

CER Taskforcecertaskforcecg@dcceew.gov.au

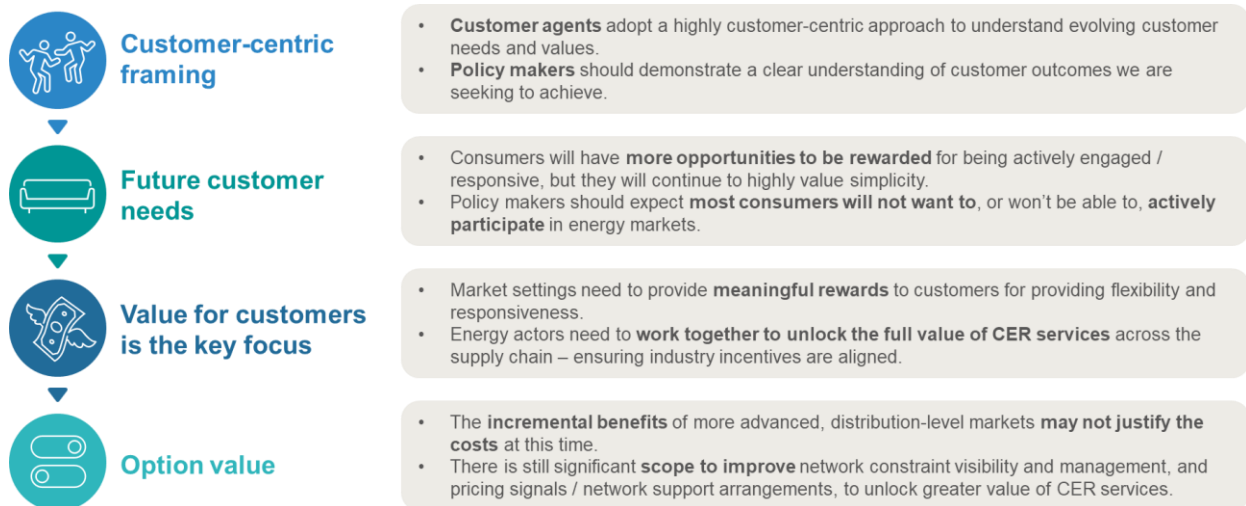
20 August 2025

Dear CER Taskforce,

Australian Energy Council submission to DCCEEW consultation paper: National Consumer Energy Resources Roadmap – Workstream M3/P5: Redefine roles for market and power system operations

The Australian Energy Council (AEC) welcomes the opportunity to make a submission in response to the Department of Climate Change, Energy, the Environment and Water (DCCEEW) to the National Consumer Energy Resources (CER) Roadmap's consultation paper on redefine roles for market and power system operations. The AEC acknowledges the significant amount of time and effort the working group has put into defining the roles and responsibilities and raising some very pertinent actions.

The attached submission provides a more detailed discussion of the issues. Here are the key themes:



Any questions about this submission should be addressed to Jo De Silva, General Manager Retail Policy by email to jo.desilva@energycouncil.com.au or by telephone on 03 9205 3100.

Yours sincerely,

*Jo De Silva***Jo De Silva**

General Manager Retail Policy

About the Australian Energy Council

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation which is a part of the transition currently occurring in the industry. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers. The AEC and its members are strong supporters of protections that provide appropriate support for all customers and the need to ensure regulation is fit for purpose in the evolving energy market.

**AEC submission to DCCEEW consultation paper: National Consumer Energy Resources
Roadmap – Workstream M3/P5: Redefine roles for market and power system operations**

AEC's key positions:

- It is important to take a customer-focused approach to CER coordination. Policy makers should seek to enable a competitive, customer-centric electricity market that drives innovation and customer choice, and delivers simple, clean and affordable energy services to meet consumer needs and preferences.
- Customer agents, including retailers, are best placed to act as the CER coordinators, optimisers and orchestrators and maximise the value of CER for customers. A key role of a distribution system operator is to provide a platform to promote innovative ways of utilising the grid by facilitating competition in adjacent markets or industries. Distribution businesses are best placed to perform this function. They can support improved outcome by leveraging existing infrastructure and/or improving network operations, and providing clear and consistent signals and incentives to actors such as customer agents to orchestrate CER in a way that improves network utilisation to the benefit of all system users.
- Making positive improvements within the current regulatory framework to support the development of off-market CER flexibility services should be the priority, rather than implementing a new distribution-level market. A distribution-level market is likely to introduce additional complexity for participants operating nationally, and the implementation costs are likely to outweigh benefits that would accrue to customers. It should not be assumed that most customers will become active participants in the future context.
- Effective incentives for CER flexibility services are needed if customer agents are going to unlock the full value of CER and benefits for all customers. DOEs and DNPs are important tools for retailers, and other customer agents, and should be consistently implemented across the market. We are concerned that distributors currently do not have the right incentives to consider whole-of-system benefits and adequately consider non-network solutions that could better integrate CER and unlock benefits for customers. We support the need for regulatory solutions.
- Collaboration across the supply-chain is essential to unlocking the full value of CER for all customers. AEC and its retailer members are committed to work collaboratively with networks and other stakeholders in delivering reforms and shaping the future energy market. This may be best achieved through an industry forum to explore options to better align incentives across the supply chain to maximise use of our existing infrastructure and CER services.

1. Context of this submission

CER is now a significant element of the electricity system with uptake expected to continue to grow into the future. The AEC's members have been providing CER-related products and services to CER customers for the past 15 years. Our retailer members have developed virtual power plants (VPPs), electric vehicle (EV) plans and bundled solar products and services in response to strong CER uptake and needing to maximise the value of CER.

