



30 September 2019
Energy Security Board

Dear Chair

Re: Post 2025 Market Design Issue Paper

Flow Power is enthusiastic about the Energy Security Board's initiative to investigate the best market design for the NEM in a post 2025 world. We believe that the best scenario will be one in which the market is enabled to deliver the most efficient outcomes for customers.

Flow Power is technology agnostic and acknowledges that the NEM is leading the transition to a low carbon economy. Consumers have led this trend and the market design should deliver on consumer expectations. When conducting all modelling, it should be done based on consumer outcomes using actual consumer data rather than whole of system models.

By identifying basic parameters for such as competitive neutrality, the success of the design can be measured on the degree to which consumers are empowered. The assessment framework should be structured in two ways:

- a series of binary parameters under which a go/no-go decision can be made i.e.
 - Competitive neutrality
 - Technology neutrality
 - Effective entry and exit of generation capacity
 - Supportive of innovation
- a set of measurable outcomes which will allow prioritisation of designs
 - Consumer empowerment
 - Costs are allocated to those best placed to respond to them
 - Transparency and simplicity
 - Resilience to external shocks such as critical asset failure, climate and technology change
 - Robust to possible future government policy changesⁱ
 - Practicality of implementation
 - Efficiency
 - Risks are allocated to those best placed to manage themⁱⁱ

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We commend the ESB for highlighting what we believe are five opportunities in the future of the NEM. Below are our thoughts on the opportunities highlighted in the Issues Paper:

1. Driving innovation to benefit the consumer

Flow Power believes all assessment of the proposed redesign should be measured against the benefit for the consumer. This will include developing a model that supports innovation both today and into the future.

2. Investment signals to ensure reliability

A heavily discussed item, Flow Power believes this opportunity occurs on both the supply and demand side. On the supply side the signals should support investment, among other things, in peaking generation. On the demand side, consumers should be provided with strong investment signals in order to take action that meets the NEO. Examples include growth of spot responsive demand response, investment in on-site generation and load management.

3. Integration of DER into the electricity market

Australia has lead the way in behind the meter installations of generation however few of these assets are able to be orchestrated in the market. If the ESB is able to deliver on items 1 and 2, this should ease the process. However, the ESB should be looking to the latest in data management and technology to fast track adoption and management.

4. System security services and resilience

The Issues Paper acknowledges the speed at which this opportunity is evolving. Interlinked with items 2 and 3, this item should be highlighted with the consumer interests in mind.

5. Integration of variable renewable energy into the power system

The transition to a low carbon economy is being led by the power system. Australian consumers are support that through behind the meter installation and PPAs. Consumers can support this process through better investment signals and strong integrations of DER. Both these items can support better planning of transmission infrastructure.

Flow Power looks forward to continuing the conversation about the Post 2025 NEM. We would suggest that many of our customers are interested in how they can participate in this process and are available to discuss.

If you have any questions or comments, please contact Liz Fletcher liz.fletcher@flowpower.com.au

Yours sincerely,



Matthew van der Linden
CEO
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ⁱ We would suggest that if the design is supportive of innovation and resilient to shocks, it should stand up to this item. In turn, it may not be required. We do however understand that this is an ongoing risk to those who invest in the energy market.

ⁱⁱ This will require a clear consensus of what the risks are and the definition of “best placed”