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Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Unlocking consumer energy resources (CER) benefits through flexible trading

Dear Anna

Energy Consumers Australia welcomes the opportunity to provide comment on the Australian Energy Market Commission's (AEMC) Draft Rule Determination: unlocking consumer energy resources (CER) benefits through flexible trading.

As you know, Energy Consumers Australia is the national voice for residential and small business energy consumers, many of whom are increasingly opting to invest in various forms of CER. Ensuring these CER assets are integrated into the energy system in ways that benefit their owners, and the broader community is a key priority for us and critical for a just transition. As our remit extends to households and small businesses, our comments relate solely to decisions that affect small customers, rather than large customers outlined in the consultation paper.

The following submission provides our reflection on the draft determination, and one core recommendation around consumer centric research we suggest the AEMC take under consideration for their final decision.

SUPPORT THE DRAFT DETERMINATION IN PRINCIPLE

Separately identifying and metering

The ability to distinguish between inflexible and flexible capacity is going to be of great significance as the energy system transforms – allowing people to be rewarded where they can be flexible in the amount of energy, and the time, they consume. This becomes increasingly important in the context of a renewable energy system with periods of electricity scarcity and abundance.

We were pleased to see the AEMC's focus on the benefits of multiple services through separately identifying and metering small customers' energy load rather than multiple financially responsible market participants (FRMPs). In 2023 we conducted a small qualitative research survey which revealed participants were more likely to be interested in the *ability* to separate flexible and inflexible load rather than specifically engaging more than one retailer at their premises. This was largely due to the perceived added complexity and administrative burden of engaging with two retailers and two energy bills.

"I'm not sure if I'd be interested in having different energy providers as it just increases the amount of bills that you would receive from different companies. I'd be happy to get split bills from the same company as it would be more convenient for me to monitor."

- General Consumer, Male VIC



“Again, sounds like a good idea where you could get a better deal but let’s be honest the more providers you have to deal with just creates more work. I’m not sure if its beneficial, another payee to add for bills. Not 100% opposed to the idea just unsure if it would benefit me.”
- General Consumer, Female NSW

Although there was generally more support for multiple service offerings under one FRMP arrangement, some consumers were still interested in the prospect of engaging multiple FRMPs, clearly demonstrating the diversity of views among consumers.

“I like the idea giving the people the choice to choose their power providers I see lots of benefits to this idea one of those is comparing prices as I’m sure the power companies will try and grab your business so offer special deals.”
- Under Financial Pressure, Female QLD

Noting this, while we hypothesise that the most benefit will be achieved through multiple service offerings and innovative retail offers managed by a single FRMP (given the cost, complexity and optimisation implications of multiple FRMPs), it is important that we are not locking consumers into an exclusive arrangement. In our view, it is still important that the rule change does not prohibit or explicitly exclude consumers from engaging – in an appropriately informed and uncoerced way – with multiple FRMPs if they choose to in the future. As the market continues to evolve, industry sandboxing could be used as a way to test different models such as multiple FRMPs if consumers choose to engage in this arrangement. The choice should always sit with the consumer and their understanding of how to derive the most benefit and value from their owned and invested CER assets.

Leveraging in-built technology

We were pleased to see the proposed new metering type 8 designed to allow settlement services through existing in-built technology. This type of settlement can deliver the benefits of flexible demand management at least cost and complexity to the consumer as opposed to installing a separate meter at the consumer’s premises. This type of approach was adopted in California, enabling access to the EV and EV charger’s existing embedded sub-meter, meaning the EV charging and discharging to market could be billed using an EV specific tariff.¹ In the short term, EVs are likely to present the greatest opportunity enabled by the introduction of this new metering arrangement in Australia.

For some highly engaged and energy literate EV owners, we are already seeing a behaviour shift as a response to price signals and financial incentives. For example, recent research conducted by the University of Queensland found that providing a financial incentive prompted EV owners to shift their charging off peak periods by as much as 26% and increase their charging when energy is abundant by up to 25%.² This rule change and new metering type could further support these early adopters as well as incentivise EV owners more broadly to participate in demand flexibility easily and effectively.

