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Ben Davis
Australian Energy Market Commission
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Dear Ben

2020 Retail Energy Competition Review: Electric Vehicles

Thank you for the opportunity to provide feedback on the Electric Vehicles issues paper for the 2020 Retail Energy Competition Review.

Enel X works with commercial and industrial energy users to offer demand side capacity into wholesale capacity, energy and ancillary services markets worldwide, as well as to network businesses. We have held a Small Generation Aggregator (SGA) licence since 2011, and have developed a fleet of behind-the-meter generators that we operate under the SGA framework.

This submission responds to the AEMC's questions in relation to multiple trading relationships (MTRs).

The AEMC has noted that current arrangements, whereby a customer can only have a single financially responsible market participant (FRMP) at a connection point, may present a barrier to the ongoing development of the market. A single FRMP makes it more difficult for customers to engage multiple service providers for different controllable loads and/or distributed energy resources. As such, the AEMC has raised the possibility of reconsidering MTRs.

While the focus of the AEMC's Issues Paper is on residential and small businesses, these issues apply equally to large customers. Similarly, while the focus is on electric vehicles (EVs), similar opportunities apply to multiple types of energy assets and technologies such as battery storage, other types of flexible load such as air-conditioners, and distributed generation.

Would MTRs enable innovative services and products to develop?

Enel X agrees with the AEMC's findings in its Reliability Frameworks Review that introducing MTRs would provide a number of benefits, including:¹

- providing consumers with more choice to use energy when it is of value to them, and reducing consumption where the cost exceeds this value
- increasing the range of services available to be provided to, and by, consumers
- creating opportunities for more targeted and bespoke business models.

¹ AEMC, Reliability Frameworks Review, Final Report, 26 July 2018, pp151-152.

EV loads are highly flexible. This means they can be charged or discharged at different times to help support the grid and/or energy market. Customers can derive additional value from their EV by providing, and being paid for, storage and demand response services via their EV.

Unlocking this value requires specialist knowledge, skills and software in order to maximise value to customers and the grid while ensuring customers have access to their EV when they need it. This is quite a different proposition to supplying a site's normal load. As such, to enable innovative and valuable business models to emerge, the regulatory framework should support multiple service providers at a single site at a low cost and with minimal administrative burden or disruption to the customer.

The AEMC has already recognised the benefits that can flow from opening up markets to non-traditional suppliers. In its wholesale demand response mechanism, the AEMC's draft decision is to allow a new type of market participant, a demand response service provider, to offer a customer's flexible load into the wholesale market, without needing to be the FRMP or have a relationship with the retailer. Enel X strongly supports such amendments to the regulatory framework that will increase the range of services that customers can choose from and provide them with additional value.

How should MTRs be facilitated?

The Issues Paper suggests the SGA framework could be amended to implement MTRs, but does not provide detail on how this would work. Presumably it would involve establishing a second connection point to maintain the existing one-to-one relationship between the connection point, the National Meter Identifier (NMI) and the FRMP. We acknowledge there are costs associated with changing existing systems to accommodate new approaches, such as allowing multiple FRMPs at a single connection point. However, we consider that all options should be canvassed and the AEMC should not be limited by the existing rules and system constructs.

Enel X considers there are significant costs and complexities associated with establishing a second connection point, particularly at large customer sites. Establishing a separate connection point:

- requires dedicated wiring from the boundary to the device, which can be deep within the customer's site, creating additional costs associated with re-wiring;
- can be highly disruptive to the customer, as in many cases the supply to the whole site will need to be switched off;
- can be problematic where existing switchboards cannot accommodate a second meter and where jurisdictional wiring rules are overly prescriptive about where meters can be located;
- requires the involvement of the local network service provider; and
- will impose an additional, ongoing cost to customers as a result of incurring a second set of fixed network charges.

Partly due to the challenges and costs associated with creating a second primary connection point, Enel X sets up generation under our SGA license via an embedded network, where we can be the FRMP at the child connection point to which the generator is connected. The customer's retailer remains the FRMP at the parent connection point. While there are challenges associated with using this approach, it is more cost effective than setting up a second connection point. However, although this approach works for generators, we note there is no parallel for loads, limiting its application.

An alternative would be to develop an off-market contractual arrangement with the FRMP at the connection point (the retailer). However, this approach also has significant challenges, as retailers have very limited incentives to enter into such arrangements and there is no long term certainty as the retailer could change and the new retailer would have no obligation to continue the agreement. This means there is less incentive for a service provider to undertake the necessary investments, such as in metering, that are required to set up a site.

As recognised in the AEMC's Reliability Frameworks Review, many distributed energy resources and appliances, including EVs and air conditioners, have built-in meters. These cannot currently be used to provide metering data for the purposes of settlement. Amending the sub-metering arrangements to allow such features to be utilised would provide a low cost means to facilitate multiple service providers. We consider this is an avenue worth exploring, noting that this approach may require changes to jurisdictional wiring regulations or careful definition of such meters to ensure they are not unnecessarily captured under the more stringent requirements of these regulations.

Further, while it is important that metering is as accurate as possible, we question whether sub-meters (or downstream meters) require the same degree of metering accuracy or traceability standards as the primary (or upstream) meter. Any errors will only affect the allocation of energy between the upstream and downstream meters, with no impact on global settlement or on the amount of energy the customer pays for.²

If you would like to discuss any aspect of this submission, please do not hesitate to contact me. Enel X would be pleased to discuss any potential changes to the SGA framework or, more generally, to accommodate MTRs, as the AEMC's thinking develops.

Regards

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² In Great Britain, a code change proposal (P375 'Metering Behind the Boundary Point') currently under consideration would allow submetering of assets for balancing mechanism purposes. The proposed Asset Metering Code of Practice 11 (<https://www.elexon.co.uk/wp-content/uploads/2019/09/CoP11-Asset-Metering-for-use-in-Balancing-Services-Registration-Validation-v0.5-FINAL.docx>) allows fairly relaxed accuracy requirements for devices under a certain threshold (e.g. an error between -3.5% and +2.5% for devices less than 100kW), as well as not requiring them to have displays. The proposal would also allow DC metering.