



Clean Energy Council submission to the Australian Energy Market Commission Draft Determination: Governance of Distributed Energy Resources Technical Standards

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the Australian Energy Market Commission (AEMC) Draft Determination on Governance of Distributed Energy Resources (DER) Technical Standards.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with Australia's leading renewable energy and energy storage businesses, as well as accredited designers and installers of solar and battery systems, to further the development of clean energy in Australia. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

We note that the AEMC has decided it will not make a rule in response to Dr Kerry Schott's request for a rule change seeking to introduce new governance arrangements for DER technical standards in the National Electricity Market (NEM) because the view of the AEMC is that it already has the powers it needs to address urgent and necessary DER technical standards issues by, for example:

- Initiating a review,
- Convening a committee or panel, and
- Considering DER technical standards as part of a potentially broader work program.

This can only be a credible response if the AEMC decides to use its powers. If the existence of powers is used as an excuse to take no action, the credibility of the AEMC in relation to DER policy will be further diminished.

The CEC urges the AEMC to urgently establish a review to consider:

- Roles and responsibilities for DER technical standards,
- Responsibility for developing a DER technical standards roadmap or work program,
- Interpretation of DER technical standards in the National Electricity Rules (NER), and
- Assessment of the economic impacts of proposed DER technical standards.

The review should be guided by the principle that new DER technical standards should serve the interests of consumers, and enable the transition to a grid that supports high levels of DER.

We would be happy to discuss these issues in further detail with representatives of the AEMC. We look forward to contributing further to the development and implementation of this important area for energy policy.

1. What the AEMC should review

The AEMC should review the following areas:

- Roles and responsibilities for DER technical standards,
- Responsibility for developing a DER technical standards roadmap,
- Interpretations of DER technical standards in the NER, and
- Assessment of the economic impacts of proposed DER technical standards.

Roles and responsibilities

Even though the AEMC does not have the power to determine the role of jurisdictional governments in setting DER technical standards, a review of the roles and responsibilities of policy makers and regulators of DER would be extremely beneficial in identifying the gaps and providing clear guidance as to the roles of the AEMC, the Australian Energy Market Operator (AEMO), the Energy Security Board (ESB), the Australian Energy Regulator (AER), the Clean Energy Regulator (CER), the Australian Renewable Energy Agency (ARENA) Distributed Energy Integration Program (DEIP), jurisdictional governments, the Electrical Regulatory Authorities Council (ERAC), Standards Australia and DNSPs.

Setting aside for the time being who should ideally be responsible for what, it would be helpful if the main policy makers and regulators could just agree on who is supposed to be responsible for what under the current framework. There are too many instances of duplication in the framework. Dabbling by multiple policy makers is a recipe for chaos, confusion, and unnecessary costs for consumers.

Developing a DER technical standards roadmap or work program

The AEMC review should decide whether it has a role in developing a DER technical standards roadmap or work program. The review should decide that either the AEMC has this role, or it does not. Leaving open the question of whether it might have a role in future is unhelpful.

Interpretations of DER technical standards in the NER

Problems arise when DER technical standards are interpreted differently. It is unclear which body has the authority to interpret how DER technical standards should be applied. The lack of clarity leads to decisions and disputes being pushed down to a low level, down to the level of electrical inspectors.

There needs to be a way to resolve genuine disagreements in interpretation. Sometimes standards are ambiguous and there can be several valid interpretations. This is especially problematic when electrical inspectors make differing interpretations.

The AEMC should establish a process for publication of its interpretation of the DER technical standards that appear in the NER. Even if the AEMC interpretation would not be binding upon jurisdictions, it would be immensely helpful to have a process for publication of an authoritative interpretation.

Assessment of the economic impacts of proposed DER technical standards

Electrical regulation is one of the few areas where new regulations are introduced without assessment of costs and benefits, impacts on business, and impacts on customers. This arises from a regulatory system whereby jurisdictional legislation refers to the AS/NZS 3000 standard, which itself refers to other standards, such as AS/NZS 4777. This means that when Standards Australia modifies standards, the new standard has the force of legislation and does not need to be assessed for its costs and benefits. This is very poor regulatory practice, undermining the achievement of the National Electricity Objective.

Placing the DER technical standards in the NER provides an opportunity to address the poor regulatory practices of the past. We strongly recommend the AEMC provide a view on how the regulatory impacts of DER technical standards should be assessed prior to being adopted in the NER.

2. Limits of AEMC powers

Following consultation with AEMC staff, the CEC is aware that the AEMC is very conscious of the limits of its powers and especially that it is unable to direct the policies jurisdictional governments and Standards Australia. We have therefore focused on what the AEMC could usefully do in a review to improve the governance of DER technical standards, using its existing powers. However, for completeness we have also outlined below where the CEC sees failings in the framework for DER technical standards.

2.1 Issues with the standards development process

Standards Australia processes are not transparent. Participants are bound by non-disclosure agreements.

Participation in Standards Australia processes are exclusive. For example, academics are unable to contribute.

Standards Australia is poorly funded and staffed by volunteers. Consequently, the Standards Australia process relies on a technical committee dominated by network service providers, and market and regulatory bodies.

2.2 Issues with enforcement of standards

Responsibility for enforcement of DER technical standards is very unclear. It is unclear what role DNSPs are expected to play in enforcement of DER technical standards. Responsibility for inspection following installation varies by jurisdiction. The CER inspects a representative sample of installations. Licenced electrical inspectors check installations in some jurisdictions and to varying degrees. Solar Victoria has its own inspection regime.

An AEMC review would present an opportunity to clarify roles and responsibilities for inspection and verification of compliance of DER systems with relevant rules and standards, even if it is beyond the powers of the AEMC to change the enforcement regime.