



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

Energy Security Board

info@esb.org.au

25 November 2022

Response to the Interoperability Policy Directions Paper

AGL Energy (**AGL**) welcomes the opportunity to respond to the Energy Security Board's (**ESB**) Directions Paper on Interoperability Policy.

AGL is one of Australia's leading integrated energy companies and one of the largest ASX listed owner, operator, and developer of renewable generation. AGL is also a significant retailer of energy and telecommunications with 4.3 million customer accounts across Australia. AGL supports an energy market system that empowers consumers to take control of their energy consumption and costs.

We are a market leader in the development of innovative products and services that enable consumers to make informed decisions on how and when to use their consumer energy resource (**CER**) assets to optimise their energy load profile and better manage their energy costs. Our current CER product and services include our leading-edge Virtual Power Plant (**VPP**)¹, Peak Energy Rewards demand response program,² retail offer for electric vehicle (**EV**) owners³ and EV subscription service.⁴ Through our EV Orchestration Trial,⁵ we are seeking to understand how EVs could help the wider energy system by 'orchestrating' vehicle charging through smart chargers, Vehicle to Grid chargers and API technology.

Prioritisation and future direction of interoperability policies

The ESB acknowledges that CSIP-Aus is a building block within the broader interoperability standards ecosystem. The paper notes that more work is required before the scope of interoperability standards could be extended to other use cases, such as trader interfaces with CER. These include behind-the-meter interoperability, and interoperability with retailers (and other traders and aggregators), that could support product and service innovation and greater customer choice, while also helping protect consumers from technology lock-in. Yet, we hold that pursuit of interoperability cannot work in isolation, but rather the ESB should consider the total environment within which CER operates and where the introduction of interoperability could have significant and unintended impact for consumers.

Without a minimum level of 'open' interoperability functionality within the device, customers may have their CER assets locked-in to certain providers or offerings. This would limit future choices for customers as well as limit the ability for contracted service providers to use those assets to maximise the benefits for the customer under an energy plan. It will also limit the ability of new aggregators or retailers to enter the market and stimulate competition and innovation as they will not be able to communicate and compete for the existing fleet of customer devices, without additional cost and installation of extra equipment at the premises. For example, with the emergence of mobile devices, networks locked phones were commonly sold to consumers, however with the emergence of a competitive services market, these kinds of offers are rare now

¹ For further information regarding AGL's Virtual Power Plant, currently available to customers in New South Wales, Queensland, South Australia and Victoria please refer to https://www.agl.com.au/solar-renewables/solar-energy/bring-your-ownbattery?cide=semr&gclid=EAlalQobChMlicjKmkKuP5wiVvjUrCh2eXwvVEAAYASAAEqLZRPD_BwE&gclsrc=aw.ds

² See further AGL Peak Energy Rewards, available at <https://www.agl.com.au/campaigns/peakenergyrewards>

³ See further, AGL EV Plan, available at <https://www.agl.com.au/residential/energy/electric-vehicles/electric-vehicle-plan?webid=EVPN>

⁴ See further, AGL Electric Vehicle Subscription, available at <https://www.agl.com.au/get-connected/electric-vehicles/ev-subscription>

⁵ See further, AGL Electric Vehicle Orchestration Trial, available at <https://arena.gov.au/projects/agl-electric-vehicle-orchestrationtrial/>



and in some international jurisdictions specifically outlawed. When considering this example in comparison to the developing CER market, the cost of consumer assets can be considerably higher than the cost of a mobile and a longer lasting technical life. This presents a risk to the consumer and to the growth of a CER market that consumers could be locked into a particular technical interoperability environment that is led by networks ahead of the market development.

Enabling providers with technical standards and processes for interoperability will support a thriving competitive market for aggregation services that will see more value flowing back to customers, and a more flexible and lower cost system. Therefore, we recommend the ESB does not wait to start work on the development of other interoperability policies, such as harmonisation of network interoperability standards and consumer protection standards for example. Any delay in developing standards for other use cases and consideration of interoperability in a wholesome manner may mean that the benefits to consumers are delayed. The ESB should provide stakeholders with more information through a roadmap or other detailed plan of how interoperability and the development of other use cases will be pursued.

