



AGL Energy Limited

T 02 9921 2999

agl.com.au

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 14120 MCMC

Melbourne VIC 8001

Ms Lisa Shrimpton

Director

Australian Energy Market Commission

Level 15/60 Castlereagh St

Sydney NSW 2000

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AGL Energy (**AGL**) welcomes the opportunity to respond to the Australian Energy Market Commission (**AEMC**) Directions Paper on Unlocking Consumer Energy Resources (**CER**) benefits for consumers.

AGL is a leading integrated essential service provider, with a proud 185-year history of innovation and a passionate belief in progress. We deliver 4.3 million gas, electricity, and telecommunications services to our residential, small, and large business, and wholesale customers across Australia. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of 11,208 MW across the National Electricity Market (**NEM**). We have the largest renewables and storage portfolio of any ASX-listed company, having invested \$4.8 billion over two decades in renewable and firming generation.

As the uptake of CER continues, there is a growing need to also achieve effective market and technical integration of CER in the National Electricity Market (**NEM**). We want to ensure that consumers can benefit from their CER assets and if they choose to make these resources available can contribute to and operate within the system. This will be key to achieving an affordable, reliable, and secure low-emissions energy supply for all consumers. The Australian Energy Market Operator (**AEMO**) forecasts that in NSW, for example, CER coordinated through Virtual Power Plants (**VPPs**) are project to have the potential to offset a maximum demand by 2,330 MW by 2032-33 which is approximately 14% of the peak demand forecast in the Electricity Statement of Opportunities (**ESOO**) Central Scenario.¹ This is just one example from the ESOO highlights the high value of solutions in which consumer owned resources, such as residential electricity generation and storage devices, and increased demand flexibility, can help meet power system needs. With a high level of consumer participation and coordination of consumer energy assets and demand to help meet power system needs, the need for utility-scale solutions would be much lower.

We acknowledge the importance of improving flexibility and trading of CER to unlock value for consumers. We support the AEMC's approach since the release of the previous consultation paper to minimise the complexity of this rule change. AGL is keen to engage with the AEMC further on technical and market functionality aspects as you progress with the rule change.

If you have any queries about this submission please contact Emily Gadaleta, Regulatory Strategy Manager at egadaleta@agl.com.au.

Yours sincerely,

Chris Streets

General Manager, Policy and Markets Regulation

¹ https://aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/nem_esoo/2023/2023-electricity-statement-of-opportunities.pdf?la=en





Attachment A

AGL supports the decision to not progress AEMO's FTM2 proposal for small customers

As stated in our original submission to the consultation paper, we have failed to see a convincing argument as to how costs to implement the proposed changes to open up flexible energy to a new service provider at a small / residential location would maximise the value for the customer. Rather, we maintain that the proposed AEMO solution would increase costs in installing new metering requirements, establishing a new relationship and industry having to build new systems. Additionally, the cost to serve for the primary financially responsible market participant (FRMP) may increase, as their ability to manage and schedule load decreases dramatically and therefore increases wholesale risks.

We agree that the proposal to separately identify and manage CER, while retaining a single FRMP, could potentially prove to provide a more incremental way to unlock the value of CER for small customers and integrate it in the NEM. A single FRMP means that challenges with the AEMO proposal, such as customer protections and splitting network tariff issues, do not need to be resolved at this time as these continue to apply to the single FRMP at the connection point.

A cost benefit analysis is required to understand where, if at all, the costs deliver any benefit to small customers under this rule change

AGL supports the AEMC engaging Energeia to conduct a cost-benefit analysis to assess the costs and benefits of increased integration of CER flexibility. Submissions to the previous round of consultation echoed each other in a call for more detailed analysis. We are keen to engage with Energeia's draft modelling results when they are published alongside the draft determination.

A complexity for Energeia to address in their work will be in outlining how the costs of implementing such arrangements would deliver the perceived benefits that are outlined in the paper. A key consideration that should be included in the analysis is not only the cost of any of the proposed metering arrangements, such as the wiring costs and installation and maintenance costs of the additional metering kit, but there will also be additional costs included in such arrangements in the provision of additional data to separately identify and manage CER in an easy and accessible manner. Without demonstration of customer demand for this, it is difficult to see how this additional value could be attained and shared with customers in a least cost way.

Enhanced flexible can be enabled through refinement of the embedded network framework

The AEMC notes that the embedded networks framework was not created for the management of CER. However, that does not mean that the framework has not proven useful for large customers to be able to separate out their CER for commercial purposes. It is not clear to us why the existing approach of using the embedded networks model is considered unsuitable for large customers. We note that AEMO's current Small Generation Aggregator (SGA) factsheet outlines the conditions that apply to SGA's operating within an embedded network framework, suggesting that this is a model that can be and is used.²

We believe one of the low hanging fruits for the AEMC to target will be in enhancing the operation of the embedded network framework to clarify the process for large customers. This improvement could include the establishment of a standardised model for large customers and market participants to follow in establishing such arrangements. This would reduce barriers for large customers to engage with the market and receive adequate value back for the flexibility of their assets.

² https://aemo.com.au/-/media/files/electricity/nem/participant_information/registration/small-generation-aggregator/small-generator-aggregator-fact-sheet.pdf?la=en