



# INFORMATION

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## Unlocking CER Benefits Through Flexible Trading Rule Change

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

The Australian Energy Market Commission (AEMC or Commission) has made a draft determination to make more preferable draft electricity and retail rules (draft rules) that create new arrangements for:

- large customers to choose multiple energy service providers for their premises,
- 'flexible' CER (e.g. rooftop solar, batteries, electric vehicle (EV)) to be separately metered and therefore identified and managed separately from other 'passive' consumer loads (e.g. lights, fridges) in the energy market, and
- in-built measurement capability in technology such as streetlights and EV chargers to be used instead of additional meters, which allow for the measurement and management of energy use at lower cost.

The draft determination is in response to the rule change request submitted by the Australian Energy Market Operator (AEMO) as part of Energy Security Board's (ESB) CER implementation plan.

The Commission considers the rule change to be a critical step within the broader CER reforms underway.<sup>1</sup> It will help consumers realise the most value from their customer energy resources (CER) and, in turn, contribute to a more reliable, lower emissions and lower cost energy system.

We are seeking feedback on our draft determination and more preferable draft rules by **11 April 2024**.<sup>2</sup> There are a variety of ways to provide feedback including from participating in workshops or bilateral meetings to providing formal submissions.

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

This rule change is critical to realising the broad potential of CER. It makes a series of relatively modest changes that will allow consumers or their service providers to manage CER in ways that provide the greatest benefit to the customer and to the energy system as a whole. The Commission considers the key benefits of the draft changes include:

- Supporting consumers to take up different products and services for their CER, which helps them to reduce consumption costs or improve the value they can get from their assets.
- Promoting innovation and competition by reducing regulatory and cost barriers for market participants to provide wholesale energy, ancillary services, and network services, and
- Supporting more CER integration by making it easier for CER to be identified and managed separately, which helps deliver reliability, security, and emissions reduction, and lowers costs for all consumers.

### We considered the costs and benefits of the proposed changes

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

<sup>1</sup> The Energy Security Board's (ESB) Consumer Energy Resources and the Transformation of the NEM report sets out key elements of the broader CER work plan.

<sup>2</sup> Submissions can be made through the Commission's website, [www.aemc.gov.au](http://www.aemc.gov.au), - "lodge a submission" under the "Contact Us" with the project reference code ERC 0346.

The cost and benefit analysis for the rule change found that the costs associated with implementation of the proposed rule changes would be relatively low - in part because it would leverage existing systems. We also assessed the impacts on consumers with and without CER.

Energeia's modelling indicates that there are net benefits for all customers if around 14 percent of AEMO's ISP forecast of flexible CER is integrated. This equates to approximately 157,000 additional devices in each year to 2043. We also found benefits flow to consumers who do and do not invest in CER.

The Commission considers that the rule is an essential step that will open up opportunities for innovation and competition and, along with other reforms to integrate CER, it will enable greater benefits for the power system and all consumers.

### **There are three core areas to the draft determination and draft rules**

The draft determination sets out how the more preferable draft 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 to allow flexible trading with multiple energy service providers at large customers' premises**

The Commission's draft determination is to create a new framework that enables large customers to engage multiple energy service providers at their premises. For consumers, flexible trading means taking up different product and service offers for their CER. For the industry, it means consumer resources can, if the customer agrees, be used in the wholesale energy and ancillary services market and for network services.

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 National Metering Identifier. This allows CER to participate in the wholesale market through a small generation aggregator. Some consumers also engage third-party aggregators to participate in VPP projects to participate in Frequency Control Ancillary Services (FCAS) markets.

The Commission notes that the embedded network framework was not set up for this purpose and that new draft rules provide a more enduring framework in the NER. That is, the draft rules remove the need for large customers and their agents to use embedded network to get a second NMI without a second connection to the distribution network.

The proposed framework would be voluntary, has lower barriers to entry than existing options, and leverages existing market system arrangements to minimise implementation costs.

#### **We are creating opportunities to optimise CER flexibility for small customers (households and small businesses)**

The Commission has made more preferable draft rules that would enable small customers (households and small businesses) with CER devices to separate passive and flexible loads and choose how they want to participate in the market (i.e. choose products for their flexible CER versus the rest of their home).

The draft rules will facilitate greater separation and visibility of flexible CER for consumers and market participants by enabling:

- the establishment of secondary settlement points without the need for a second physical connection to the distribution network.
- consumers to use assets with in-built measurement capability for settlement and billing purposes (e.g. using equipment inside an EV charger removes the need for a separate meter).

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 draft determination.

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

The Commission has developed a more preferable draft electricity rule that would create two new meter types with lower minimum specifications to enable technology with in-built measurement capability to be used for settlement and billing. These meter types would be voluntary and could be used for technology such as public lights, public EV chargers, and by households and businesses.

The Commission anticipates that these new arrangements would support the uptake of EV chargers for residential, small and large businesses, and public uses by removing the need to install a type 4 smart meter. It would also incentivise the uptake of smart devices for currently-unmetered loads, such as streetlights, and support innovation by being flexible enough to accommodate future technology and use cases.

The main features of the new meter types are:

- they would be voluntary to use
- they would have lower minimum specifications than type 4 meters and specifications would be determined in AEMO procedures, guided by principles in the NER, and
- the in-built measurement capability in the technology would require National Measurement Institute approval.

## **The AEMO rule change request**

AEMO in its rule change request:

- proposed a specific model (with a high level design) to enable consumers and the market to separate their flexible CER from their inflexible/passive loads (i.e., lights, fridges) and have them managed and recognised in the wholesale energy market settlement process if they choose to.
- proposed the rule change request as it considers the current national electricity rules (NER) and in particular, the metering arrangements, do not support consumers to easily access products and services which maximise the value of their CER.
- highlighted that the separate metering of CER - separate from inflexible or passive load (e.g., lights, fridges etc) - is a means to unlock more CER value for consumers and the market.

The proposed rule change request arose from the work and recommendations from the final advice of the Energy Security Board's (ESB) post-2025 market design. More information on AEMO rule change request can be found [here](#).

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