

Transmission ring-fencing review – consultation paper

Flow Power submission

June 2023





About Flow Power

Flow Power is an electricity retailer that works with energy customers throughout the National Electricity Market (NEM). Together with our customers, Flow Power is committed to our vision of creating Australia's renewable future.

We empower customers to take meaningful action. By providing energy knowledge and innovative technology, we are delivering smarter ways to connect customers to clean energy to make our renewable future a reality. We provide our customers with:

- + Engineering support, access to live data and transparent retail tariffs that reward demand flexibility and encourage electricity usage at times of plentiful renewable output.
- + Hardware solutions that equip customers with greater information, visibility, and control over energy use.
- + Access to renewable energy, either through distributed solar and storage installed on site, or through a power purchase 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 renewable future.

Overview of submission

The key points we would like to make regarding the AER's consultation paper are:

- + **The number of connections to the transmission network will continue to grow.** As Australia accelerates its transition to a renewable power system, the number of concurrent network connections will grow. Given this context, there are material benefits available from connecting parties having access to a competitive landscape for the contestable aspects of these connections.
- + **We support the proposal to ringfence TNSP's negotiated services from their contestable services.** Network business are regulated monopolies. In exchange for protection from competition, they are subject to price regulation and generally excluded from using their monopoly assets for participation in competitive markets. For effective competition, the separation of regulated monopolies from contestable services and markets must be clearly defined. The potential for discrimination poses a barrier to entry for would-be competitors, discouraging the emergence of competition. This in turn limits the potential benefits flowing through to connecting parties.

Currently, only prescribed transmission services are ring-fenced. This appears to be a regulatory oversight. Ring-fencing is intended to separate monopolistic services from competitive ones, and on that basis negotiated transmission services should also sit alongside

prescribed transmission services as ring-fenced services. We applaud the AER for taking the initiative to reassess this oversight.

- + **We support Option 2 and do not support Option 1.** Option 2 would directly address the challenges raised in the consultation paper. Implementing ring-fencing for negotiated transmission services would be the most effective approach for addressing concerns regarding discrimination. Option 2 would provide the AER with information and monitoring tools necessary to enforce the updated ring-fencing guidelines. As noted in the consultation paper, the AER would not necessarily need to use its powers to impose obligations on TNSPs; the potential for this to occur may be sufficient to discourage any discriminatory behaviour.

On the other hand, we do not think Option 1 would be an effective solution. Option 1 does not give the AER powers to enforce separation. This option also does not provide any recourse to connecting generators who may experience discrimination. Lastly, the reporting obligations are not likely providing new entrant businesses with confidence that the obligations are sufficient to diminish the potential risks of discrimination.

- + **Balancing against the impacts on TNSPs could be managed through appropriate implementation timeframes.** The challenges of implementing Option 2 will be the administrative costs imposed on TNSPs. We think this can be addressed by providing TNSPs with sufficient time and guidance to respond to the introduction of ring-fencing.

If you have any queries about this submission, please contact me on [REDACTED] or at [REDACTED].

Yours sincerely,

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Flow Power