

The vision outlined in the Energy Security Board Consultation paper is predicated on the notion that it is advantageous to have a single trading market, based on pricing signals, that is accessible to a full range of participants from households to large generators.

In our view, this is not an optimal way to treat the opportunities that DER presents. It will instead increase the power of large traders in the market and impose higher costs for network investment.

In our opinion, there is not a single market but a series of markets some of which seek to use the electricity grid but have no need for the trading market. This would encompass many PPAs but also networks that overlap the grid including microgrids, behind the meter generation, Virtual Energy Networks and VPPs.

The economic benefit of power generated locally and consumed locally is demonstrable. In many applications, the participants require the network only for carriage and not for trading. For example, an industrial company with multiple sites can share its generation from one site. Therefore, a one size fits all trading market structure should not be imposed. Instead, there should be information obligations and proof of use of power outside the NEM trading market.

Questions: Key concepts for two-sided market design

1. What considerations should be taken into account in determining the rights and obligations that attach to a connection point in a two-sided market (in relation to end users, traders and the market operator)? How should these differ from the current arrangements? 2. Under the current market rules, traders of different kinds (eg retailers and small generation aggregators) have different obligations to the market operator, end users and other market participants. To what extent (if any) would it be helpful for a two-sided market design to distinguish between different types of traders, or between traders in different services? 3. If, in an eventual two-sided market, distinctions between different types of traders should be removed or significantly reduced, what interim steps would help to progress the market in that direction while minimising commercial disruption to existing traders? 4. Section 3.3.3 outlines the ways in which end users and traders may interact in a two-sided market, and Appendix B provides more detailed examples. Are there other types of interactions which the two-sided market design should accommodate? 5. Should some types of interactions (eg between traders and vulnerable residential customers, in respect of certain services) be restricted or prohibited, or will appropriate consumer protections address the concerns while allowing full end user choice in participation? 6. What considerations should be taken into account in designing a two-sided market that allows innovations in technical standards and services?

Response:

These questions are based on the assumptions of a single price driven trading market. We think that this boundary assumption should be removed and the concept of different kinds of markets or grid access explored.

Questions: Charging for access to the two-sided market 1. Do you think locational marginal pricing would encourage behaviours to help manage congestion in distribution networks? Are there other options that would be preferable? 2. What do you think is the most efficient method for recovering network costs to support a level playing field for participants in a two-sided market?

Response:

Congestion would be ameliorated by the facilitation of local generation and consumption that takes the pressure off long transmission lines and interconnectors. Pricing of network tariffs should promote avoided costs from behind the meter consumption, reduced demand on transmission and demand response.

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