Coordination and orchestration of CER can deliver significant benefits, as discussed in a number of reports and roadmaps published by DCCEE¹, AEMC², AEMO³ and ESB⁴. In order to realise these benefits and build a lower cost, more resilient and flexible electricity system, the industry must move from managing the impact of CER to leveraging CER capability across the market.

1.1. The AEC's Role of Retailer project

In 2024, the AEC developed its *CER Integration Strategy* to help its members navigate a constantly evolving market and regulatory landscape as CER uptake increases. The strategy was endorsed by Chief Executive Officers (CEOs) of AEC retail members at the March 2024 CEO Forum and has led to a series of projects focused on the future role of retailers in a high CER future.⁵ This *Role of Retailers* series has explored the actions and changes that retailers need to make, and support, to enable more effective CER integration. In consultation with our retailer members, the AEC has also explored how policy settings, market incentives, rules, regulations, products and services need to evolve to support all customers in a high CER future.

Our responses to this consultation paper are informed by our work and engagement on the future role of retailers.

1.2. CER coordination must be focused on customer outcomes

Coordinating CER involves managing, controlling and orchestrating the energy generation and consumption of a suite of energy assets over time. Coordination is not only essential to support operation and management of the power system but is also key to unlocking additional value for CER customers.

Customers with CER are central to the CER coordination (Figure 1). Understanding customer needs, values and behaviours is critical for retailers' success. It is important to think about people in the full context of their lives to broadly understand their motivations. A customer framework also helps retailers to identify how aggregators, distributors and other service providers in the supply chain can support them to achieve customer outcomes.

¹ DCCEE, 2024. *National Consumer Energy Resources Roadmap*.

² Energeia, 2025. *Benefit Analysis of Load-Flexibility from Consumer Energy Resources Final Report*.

³ AEMO, 2024. *2024 Integrated System Plan*.

⁴ ESB, 2024. *Consumer Energy Resources and the transformation of the NEM*.

⁵ AEC, 2024. <https://www.energycouncil.com.au/analysis/energy-retail-meeting-the-future-needs-of-energy-consumers/>

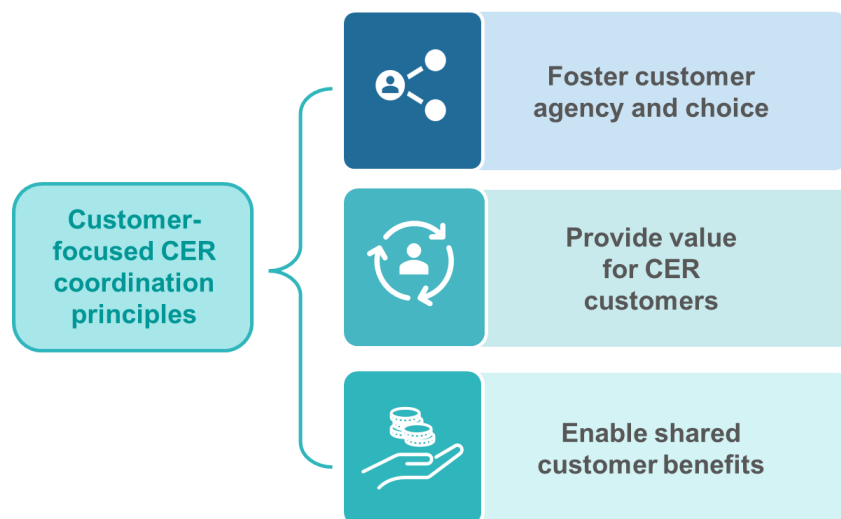
Figure 1: Customer needs and values⁶



As part of our *Role of Retailers* work, we have developed the following customer-focused principles to guide CER coordination activities in the market (Figure 2) that deliver wide ranging benefits across all customers.

Considering the high-level needs and values common to energy customers (Figure 1), customers with CER can be defined using our CER customer type framework (Figure 3). This framework considers customer motivation, ability and opportunity⁷ to engage in the energy market and groups customers by their level of engagement. Each of these CER customer types imply that customer agents will need to provide different services and products depending on a customer's state of engagement in the energy market.

Figure 2: Customer-focused CER coordination principles



⁶ The Energy Charter, 2024. <https://www.theenergycharter.com.au/wp-content/uploads/2024/11/BetterTogether-Customer-Led-Tariffs-Stage-1-Update-November-2024.pdf>

⁷ Based on customer factors and framework developed by ACIL Allen consulting for Energy Consumers Australia (ECA), as outlined in ECA's 2020 *Power Shift Final Report*. <https://energyconsumersaustralia.com.au/sites/default/files/wp-documents/Power-Shift-Final-Report-February-2020.pdf>

Figure 3: CER customer types



2. Customer agents have a key role to play in CER coordination

2.1. Customer agents are best placed to orchestrate CER – but they need supply chain support to maximise value for customers

Customer agents are best placed to coordinate and orchestrate CER as they have close relationships with customers and can help build confidence and trust in CER coordination services and products. They understand what works for individual customers, as well as being able to take a broader network view.

Customer agents, including retailers, have a significant role to play in supporting customers that want CER services (customer type 2). These customers include those willing to give some level of control to third-parties, in return for greater rewards and discounts on their energy bills, CER management support, and minimal direct engagement in the energy market.

Customer agents are well placed to design products and services that encourage passive customers (customer type 1) to increase their engagement in the market and transition to customer type 2.

