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Australian Energy Market Commission  
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Submitted electronically: <https://www.aemc.gov.au/contact-us/lodge-submission>

Dear Commissioners



**EnergyAustralia**  
LIGHT THE WAY

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### **AEMC Access, Pricing and Incentive Arrangements for Distributed Energy**

EnergyAustralia welcomes the opportunity to comment on the AEMC's access, pricing and incentive arrangements for distributed energy draft determination (the draft determination).

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio that includes coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise 4,500MW of generation capacity.

EnergyAustralia is dedicated to building an energy system that lowers emissions and delivers secure, reliable, and affordable energy to all households and businesses. EnergyAustralia appreciates the AEMC's consideration of the changes required to ensure that improvements are made to the regulatory framework in light of ongoing and significant market, technological and operational change. Ensuring these settings are fit for purpose will be a vital enabler of a rapid and robust energy market transition.

EnergyAustralia believes that network tariffs should reflect the efficient costs of providing network services. We foresee this will enable retailers to consider cost reflective price signals from networks and provide simple and fair offers to customers.

The current framework imposes network costs associated with an increased adoption of DER evenly across all customers. On one hand, this recognises that customers without DER - who do not drive the increased costs - may be indirect beneficiaries from reductions in wholesale energy prices, particularly from the DER solar export. On the other hand, these non-DER customers may be disproportionately supporting investment in the network assets required to increase hosting capacity regardless of whether they ever use this. As various stakeholders<sup>1,2,3,4</sup> have acknowledged, the overall financial outcome

<sup>1</sup> [A step towards 'More Sun for Everyone' and a fairer energy transition | RenewEconomy](#)

<sup>2</sup> [Rooftop solar tax could bite twice as hard as was modelled, says report | RenewEconomy](#)

<sup>3</sup> [The sun tax debate: misconception and false-accusation? | RenewEconomy](#)

<sup>4</sup> [Solar tax could trigger a mass exodus from the grid, new survey says | One Step Off The Grid](#)

for customers cannot be forecast with any certainty and so it is difficult to determine what is fair. An acceptable assumption is that the network cost component (~40%<sup>5</sup>) of a bill is as important to non-DER customers as the wholesale price of energy, therefore it is reasonable that a fairer - more cost reflective - allocation of network costs as an output of this rule change is a desirable outcome.

Solar energy, and increasingly batteries and EV's are a part of Australia's cleaner energy future and their uptake should be encouraged, but indiscriminate encouragement is not wise as the costs, benefits, and other outcomes are not equal for every DER installation. EnergyAustralia broadly supports the draft determination as we find it will:

- lead to gradual and fair price signals to encourage the DER to be set up in a locational efficient and beneficial way; and,
- promote smarter battery, and DER design and controls, that can respond to the two-way market needs as opposed to 'set and forget' DER that carries the risk of acute and poorly co-ordinated network and market impacts.

The draft determination has highlighted potential issues that EnergyAustralia believes requires further consideration:

- **Implications for semi-scheduled and large non-scheduled generators**

The changes to the NER provided in the draft determination raise some concerns about future treatment of semi-scheduled and large non-scheduled generators connected to the distribution network. The implication is export pricing may be extended and applicable to embedded grid scale batteries and gas-peaking plants. Whilst EnergyAustralia believes export charging to this form of market scheduled generator was not the intent, we are not clear the reform as currently worded is appropriately considering the differences between this form of generation and the residential DER that instigated this rule change, and we request the AEMC to be clearer in its intentions with regard to market scheduled embedded generators, and consider:

- Grid scale batteries and gas-peaking plants incur significant connection fees to ensure their connection to the network is suitable for their operation requirements. The connection fees are determined by the networks based on the availability of the network and any augmentation required;
- The operation of these generators is dependent on the needs of the market, are limited or stop generating during periods of the day when intermittent renewables (residential solar/DER) are creating a network constraint, and ultimately can be directed by AEMO. In the case of grid scale batteries, their ability to absorb the export of solar at times of congestion and then redistribute this energy at times of less congestion, is a generator attribute that should be prioritised, rather than be discouraged, and be at risk of not operating due to a financial consideration of

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<sup>5</sup> <https://www.accc.gov.au/regulated-infrastructure/energy/electricity-market-monitoring-2018-2025/november-2019-report>

an export price; i.e. export pricing set at a static 11:00am – 4:00pm would provide a perverse incentive for a generator to export during a period of reduced solar supply, such as inclement weather; and,

- The business case and investment decision for these generators was based on an understanding of the market at the time.