CONSUMER FRAMING IS THE MISSING PIECE OF THE PUZZLE

For household and small business consumers to access the benefits of separately identifying and metering flexible and inflexible load they need to be able to easily engage and participate. Equally, the system wide benefits of flexible trading arrangements rely on people voluntarily opting into this arrangement. Given the success so heavily hinges on consumer engagement and participation,

¹ See our earlier [submission to AEMC regarding Unlocking CER Benefits Through Flexible Trading.pdf](#)

² The University of Queensland Australia, [Charge EV Project Final Report](#) (2024)



understanding the specific support and information needs for consumers is essential. This is the current knowledge gap we have identified that is unfortunately still heavily under-researched.

Household and small business energy needs are diverse rather than homogenised, and this diversity can be lost when thinking about consumer behaviour and behaviour change through the sole lens of economic rationalism. As such, we need to continually test regulatory assumptions through consumer-centric research, with the aim of creating a reliable empirical foundation for establishing system rules.

Questions that are key to building this knowledge base include:

- What does the consumer journey look like in practice? What are the pain points, points of influence and opportunity along this journey?
- What information, technical requirements, steps to engage are needed and when?
- What does this information and support look like? How will it be communicated and by who?
- How do we make sure this arrangement is working correctly and delivering benefits for consumers and not just industry?

We recommend the AEMC undertake robust research to address these key questions from a consumer perspective to proactively address potential roadblocks households and small businesses may face when engaging in these new settlement arrangements.

Understanding consumer needs and support requirements

While we acknowledge separately identifying and metering flexible and inflexible load for small customers may result in better consumer outcomes, we need to understand what support people will need.

While the UQ research (mentioned above) is promising, it is worth acknowledging that not everyone can shift their behaviour to take advantage of separate flexible and inflexible load tariffs. Beyond a lack of understanding, there are numerous reasons why a consumer may not change their behaviour to take advantage of different tariff options such as Time of Use (TOU) tariffs. The AER's Towards Energy Equity Strategy³ outlined the various circumstances which make it difficult for many consumers to engage with the energy market including 1 in 5 Australians having a disability which, meaning they may face difficulty keeping energy usage down without compromising health or welfare, and 1 in 3 Australians renting in energy inefficient homes impacting their ability to shift load and maintain a healthy living environment. Our Energy Consumer Behaviour Survey also found a third of households could not shift energy usage to periods of low demand due to not being at home during these times.⁴ All of this research paints a similar picture, that consumers with CER all have diverse needs, expectations, and abilities to partake in flexible trading arrangements in ways that will benefit them. If we want to encourage demand flexibility, meeting people where there are and understanding what they need to participate is key.

One part of this is clear communication of the costs and benefits from a consumer's perspective. People will want to know if and how separately identifying and metering flexible load will work for them and their circumstances, notably that they can save money and get the greatest benefit out of their CER assets. Without clear communication and trust continuously built over time, there is a risk of consumer harm; for example, the ACCC noted in their Inquiry into the National Electricity Market Report that while for some consumers TOU tariffs and demand pricing led to better outcomes, those

³ [AER Towards Energy Equity Strategy October 2022](#)

⁴ [Energy Consumer Behaviour Survey October 2023](#)



who were unable to manage their usage in fact faced higher bills than they would on a flat tariff.⁵ Our research has also shown that 1 in 3 households (and 48% of those self-identified as experiencing financial stress) do not know what tariff they are currently on, indicating that the complexity that the rule change might bring into consumers' lives will need to be managed with great care.⁶ This widescale lack of comprehension and capability points to the work and support the energy industry needs to lead if we are to extend the benefits of separately identifying and metering energy beyond early adopters and energy literate cohorts. While we see this proposed rule change as a real opportunity for consumers who have invested in CER, there is equivalently an equally real downside if the process confuses, disengages or excludes consumers more than they are already. Execution will be critical for consumers to realise the available benefit.

Thank you for the opportunity to provide our feedback on the AEMC's consultation. If you have any questions about our comments in this submission or require further detail, please contact Taneesha Amos-Hampson at taneesha.a@energyconsumersaustralia.com.au

Yours sincerely

Jacqueline Crawshaw
Director, Energy Services and Markets

⁵ [Inquiry into the National Electricity Market report - June 2023 | ACCC](#)

⁶ [Energy Consumer Behaviour Survey October 2023](#)