



Australian Energy Market Commission
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Sydney NSW 2000

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Draft Rule Determination: -

**NATIONAL ELECTRICITY AMENDMENT
(Governance of Distributed Energy Resources Technical Standards) RULE 2022**

**NATIONAL ENERGY RETAIL AMENDMENT
(Governance of Distributed Energy Resources Technical Standards) RULE 2022**

Thank you for the opportunity to comment on the AEMC Draft Rule Determination regarding the "Governance of Distributed Energy Resources Technical Standards" (Rule 2022) published 2 September 2021.

Rheem welcomes the decision of the Commission to limit their involvement in the development of DER technical standards, and believes the approach laid out in the draft determination is directionally appropriate.

We do however remain concerned that the decision does not resolve the issue raised in our October submission that:

the areas of interoperability and cybersecurity issues.... should be treated in the same way across all DER standards. These are specialist issues that go to the heart of a future energy system with high penetration of DERs and should therefore be common across all DER standards.

As such we again call on the AEMC to take on responsibility for developing and determining common DER technical requirements for issues such as interoperability and cybersecurity. Once agreed, these should be mandated for inclusion in all DER technical standards developed within the Standards Australia process. As these are core competencies required for the development of a functioning grid, development of these requirements should reside in-house within the AEMC.

Rheem's experience is that both interoperability and cybersecurity issues are generally beyond the expertise of members of individual Standards Australia DER technical committees, and as such each



committee is taking a different pathway in dealing with issues that should be common to all DER standards. This approach is fraught with risk, with the likelihood that a DER meeting one standard may not be capable of communicating with a DER meeting the requirements of another standard. Similarly, differing approaches to cybersecurity requirements have the potential to create back door access to the Australian energy network by bad faith actors.

Whilst we understand and support the commission's concern that its' involvement in technical standards development could potentially stifle innovation, there should be no such concern regarding the establishment of common basic requirements for the good operation of the grid. If a common approach to these issues is not the responsibility of the AEMC, then who will ensure that DER installed on the grid will remain both controllable and secure?

Any enquiries related to the submission should initially be directed to myself.

Yours Sincerely

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In response to the Commission's Questions:

QUESTION 1: ASSESSMENT FRAMEWORK?

- Rheem believes that the assessment framework should have safety as a first priority, with any balancing of variables only occurring between reliability and price. Product manufacturer's frequently deal with such trade-offs, however the safety of users is always given a greater importance than other considerations such as cost and ease of use. Given the higher level of risk associated with the electricity network, the same level of importance should be given to safety within the assessment criteria.
- Rheem would also suggest that an additional bullet point be added to the "price" criteria of the assessment to ensure that a "user pays" principle is embedded in any DER standards application:
 - "Parties benefitting from any new governance arrangements are those most responsible for meeting the costs of the arrangements"

QUESTION 2: IDENTIFYING GOVERNANCE PROBLEMS?

- Rheem disagrees with Dr Schott's characterisation of the Australian Standards process:
 - *the key concern with the overall Standards Australia process is that it is often slow. This means it is not fit for purpose given the fast-changing nature of DER technology and markets.*
- Standards Australia's committee structure for the development of standards, whilst sometimes cumbersome, relies on the concept of consensus by all parties, and a rigorous balloting and public comment process. All of these elements are required to develop robust and sensible standards, and this process takes time. Fast tracking potentially inappropriate DER solutions to mitigate poor energy policy decisions would potentially create stranded DER assets and larger problems for consumers in the long term.
- Rheem disagrees with the premise that the non-automatic adoption of Australian standards is a problem. Carrying out wide ranging consultation and justification for any new regulation or impost on stakeholders is an important component of any new regulation. This is now codified by the Commonwealth Government's May 2021 Regulatory Impact Analysis Guide for Ministers' Meetings and National Standard Setting Bodies. Automatic adoption of standards would eliminate this step of the regulatory process.
- Rheem does agree that the AEMC has a role to play in the areas of interoperability and cybersecurity issues, which should be treated in the same way across all DER standards. These are specialist issues that go to the heart of a future energy system with high penetration of DERs and should therefore be common across all DER standards.

QUESTION 3: ASSESSING THE MARKET IMPACT OF IDENTIFIED PROBLEMS?



- Rheem agrees that a national approach to the adoption of DER standards is preferable to the current situation that allows individual jurisdictions to attempt to rush their introduction. We are therefore supportive of some of the changes being made to the governance arrangements as laid out in the consultation. This does not, however, signal agreement that published DER standards should be automatically adopted without full community consultation and the publication of a regulatory impact statement.

QUESTION 4: DER TECHNICAL STANDARDS IN THE RULES?

- Rheem believes that any new governance arrangements should be complementary to the existing Standards Australia process. The AEMC, however, should participate in the development of standards as well as providing direction on the issues of interoperability and cybersecurity.
- The AEMC's involvement in developing the standards, and clear guidance on key technical issues, should shorten the development of new DER standards significantly.
- Including DER standards in the NER would ensure that all jurisdictions acted as one, allowing manufacturers and suppliers to be certain regarding timings and requirements. This benefit, however, would only be a realisable benefit if individual jurisdictions are willing to give up their right to act unilaterally.

QUESTION 5: WHO DEVELOPS AND MAINTAINS DER TECHNICAL STANDARDS?

- Rheem proposes that the AEMC should only be responsible for determining or advising on common DER technical requirements for issues such as interoperability and cybersecurity. Once agreed, these should be mandated for inclusion in standards developed within the Standards Australia process. As these are core competencies required for the development of a functioning grid, development of these requirements should reside in-house within the AEMC
- With the ongoing involvement of Standards Australia in this scenario, governance arrangements between the AEMC and Standards Australia would need to be developed.
- Taking responsibility for standards development out of the current Standards Australia committee structure, with its broad stakeholder involvement, risks forgoing the knowledge necessary to ensure that new technical standards meet the NEM objectives of the safety, security and reliability of its system.
- Rheem believes that the above approach is likely to reduce the time required to develop and implement new DER technical standards.
- Developing an alternative path to standards development, using nominated consultants without a deep practical knowledge of the manufacture or use of the products under consideration, risks the development of academically/theoretically appropriate standards that fail in the real world.

QUESTION 6: HOW PRESCRIPTIVE SHOULD NEW GOVERNANCE ARRANGEMENTS BE?



- Rheem supports the concept of a panel to identify the need for new DER standards or revisions to existing DER standards.
- This approach, if coupled with an agreement with Standards Australia, could ensure that any required activity could be fast tracked through the Standards Australia project selection process, thus reducing significantly the time need for standards development.
- This would be preferable to creating a new advisory committee on DER technical standards.