Customer agents are also key in providing incentives, rewards and information for prosumers (customer type 3) to support them in their decision-making.

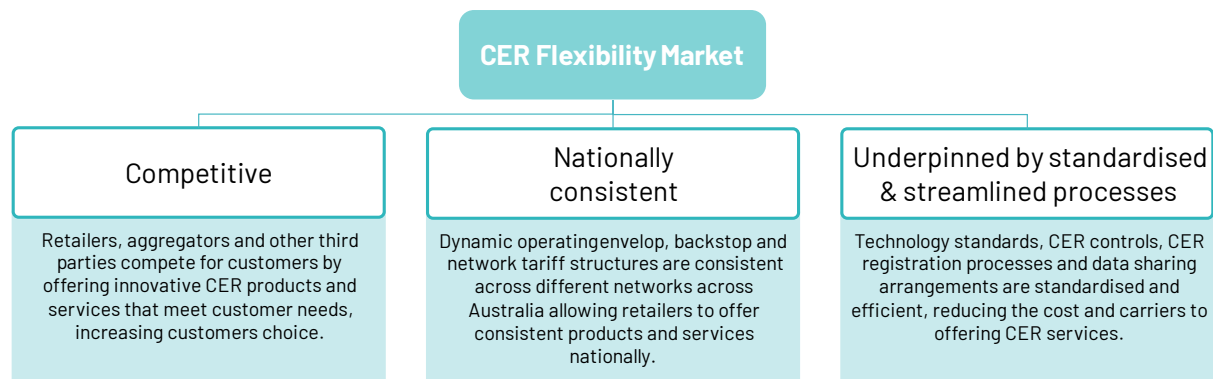
Markets, regulation, systems and processes need to be designed in a way that supports customer agents to delivery effective CER coordination services. The full value of CER can only be unlocked if the operating environment is fit-for-purpose and enables innovative and market-based solutions. To realise effective CER coordination at scale, policy makers need to take a nationally consistent approach to reforms and empower different market actors to collaborate in design and delivery (Figure 4).

2.2. Reforms need to take a customer-centric approach underpinned by competitive markets

As discussed above, CER coordination must be delivered in a customer-focused way – through designing products and services that meet customer needs and preferences, while also providing settings that motivate and enable customer participation if they choose to engage.

This will help to build and maintain social licence for the energy transition and specifically for the CER coordination and orchestration products, services and requirements that will need to be developed as CER uptake increases.

Figure 4: AEC's vision for the CER flexibility market



Strengthening competition and encouraging market-based solutions should be key objectives for governments. A competitive market in which customers have agency and choice in the CER coordination products and services they receive, would help meet customer needs and preferences (Figure 4). Customers with CER should benefit directly from CER coordination, while customers without CER should benefit from an overall reduction in power system costs. Customers value agency and want to choose the products and services that suit them. Competition leads to diversity in offerings, lower costs and choices for customer.

2.3. Retailers' role will remain largely the same, but the 'back of house' operation will evolve

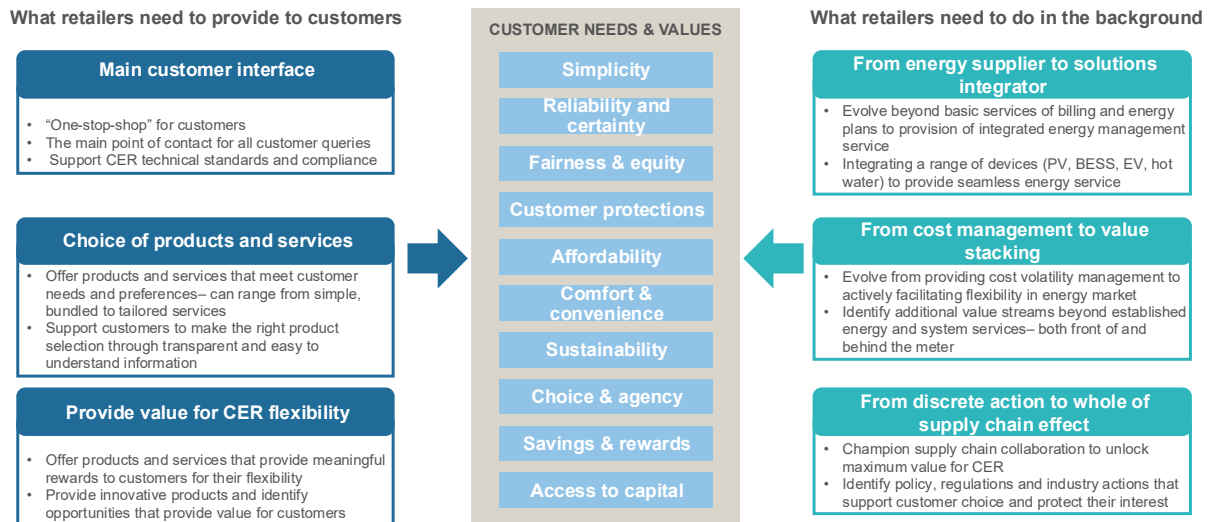
Retailers are well placed to act as customer agents and optimise the value of CER across energy markets. Retailers are already undertaking many of the activities needed to perform this role. However, many retailers will need to evolve their business models and 'back of house' operations to operate as flexible aggregators capable of orchestrating diverse energy resources (both in front and behind the meter), managing dynamic prices and delivering value to customers in an evolving energy ecosystem (Figure 5).

