMC ahead of any rule change.

Energy Queensland's retailer, EEQ is very much concerned about the erosion of the value that the primary financially responsible market party (FRMP) will endure where a

secondary FRMP is created. Retailers have long-acted in the best interests of their consumers, otherwise they risk the consumer churning. To protect load at the primary connection, the AEMC could expect artificially low retail offers for a short period to protect the consumer.

We also query how the Consumer Data Right (CDR) would be applied to situations where the FRMP at the secondary settlement point is not a retailer. The CDR allows consumers to require retailers and Australian Energy Market Operator to share the consumer's data with an accredited service provider such as a comparison site, to get more tailored, competitive services. Consequently it is not clear how the load at the second connection point will be captured under the FTA.

## **5. Preserving network signals to consumers or their FRMPs is critical.**

Introducing a secondary FRMP will add another layer of complexity in the interactions between the FRMPs and the DNSP, adding to the costs for each party. Regardless of the specific FTA model, the DNSP will have concerns about its lack of visibility of interactions behind the primary meter.

Energy Queensland is also concerned the proposed options would subvert the distribution network benefits of dynamic operating envelopes, and other tariffs that drive more efficient use of the distribution network by consumers such as, load control tariffs and new innovative tariffs with time-of-use energy and demand components. Pursuing what are perceived as maximum benefits from CER could result in more costly network investment than would otherwise be needed.

## **6. Safety.**

Energy Queensland is concerned the rule change proposal lacks clarity on safety and may increase safety risks. Operational control of the switch(es) at a consumer's premises which enable FTA will need to be clearly allocated. In addition, obligations on the relevant party must be documented such that all participants, including the consumers, at the relevant premises understands their obligations. Meeting site safety requirements under more complicated arrangements may increase costs which will be passed on to consumers.

## **7. Further investigation is required before such significant reform.**

Given the issues outlined above, Energy Queensland considers that the AEMC should undertake a robust cost benefit analysis to measure the benefits against the costs. In parallel, the AEMC should engage with consumers to test its assumptions prior to implementing an FTA framework. We also consider that the AEMC could work with new entrants and consumers to trial FTA under a sandbox approach.

Lastly, the Consultation Paper raises the issue of minor energy flow meters for streetlighting. We see value in pursuing reforms to enable smart streetlighting. However, this should be considered separately to FTA, because of the specific nature of streetlighting arrangements.

Should AEMC require additional information or wish to discuss any aspect of this submission, please contact either myself, or Andrew Bozin on 0436 447 814.

Yours sincerely

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