

11 April 2024

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Submitted at: aemc@aemc.gov.au

ERC 0346

Dear Ms Schulz,

Draft Rule Determination – Unlocking CER benefits through flexible trading.

The Australian Energy Council (AEC) welcomes the opportunity to respond to Draft Rule Determination - Unlocking CER benefits through flexible trading (the Draft).

The Australian Energy Council (AEC) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. Our members collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to millions of homes and businesses, and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 percent emissions reduction target by 2035 and is part of the Australian Climate Roundtable promoting climate ambition.

Issues remaining with Draft.

The Australian Energy Council has advocated for the efficient, scalable integration of CER that delivers real benefits that customers can see. We acknowledge that following the consultation that the AEMC Draft lands some distance from the original AEMO proposal and this is positive, as the original proposal was more about solving AEMO's concerns than any market problem directly impacting CER owners or preventing CER owners from creating real value from their CER assets. Nonetheless we remain convinced that the costs from the Drafts implementation will outweigh the benefits; and are mindful that these costs are ultimately borne by all consumers.

In the Draft five areas of key concern to us remain:

1. **Credit Risk:** The credit risks imposed on primary FRMPs as they are responsible for levying all network tariffs, and the possibility (indeed likelihood) that the secondary FRMP will transfer spot market risks to the primary FRMP remains.
2. **Relationships:** The Draft suggests MDPs test and inspect devices they don't own, such as EV chargers. Interfering with these devices can void a manufacturer's warranty. Is the assumption that the manufacturer be the MDP? We note that these are assets that have been purchased by the customer and the customer has sovereignty over them.
3. **Device Access:** The Draft implies that access is not a problem, but close to 100% of these devices may be difficult to access. This physical access issue means Metering Providers will incur high costs because all sites will require appointments. Broadly we anticipate that the cost to serve for these sites will be higher than existing Types 1-4 metering. These costs will be passed on to the customer via the retailer.
4. **Data integrity:** The AEMC note that access to real-time energy data and interoperability are a critical part of this transition and will require further consideration. Any Retailer appointed MDP will have to get access to real-time energy and operational data – presumably via the internet to access the manufacturer's website, and then to the MDP. The MDP may have

no control over the integrity of that data in these arrangements and we are concerned that current rules would apply in this case if data were to be used “on market”. Compliance costs for these customers is not likely to be low, because of the challenges faced by the MPs that they will need to overcome to meet their obligations, which we understand are expected to remain largely the same. This will be especially true if the MP is not aligned with the CER device vendor.

5. Implementation date: The Draft has proposed February 2026 as the implementation date. At workshops convened by AEMO on the Draft and its implementation on Friday 5 April, both AEMO and DNSPs stated that the proposed implementation timeframes are way too tight. AEMO suggested that May 2026 was the earliest possible date, assuming everything goes right. DNSP comment regarded even May 2026 as unachievable.

In the first instance we would urge the AEMC to ensure a reduction in risks from the Draft to FRMPs by making amendments to the Draft to:

- Prohibit the retrospective activation and deactivation of secondary NMIs.
- Prohibit secondary FRMPs from deactivating and then re-activating a secondary NMI to manage spot price risk, and;
- Prohibit secondary FRMPs from deactivating a NMI during a Retailer Reliability Obligation T-1 gap period.
- Amend the Draft implementation date to a post May 2026 start.

Please contact the undersigned at David.Markham@energycouncil.com.au should you wish to discuss.

Yours sincerely,

David Markham
Australian Energy Council