Retailers are experts at energy arbitrage in wholesale and FCAS markets and are responsible for purchasing electricity from the spot market to meet demand. Retailers already manage price volatility on behalf of their customers through hedging strategies, demand response programs, and innovative products that encourage customers to shift consumption to lower-cost periods.

Retailers also have existing relationships with customers and their CER. They understand how different CER assets can complement each other and leverage government schemes, such as solar and battery subsidies, to promote CER uptake.

Retailers are well placed to optimise CER and provide flexibility services to parties who value them the most. Retailers can provide value to customers by undertaking energy arbitrage in energy markets on behalf of customers. They can further optimise customer assets by directing CER to network support services where distribution network service providers provide visibility and markets for these services – including identifying where there are network constraints and signalling the value through network support agreements. Retailers can also use CER to respond to network pricing signals, however, the value to the customer and energy system varies depending on how 'sharp' the pricing signal is.

Figure 5: The role of retailers in enabling CER flexibility services as customer agents



Partnerships and collaboration are key to unlocking full value of CER for customers

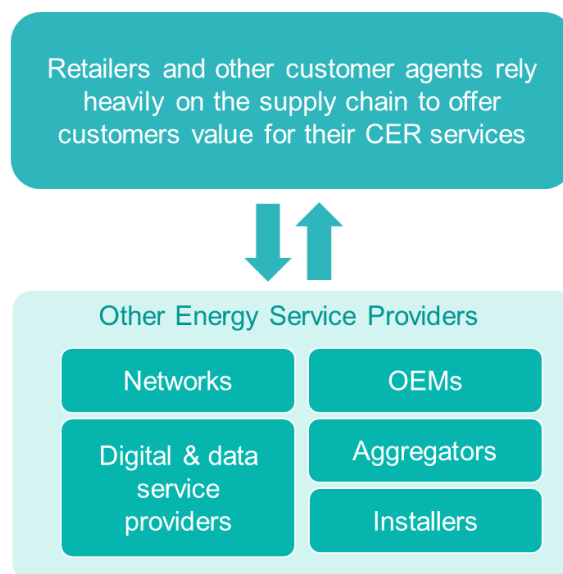
AEC and its retailer members are committed to work collaboratively with networks and other stakeholders in delivering reforms and shaping the future energy market.

Collaboration across the supply-chain (Figure 6) is essential to unlocking the full value of CER for all customers. Fostering collaboration and partnerships between different market actors would:

- Help to unlock the full value of CER – providing benefits for all customers
- Enable the development of innovative services and products – increasing customer choice
- Enable retailers to provide a one-stop-shop for customers – making it simple for customers

It is important for DCCEEW to facilitate a highly collaborative consultation process, to ensure that reforms and market design are fit-for-purpose and enable effective CER coordination.

Figure 6: Collaboration will help unlock the full value of CER



3. Roles, expectations and accountability

3.1. Capability framework

The capability framework is a good starting point for further industry consultation

The AEC acknowledges the CER Taskforce's effort in developing the capability framework – a significant amount of detailed work has gone into the mapping of roles and activities. As the definition of the use cases and the assignment of roles will have significant impact on industry actors' future responsibilities, more time and discussion is needed to explore the capability framework in more detail and develop preferred positions on activity definition and role allocation. It is also difficult to provide comments and responses to a large number of detailed functions within the confines of a consultation paper response.

We encourage the CER Taskforce to undertake additional consultation and/or workshops with the relevant actors to finalise the assignment of roles and the industry to process with industry. We also appreciate the opportunity to have bilateral discussions and dedicated workshops to discuss customer agents responsibilities with taskforce members as part of the additional consultation.

Our high-level views on roles and responsibilities

At a high-level, we consider that CER coordination should be customer-focused and be designed to align with the needs and values of customers (as discussed in Section 1.2 above). Retailers are well placed to perform the customer agent role as outlined in the consultation paper, performing activities including:

- Optimising, coordinating and orchestrating CER
- Rewarding customers for their CER flexibility
- Interacting directly with CER customers and their devices
- Building trust and confidence across customers, industry, and system operators to support innovation and secure system operation.

Retailers, as customer agents, should be the main market interface for energy customers and be empowered to develop and offer CER products and services that help customers unlock the full value of their CER, while supporting power system operation and reliability. As discussed in Section 4.1, not all customers will want their CER to be actively managed and coordinated by customer agents, however, innovative products and services that deliver value and convenience to customers could encourage greater participation.

3.2. Near-term actions to clarify roles: high-level comments

We agree with the near-term actions, but some are more urgent than others

As discussed in Section 1.2, CER coordination must be focused on customer outcomes. *Outcome 2: CER is orchestrated effectively to deliver value for consumers and the power system* is the 'ultimate' goal to be achieved. We see outcome 1 and outcome 3 as key enablers that support the achievement of outcome 2. While we agree that roles, expectations and accountabilities need to be clarified, formalised and standardised, we consider some of the proposed actions should take priority over others, especially given the significant amount of reform implementation that will occur in the near future.

We consider the following immediate priorities:

- **Device level data and information** – Access to quality and up-to-date device level data is a foundational element to effective CER orchestration for both customer and system benefits and

the development of innovative CER coordination products and services. While the DER Register provides a starting point, a significant amount of work needs to be done to update the information and regulatory changes are needed so that device-level CER information can be made available to actors that require them to orchestrate CER.