- **Tariff Structure Statement (TSS) and Network Determination processes**

EnergyAustralia urges the AEMC to consider requiring the AER to establish a standardised range of export pricing structural options that are available to networks when consulting on their TSSs. If the range of export pricing structures is not limited in some way, each network business may go down very different paths in nearby zones or may set up excessively complex structures that retailers would find difficult to administer or communicate to customers. Standardised structures would make the TSS consultations far more straightforward and efficient and would ultimately minimise customer confusion that occurs from complex structures or regional export pricing structure differences.

Additionally, to ensure the development of export services is inclusive of a diverse range of impacted stakeholders, EnergyAustralia believes the AEMC should work with the AER in assessing how stakeholder consultation for these processes could be amended to foster participation that appropriately considers any potential changes.

Stakeholder participation in TSS processes has only modest involvement from retailers and consumer groups; retailers are generally only represented by 3-4 businesses, and consumers represented by only a handful of customers attending network forums or via consumer groups. Retailers do not always have a strong voice and have no role in the decision making. Consumer groups and others can find it a complex subject to engage on.

Improvements to the TSS consultations could be achieved as simply as requiring advertising of the TSS process to a network's customers, or by requiring networks to use independent researchers to obtain the opinions of a broad range of customers (thereby removing the bias from a network's customer participation process).

- **Incentive schemes**

The draft determination provides for the development of an incentive scheme that would support networks in providing a 'better' export service to customers. EnergyAustralia supports allowing the AER to consider if an incentive scheme can be developed, that is suitably oriented towards promoting improvement in export services without the anticipated risks of double-dipping, and considering the constraints of limited reliable supporting data (where advanced meters are not prevalent). Such a scheme would require careful consideration of its design parameters and should be focused on leading indicators of a networks locational DER hosting capability.

Considering the interoperability of the range of incentive schemes currently available to networks will be complex, this will be exacerbated if considering application of the incentive scheme at a granular NMI or feeder level. For example, if a customer has a negotiated connection (procured the network access required for the scale of their DER), should the network be compensated for efficient export service when the customer has directly financed a connection suitable for their export requirements? Or extrapolated further, how can the AER ensure that networks are only rewarded for achieving an export service for improvements the network has directly contributed to?

A pre-requisite of the AER developing an incentive scheme would be greater insight into the network expenditure decisions and outcomes specifically required to release additional DER, with clear information and data that identifies compliance with all technical requirements, and outlines current or forecast needs for network expenditure; facilitating efficient, effective, and less costly investment decisions provided via a competitive market.

The AER's oversight of network investment is vital when reviewing the impact of export pricing on network performance or in considering an incentive scheme. As suggested in EnergyAustralia's previous submission, the AEMC should consider imposing requirements on networks to deliver an understanding of the proportion of overall spend and trends over time, by providing:

- a) clear insight into the nature and the volume of spend undertaken to increase hosting capacity; and,
- b) historical and forecast spend to be explicitly itemised.

The draft determination facilitates networks consideration for providing export as a service, ultimately shifting approval responsibility for any export charging and incentive schemes to the AER. We are confident the AEMC and AER will guide the development of any export pricing framework to improve customer outcomes in line with the objectives of the NERO and NEO.

EnergyAustralia suggests the final decision include a caveat for a review of the changes following a reasonable establishment period, with the review to focus on the efficiency of investments targeted and funded by export prices and charges and a broader net-benefit impact to customers, factoring in the direct and in-direct impacts to network, wholesale, and retail charges. The market is evolving quickly, and customers should have assurance that network investment decisions are made in their long-term interest.

If you would like to discuss this submission, please contact me on 03 8628 1704 or [Travis.Worsteling@energyaustralia.com.au](mailto:Travis.Worsteling@energyaustralia.com.au).

Regards

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