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26 May 2021

Mr. Jashan Singh
Senior Adviser
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Dear Jashan,

Re: Access, pricing and incentive arrangements for distributed energy resources

Flow Power welcomes the opportunity to make a submission in response to the AEMC's draft determination on *Access, pricing and incentive arrangements for distributed energy resources*.

Flow Power is an electricity retailer that works with business customers throughout the NEM. Our vision is to redefine how customers manage energy, putting them at the centre of the market and accelerating Australia's progression towards a net-zero future.

We empower our customers to take control of their energy usage, lower their bills and reduce their carbon footprint. We provide customers with:

- Transparent retail tariffs that rewards demand flexibility and encourages electricity usage at times of plentiful renewable output.
- Hardware solutions that provide greater visibility and control over energy use.
- Access to renewable energy, either through distributed solar and storage installed on site, or through a virtual generation agreement with utility-scale wind and solar farms.

We believe that by equipping customers with these tools, we can lower costs for all energy users and support the transition to a net-zero carbon future.

Overview

The key points we would like to make regarding the AEMC's draft determination are:

- **We support the draft decision to allow DNSPs to introduce export charges**. In a two-sided market, characterised with greater levels of demand flexibility, cost-reflective price signals from across the entire supply chain will be key. We pass price signals from the wholesale market to our customers, which encourages them to use more energy in periods

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of high renewable output and low prices. Greater cost-reflectivity in network tariffs, including at times of high distributed solar output, should reward customers for using electricity at times where the network is not under strain, and ultimately it should lead to more efficient utilisation of the network and reduced network costs for consumers.

- **If export charges are introduced, there should be commensurate increases in feed-in tariffs outside times of export charges, and decreased or no consumption charges when export charges are in effect**. It would be counterproductive for DNSPs to introduce export charges, while at the same time charging other customers on the same network for consuming. If the DNSP considers a cost is incurred by accommodating more solar exports in the middle of the day, there would be corresponding benefits of co-located customers taking energy from the grid. This should be reflected in any changes to DNSP tariffs.
- **Market-based solutions generally lead to better outcomes for consumers when compared to centralised control**. There has been a trend toward introducing standards and centralised control of distributed energy resources to maintain system security and distribution network service levels. This has overlooked the role of competitive forces to find the most efficient way to better integrate solar into the network. The AEMC's draft decision is an acknowledgement of how, with proper price signals, the market can continue to take advantage of the abundant, cheap solar available in Australia, while minimising the costs imposed on the system. For example, instead of a command-and-control approach or hard export limits, the massive growth of distributed PV could be better utilised by shifting consumer load into the middle of the day, and by incentivising customers to ramp down solar in instances where it may be adversely impacting network voltages.

Role of demand flexibility in delivering a low-cost, renewable power system

Greater levels of demand flexibility offer a multitude of benefits to the NEM as it transitions to renewable power system.

- **It directly benefits customers.** Done right, demand flexibility rewards customers for changing their consumption pattern. Importantly, the customer has the benefit of choice about how and when flexibility is provided.
- **It is low cost**. Often, customers can provide demand flexibility with little actual cost. The biggest challenges can be engaging with customers and exploring opportunities for demand flexibility. Once these challenges are overcome, demand flexibility offers a large, cheap resource.
- **It is decentralised, reducing the amount of network investment needed to unlock these resources.** It is also co-located with distributed PV and limited network infrastructure is needed to move distributed solar exports between neighbouring connection points.
- **It will support higher levels of renewables and reduce the amount of storage that would need to be developed to reach net-zero**. By encouraging customers to shift energy into periods of high renewable output, it will reduce the amount of new network infrastructure and energy storage needed to maintain a secure, reliable power system.

We view the AEMC's draft decision as ultimately being supportive of greater levels of demand flexibility. It would expand the role for price signals in driving efficient behaviour.

For the rule to be successfully implemented, it will be important that efficiencies arising from the introduction of export charges are returned to customers through lower network charges, reduced emphasis on the need for centralised control of distributed energy resources and efficient distribution

network investment. It is important that the AER applies appropriate scrutiny to network businesses to ensure these benefits are shared with energy users.

If you have any queries about this submission, please contact me on (02) 9161 9068 or at Declan.Kelly@flowpower.com.au.

Yours sincerely,

Declan Kelly

Regulatory Policy Manager

Flow Power