- **Data sharing arrangements for CER** – Effective CER orchestration and coordination between energy sector actors require efficient and secure data sharing arrangements. A robust data exchange, together with clear roles and responsibilities in relation to data origination, transfer and ingestion will support improved orchestration as well as compliance monitoring and enforcement.
- **Embed off-market mechanism.** Many Distribution Network Service Providers (DNSPs) have already established programs to develop and implement off market mechanisms such as dynamic operating envelopes (DOEs) and dynamic network prices (DNPs), although they are at different levels of maturity. We consider the CER Taskforce and the industry should focus on standardising arrangements for DOEs and DNPs first before creating new work programs to develop other forms of flexibility services.

In Section 3.3 below, we provide more detailed comments on some of the proposed actions identified in the consultation paper.

The CER Taskforce should take carriage of assigning roles and responsibilities and use collaborative forums such as ARENA’s Distributed Energy Integration Program (DEIP) to build industry alignment

In general, we consider the CER Taskforce is the best body to progress work on roles and responsibilities. We encourage the CER Taskforce to remain flexible and adapt to emerging circumstances in its approach to clarifying, formalising and standardising roles, so that as the market evolves, roles are progressively formalised instead of deciding all roles en masse.

The implementation of industry agreed roles and responsibilities may require a range of mechanisms – depending on the use cases and the instruments that are the most suitable for the circumstances. Regardless, we urge the CER Taskforce to utilise collaborative forums such as ARENA’s DEIP to build industry alignment prior to implementation. Collaboration across the supply-chain is essential to unlocking the full value of CER for all customers. The AEC and its members are committed to working collaboratively with other industry actors to deliver these CER reforms.

3.3. Further comments on areas of focus

Proposed action 1: Device level data

As discussed above, this outcome and related focus areas 1 and 2 should be prioritised. The availability of device-level and CER monitoring data is foundational to future market developments and the design of CER coordination services and products.

Unlocking the full value of CER depends on all parties having access to common, trusted and maintained CER datasets. Customer agents rely on access to CER data to value stack and develop innovative CER coordination products and services for customers.

Data sharing arrangements need to be streamlined and efficient if the off-market CER coordination services are going to be developed and offered to customers. Consistency in data formats, and collection, access and sharing processes is also important to reduce transactional costs for market actors and enable innovation in the off-market services space.

Data and information should be available in a central repository so that various market actors can access it. Customer agents, DNSPs, Distribution System Operator (DSO) and other parties should all have the ability to access the data and information, and the extent of access should be in relation to their role in the market. DNSPs may therefore not be the most appropriate actor to manage the repository unless there are clear rules around access, maintenance, management and control.

The CER Taskforce should focus on making foundational data accessible, then incrementally increase the types of data available to market actors. Some of the device level-data that should be prioritised for sharing include:

- CER standing data
- Status of market participation.

Proposed action 2: CER monitoring data

CER monitoring data provides DNSPs and customer agents visibility of the level of network capacity available. The information could also facilitate the request of network support services to relieve network congestion. While we support the collection of CER monitoring data, we do not believe that all CER devices need to be centrally visible. This would be expensive and any incremental gain to real time network operation is likely to be small.

While individual CER device-level data may be needed in areas of the network that are particularly constrained and require more active management, data collected from strategic locations of the distribution network and aggregated data from retailers and other customer agents may be sufficient for secure network operation.

Data that is gathered and used to inform network modelling should be shared with industry. This would help customer agents to understand the capacity available on the network and empower them to develop CER coordination services and products that maximise value for all customers.

We suggest convening a cross-industry data governance group to agree on the priority datasets that should be captured and available to the market and discuss standards. The existing DEIP could be leveraged to do this.

It should be noted that ensuring data availability is not the same as requiring customers to participate actively in the market. Decisions around what data is collected and how it is stored, maintained, updated and shared should continue to foster customer choice and agency and align with customer data rights and expectations.

Proposed action 3: Off-market mechanisms

Customer choice and robust incentives

Not all customers need to nor want to participate in CER coordination and orchestration activities. However, market structures and frameworks should be designed to incentivise customers to become more active. This, as opposed to mandating participation, will help build and maintain trust and social licence in the off-market services and products on offer. The majority of customer will want to maintain some control and agency over their CER and so participation will only be encouraged if incentives are available and the value CER customers can realise is high.

Effective incentives, both at the wholesale and network level, are needed to unlock the full value from CER. Retailers and other customer agents rely heavily on the supply chain to value stack and offer customers suitable rewards for their CER services. All actors, therefore, need to work together to

develop the right incentives for CER coordination that benefit both CER customers and the power system.

Flexibility services

Flexibility services are a form of non-network service. Non-network services have not been very successful in the past. Industry uplift in the use of tools, including DOEs and DNPs, is required to enable better CER coordination and the development of marketable CER coordination products and services. Enabling customer agents to develop consistent flexibility services across all network providers should be a priority. This can be done by taking a national approach to improving incentives for CER flexibility, improving CER registration processes, standardising approaches to DOEs and DNPs, and standardising CER control and data sharing requirements.

We caution against the somewhat linear and siloed approach to developing flexibility services. We suggest a collaborative approach between networks and customer agents to develop products that meet power system requirements, that are also marketable by customer agents and acceptable to customers.

Dynamic operating envelopes

DOEs are a useful tool in managing and operating a more dynamic power network with high CER penetration.

Having the ability to access up to date and accurate DOEs would allow customer agents to better manage and optimise CER. It would also provide information to assist with customer queries about their connections, bills and CER operation.