Nevertheless, the paper asks stakeholders what prioritisation should be given to the five domains identified. While this paper seeks to pursue Domain 3 in the first instance, we recommend that if the policies continue to be considered in succession they should follow the following order, Domain 1, Domain 2, Domain 5 and Domain 4. However, we remain concerned that the use cases initially being pursued focus on network outcomes that provide direct control to networks of consumer behind the meter devices without potentially informing or rewarding the customer of this control. More attention needs to be given to aggregator use cases that could support more consumer orientated and cost-effective outcomes based on the structure of Australia's energy market system. At a minimum, the ESB should publish the roadmap for additional (non-network) use cases to be considered on the roadmap of standards development, CSIP-Aus inclusive. While the paper covers various network and system considerations, they do not sufficiently contemplate customer and market/aggregator use cases to enable customers to maximise the value of their investment through participation in orchestration services. Noting that consumers are investing their capital in CER assets and therefore maximising their return on this investment whilst maintaining system security should be the overarching objective of policy and market development arrangements. We have provided confidential case studies in Appendix A.

A new mandate for 'flexible export ready' installations

AGL supports the introduction of a new mandate for installations to be 'flexible export ready' by July 2024. However, AGL recommends that OEMs should be primarily responsible for building compliant devices and be accessible to rectify any non-compliance. This will also require a harmonised framework across the **NEM** of how standards will be applied and what constitutes compliances, noting that the two uses described above show that this does not yet exist. Regarding enforcement of compliance, this should be managed by an existing third party body with energy expertise, such as the Clean Energy Regulator. Creation of new third party certifying bodies is likely to introduce unnecessary new costs to consumers and risks the unintended consequence of creating 'gatekeeper' roles that are ostensible to facilitate compliance but could also monetise access to customer devices. An example of this issue through emerging work being done to introduce measures such as 'emergency backstop' or dynamic exports control of inverters have been mandated (the Relevant Agent role in South Australia is a good example).

Harnessing the associated benefits of CER and appropriately rewarding consumers is a key challenge for the sector. These benefits are more likely to materialise to a greater extent if there is a degree of interoperability and standardisation across the market. Technical standardisation is often cited as a solution to these issues, and as the key to unlocking and maximising consumer benefits from CER. Indeed, in the NEM, the Post-2025 market reform recommendations stressed the importance of "introducing technical standards for DER that will smooth the customer experience and assist to ensure the security of the power



system”.⁶ However, there are parallel issues to be considered and resolved alongside the introduction of a new mandate for ‘flexible export ready’ installations.

Establishing this enforcement function for distribution network service providers (**DNSPs**) presents an opportunity to introduce harmonisation of DNSP requirements across all distribution network areas. For example, currently there does not appear to be a consistent approach to how DNSPs set inverter capacity limits on a customer’s site within their networks. These requirements can have a direct impact on a customer’s ability to utilise flexible energy from their CER to actively participate and share the value of their CER back into the electricity system. Within this stream of work alongside the Australian Energy Market Commission’s Review of CER Technical Standards and the Australian Energy Regulator’s Consultation on Flexible Export Limits, DNSPs should work together to harmonise requirements in an effort to reduce costs and appropriately reward consumers for their participation.

Digital device certificate management

AGL supports the development of a digital device certificate management scheme. We support the development of a national approach to public key infrastructure for CER as harmonisation of device authentication and authorisation will reduce costs for industry and consumers.

We see value in separating out the creation and operational aspects of a certificate authority. We recommend the ESB consider that the Australian Energy Market Operator should have a role in creating certificates. These certificates could be issued through a similar process to the current registration process for a body who wishes to participate in the National Electricity Market. This process could be simplified and streamlined as appropriately needed to create an efficiency process that doesn’t stifle innovation or cause excessive delays in market participation. A third party organisation could perform the operational role of authenticating certificates on an ongoing operational basis. This organisation could be chosen through a request for proposal bidding process. The separation of the two roles allows for efficient operation of this new scheme.

The energy market bodies have collectively released three consultation papers in September and October 2022 as part of the ESB’s CER Implementation Plan. We note the interlinked nature of these issues and the importance of considering their impact and outcomes on consumers. AGL looks forward to continuing to work through the issues outlined in each paper and work with the energy market bodies on these related work programs in tandem.

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 (a/g), Policy, Markets Regulation and Sustainability

⁶ ESB, Post-2025 Market Design. Final advice to Energy Ministers. Part B.