As a priority, DOEs should be consistently calculated and implemented across all DNSPs. Consistency will allow retailers and other customer agents to develop CER coordination products and services that meet customer needs. A consistent way of communicating and sharing DOEs across DNSPs is equally important and should also be a priority. We therefore support collaborative and cross industry effort to standardise calculation, implementation and communication of DOEs.

In defining and applying DOE, customer choice and agency should not be curtailed. Customers should have a choice in whether they operate within a DOE or not. Where a DOE is applied, it should be the customer agent's responsibility to manage CER within the DOE limits, not a DNSPs, and customers should have a choice in how actively they participate in the market.

Dynamic network prices

We agree that there is a need for DNPs as a tool to unlock value. However, DNPs should be designed for retailers and other customer agents rather than fully incorporated into all customer facing prices.

For the CER customers interested in having a third-party manage their CER, customer agents could use DNPs to optimise the use of CER and reward customers for their participation. For consumers choosing to directly manage their own CER, DNPs could be passed directly onto them.

In our view, the action here should be to educate customers and industry (i.e. installers) to build acceptance and social licence for DOEs and DNPs. Customer agents, networks, consumer representatives and governments should consider combined messaging and delivering 'roadshows' for industry to improve understanding and acceptance of DNPs.

CER assets need to be DOE/DNP ready, but this action should be considered under the CER Roadmap's technical workstreams.

Suggested exemption framework for retailers offering off-market products and services

The AEMC Pricing Review is currently exploring how pricing signals and retail products can evolve to better engage CER customers. As per our submission to the Pricing Review, we need a fit for purpose exemption framework for retailers offering products and services that fall outside the standard DMO/VDO constructs. For example, CER or subscription-based offers may be subject to rigid price comparison and contract disclosure obligations that were not designed for these models and disincentivises retailers from developing them. An automatic and established exemption framework could allow for regulatory flexibility, while maintaining core protections for customers.

Proposed action 4: Conformance and compliance for CER participating in off-market mechanism

We agree with the CER Taskforce that there needs to be clearly assigned conformance and monitoring roles and responsibilities for CER devices that have opted in to participate in off-market mechanism. Building a trusted monitoring and conformance framework could support greater uptake of off-market devices, and also provides actors such as DNSPs and AEMO to deploy off-market mechanism widely.

We urge the CER Taskforce have customer experience in mind when designing a conformance and monitoring framework. Conformance to dynamic signals are most crucial in critical events where it is imperative for CER to respond, but these events are likely to be infrequent. We also consider customer agent, installer and vendor education as important so that a consistent message on conformance is presented to customers who opt-in to off-market mechanisms.

We suggest the taskforce considers AEMO as a potential candidate to perform the conformance function as this leverages AEMO's existing market systems and processes, as well as AEMO's neutrality. We caution against assigning the responsibility to a DNSP or third party as there is risks of siloed data, partial visibility, and potential conflicts of interest when enforcing compliance across different network footprints. By contrast, AEMO is already set up to collect event logs, adjudicate dispatch shortfalls for example, and publish performance metrics.

Proposed action 5 and 6: using CER as part of system security

In a high CER world, many behind the meter assets, such as batteries, VPPs, demand response, will routinely follow commercial dispatch signals issued by retailers or aggregators to optimise customer value. At the same time, those same assets need to be available to deliver system security services, or for curtailment under emergency mechanisms. To support system security and management clear protocols are needed for when and how those competing instructions take precedence. Importantly, these protocols need to be consistently applied across all jurisdictions.

Retailer managed assets must be able to respond not only to commercial dispatch but also to emergency directions. Clearly delineating when and how AEMO or DNSPs can issue curtailment commands via retailer contracted assets will remove operational friction.

To implement this, a Guideline under the Reliability Panel should be developed and issued. This guideline should codify the process for emergency dispatch signals to retailers and aggregators, including lead times, default response windows and fallback arrangements. DCCEE should also consult on additional KPIs in the AER's annual performance audits of retailers, aggregators and DNSPs, with response requirements.

4. Distribution-level markets

- 4.1. It is unlikely that the incremental benefits of a distribution-level market outweigh the cost, complexity and challenges to implement it given the level of maturity of the energy market currently

Whilst we acknowledge that a market mechanism would be able to efficiently allocate the benefits of CER, we do not consider that a distribution-level market is appropriate given the current level of market development in Australia. A distribution-level market is likely to introduce additional complexity for participants operating nationally, and the implementation costs are likely to outweigh benefits that would accrue to customers.





The benefits of a distribution-level market rely on many more ‘active’ customers, but that may be unrealistic

The benefits delivered by a distribution-level market as outlined in the Consultation Paper seem to be underpinned by an assumption that a large portion of CER will be ‘active’ in the market.

The future energy market will provide consumers more opportunities to be rewarded for being actively engaged and responsive, and to make CER investments – with exciting new market and technology developments. Yet, we expect consumers will continue to highly value simplicity. It is reasonable to expect many consumers will not want to, or won’t be able to, actively participate in energy markets. Financial benefits, trust, complexity, risk, control and effort will still be important factors impacting consumer decisions.

As part of our *Role of Retailer* initiative, we have identified three broad customer segments with different needs, values and motivations, as outlined in Figure 7. We suggest the majority of customers (60%) will prefer to ‘keep it simple’ in a future market context, and only a minority will seek to more actively engage in energy markets and create direct relationships with third party competitors.

Figure 7: The needs and values of different CER customer types

	1. Passive	2. CER Service	3. Prosumers
	Limited customer engagement in market	Retailer supports customers by coordinating their CER	Customers self-manage and source CER
 VALUES	Simplicity, reliability, certainty, comfort, convenience, safety, privacy, fairness, equity, environmental sustainability	PASSIVE + Choice, control, reduced costs / rewards	PASSIVE + Choice, control, agency, reduced costs / rewards
 COST NEEDS	Affordability, reduced bills, certainty, no surprises	PASSIVE + Savings, rewards, access to capital intensive CER	PASSIVE + maximised savings, rewards, access to capital intensive CER
 SERVICE NEEDS	Energy as an essential service, on-demand, flat / stable prices	Energy manager/partner, dynamic prices	Energy concierge, network / wholesale market cost pass through
 COMMS NEEDS	Clear communications, billing information and customer rights	PASSIVE + information on energy services and value of increased engagement	PASSIVE + Education on energy services and value of increased engagement

For example, the 2024 Energy Consumer Sentiment Survey, commissioned by Energy Consumers Australia,⁸ finds that most respondents preferred a free, easy, general service to help them with their energy needs rather than recommendations specific to their circumstances or engaging a third-party to manage their energy services or products. Their report also outlined that consumer confidence is falling alongside customer perceived value for money of electricity and gas, and much needs to be done to empower customers and restore confidence that the market is working in their interests. The ARENA funded *Virtual Power Plant Demonstrations Consumer Insights Report*⁹ notes that as uptake increases, less engaged consumers will be harder to reach and will continue to need validation on the benefits of their involvement.

We observe there is increased recognition among governments and the market bodies of the need to support the choice of most customers to not actively engage in energy markets. That is a good thing. Future energy market system design should accommodate these preferences.

Nevertheless, we know there is significant system-wide benefits (to the tune of billions of dollars) that can be unlocked if we can convince customers to choose to become active participants. Customer needs, values and behaviours can change over time as life circumstances and external factors influence their level of engagement with the energy market. As the primary energy interface with consumers, customer agents including retailers, are in a unique position to support customers throughout their energy journeys. Retailers seek to influence customer decisions and their level of engagement in the energy market – including encouraging customers to take up innovative products and services. The more value we can offer customers, the better.

The costs and complexity of creating distribution-level energy markets should not be underestimated

Creating a separate distribution-level wholesale energy market is unlikely to be justified in the short-term. It would involve significant implementation costs and add complexity for participants engaging across multiple markets and regions – leading to increased barriers to competition.

This is consistent with the views expressed by the National Electricity Market wholesale market settings review. In its August 2025 Draft Report, the Panel states (p. 78):¹⁰

The NEM is already evolving to integrate CER within the existing market framework and that work on developing separate distribution-level wholesale markets would divert resources away from this. Rather than pursuing structural redesign, the Panel has focused on accelerating this evolution through targeted reforms that enable CER to participate more fully and efficiently.

We consider policy-makers should focus on accelerating targeted reforms and addressing ‘lower-hanging fruit’ to enable more efficient participation of CER. This includes improving CER visibility, enhancing data sharing capabilities, and improving the involvement of distribution-level energy resources in regional markets, with DOEs and DNPs used to manage local constraints.

4.2. Off-market mechanisms can deliver significant benefits

We note that the Consultation Paper raises that off-market mechanisms will be required even if real-time market arrangements are introduced. Our view is that off-market mechanisms are likely to do much of the ‘heavy lifting’, as such, off-market mechanisms should be leveraged first, building and

⁸ <https://energyconsumersaustralia.com.au/sites/default/files/wp-documents/ecss-jun24-topline-results-report.pdf>

⁹ <https://arena.gov.au/assets/2021/09/vpp-power-plant-demonstrations-consumer-insights-report.pdf>

¹⁰ See: [National Electricity Market wholesale market settings review](#) (accessed 19 August 2025)

expanding upon current initiatives such as DOEs and DNPs. The implementation of these would convey a clearer picture on the incremental benefits of a distribution-level market.

As long as the right incentives are in place and supported by substantial investment to enable more sophisticated mechanisms, we believe that off-market services have the ability to deliver significant value to the network. CER, if orchestrated effectively, efficiently and in-real time, could manage congestion and support system security, and drive lower prices for customers.

Therefore, our preference is to prioritise investment and focus efforts towards enhancing these services in the near future. This is particularly pertinent given that the participation of CER in an ‘active’ market remains unclear, and we don’t necessarily need a large portion of CER customers to actively participate in the market. Design B & C which involve significant change to current arrangements are likely overengineered at this stage.

The actions recommended in Chapter 3 of this Consultation Paper are all enablers to a potential future distribution-level market. However, we don’t need to decide now, especially when there are numerous reforms underway which will set the foundations for the success of a potential distribution-level market. Key improvements required to unlock the full value of CER for customers include:

- Improve incentives for CER flexibility services
- Improved data sharing, collection and validation arrangements
- Improved visibility and accessibility of CER Data for customer agents and other market actors
- Uplift in partnerships and collaboration across the energy sector

We are not necessarily set against distribution-level markets in the future, rather, there are many other avenues to explore before this level of change should be contemplated as it represents a significant departure from current arrangements. We suggest re-evaluating the need for a distribution-level market when the foundations for CER integration and many of the challenges experienced today are addressed.

5. Distribution system operators

5.1. Distribution network service providers can undertake the role of the DSO, following reforms to align industry incentives

In the Australian context, we consider DNSPs are likely the actor that is best placed to perform the role of the DSO. However, there is a high-risk that the network incentive issues identified by the CER Taskforce would undermine any DSO model.

At a high level, we do not consider the independent DSO (i-DSO) and/or the Coordination and Facilitation Body (CFB) would deliver better consumer outcomes. Creating additional actors and clarifying their roles and responsibilities would require a significant amount of time and effort by all industry actors. There is a risk that the new organisations may no longer be fit for the purpose they were originally intended for by the time they are fully implemented.

We consider there are several actions industry could take to address the issues the CER Taskforce has identified in its consultation paper, as outlined in the sections below.

5.2. Leverage existing forums and mechanisms to improve consistency across distribution networks

The AEC and its retailer members agree with the CER Taskforce that different operating protocols, procedures and practices across DNSPs increase transaction costs for customer agents that work across jurisdictional boundaries.

However, we do not consider there is a need for a uniform approach across all aspects of DNSP operations in order to unlock CER value. The immediate focus should be on key processes that enable customer agents to orchestrate CER – such as those identified in Chapter 3 of the consultation paper.

CFB is not the solution

We do not consider the CFB provides an efficient solution to address the issue of consistency. As identified in the consultation paper, the CFB could have overlapping functions with the AER and CER technical regulator. There is a risk that attempts to delineate responsibilities between different bodies would result in an extended processes where action to implement ‘consistency requirements’ have to pass through each regulatory body in an iterative fashion.

ARENA’s Distributed Energy Integration Program provides a ready-made solution

Instead, we suggest the CER Taskforce and the electricity industry as a whole consider using existing industry forums, such as ARENA’s DEIP, to progress the implementation of key processes. Mechanisms such as DEIP provide a flexible and collaborative platform that enables industry actors to come together to identify solutions to specific issues. DEIP forums – such as the Interoperability Steering Committee, and previous Dynamic Operating Envelopes and CER Access and Pricing working groups – have demonstrated that well facilitated workstreams where industry participants jointly define a problem statement are able to build industry alignment on solutions that address complex and challenging CER integration issues.

Industry bodies can play a greater role to facilitate national consistency

Industry bodies such as the AEC and Energy Networks Australia (ENA) can also play an important role in facilitating national consistencies. The role of peak organisations has evolved from coordinating consistent member responses on key industry issues to facilitating cooperation across the industry supply chain. Over the past 12 months, AEC and ENA have been holding joint workshops with their members to identify practical steps that would lead to better CER integration. For example, our members have unanimously agreed to identify ways that would enable improved orchestration of domestic hot water that could lead to lower hot water heating costs for customers. ENA and AEC members have agreed on the industry and customer outcomes of this initiative and are now working together to identify aspects of their operational interactions that can be standardised across Australia.

We firmly believe that forums such as DEIP and peak body collaboration can best deliver improved outcomes without creating additional regulatory bodies like the CFB.

5.3. Aligning network incentives and promoting a whole-of-system perspective

The potential of a DSO to unlock value is undermined by a preference to adopt network solutions

We consider a key role of a DSO is to provide a platform to promote innovative ways of utilising the grid by facilitating competition in adjacent markets or industries. DNSPs can support this outcome by leveraging existing infrastructure and/or improving network operations and providing clear and

consistent signals and incentives to actors such as customer agents to orchestrate CER in a way that improves network utilisation to the benefit of all system users.

Although we acknowledge that DNSPs are best placed to undertake the role of a DSO, we are concerned that DNSPs currently do not have the right incentives to consider whole-of-system benefits and adequately consider non-network solutions that could better integrate CER and unlock benefits for customers. The governance reform options identified by the CER Taskforce of creating an i-DSO and regulatory/accounting separation are not likely to address DNSPs' potential preference for network options.

A DNSP's preference for network solutions will undermine its incentive to enable meaningful rewards for customers who provide flexibility and responsiveness, regardless of the governance of the DSO. There is significant evidence of misaligned network incentives. Modelling and analysis previously conducted by the AEMC showed that the regulatory framework creates a systematic bias in favour of capex when the expected cost of capital is lower than the regulated cost of capital, and such misalignment of incentives is due largely to the separate assessment and remuneration of operating and capital expenditure (capex).¹¹ Potential cultural barriers within network businesses has also been highlighted as a key concern, both in Australia and overseas. It is noted the AEMC has raised concerns about the effectiveness of the Demand Management Incentive Scheme (DMIS), as one of only a few current regulatory mechanisms to offset network investment incentives. The AEMC previously found that providing payments for networks through the DMIS, with no downside risk, promotes a 'cost of service mentality' – negatively impacting dynamic efficiency and potentially hindering the market transition.¹²

Regulatory reforms under the current framework are a pragmatic way to address misaligned incentives

Therefore, we support the need for regulatory solutions (option 4). A reform program should be established to ensure underlying network incentives within the current regulatory framework are aligned with the intended DSO objectives. This is a no-regrets option that takes practical steps towards promoting CER orchestration by customer agents, so existing network capacity will be allocated to its highest value use for CER services. The AEMC's previous review of incentive issues found there was limited stakeholder support for moving to alternative models. Before re-initiating a formal government / market body consultation process, the ARENA DEIP forum may be used to promote industry collaboration to explore the network incentive issues and identify solution options. Retailers are committed to cooperating and working collaboratively with networks and other stakeholders to support delivery of these critical reforms.

¹¹ AEMC, Economic Regulatory Framework Review: Integrating distributed energy resources for the grid of the future, Final report, September 2019, p. 64.

¹² AEMC, Demand management incentive scheme and innovation allowance for TNSPs rule change, Final determination, December 2019, p. 12.