

2022D008259

Ms Anna Collyer
Chair
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235


Dear Ms Collyer

Thank you for the opportunity to make a submission on the Governance of distributed energy resources technical standards.

The Division notes the Australian Energy Market Commission's (AEMC) draft rule determination to not make a rule but rather to use its existing powers to address urgent and necessary issues not being addressed elsewhere.

The Division generally supports the five distinct roles identified in the draft determination and considers this approach will provide some flexibility to respond to the development and implementation of distributed energy resources (DER) technical standards in the National Electricity Market (NEM).

The Division, however, considers that the draft rule does not necessarily address the key issues raised in the rule change request. The request raised issues including the inability to implement consistent technical standards across the NEM and the need for a fast, flexible and transparent standards setting process.

The draft rule determination focuses on increased AEMC engagement with existing processes and frameworks to better progress DER technical standards. However, the rule change request highlighted fundamental issues with existing governance, in particular the need for a fast, flexible and transparent standards setting process.

It is not clear from the draft rule determination that there will be any improvement in the speed, flexibility or transparency of the existing standards setting process.

The Division's submission to the AEMC's consultation paper noted the technical challenges posed by DER and that a standards development and implementation role in the national energy frameworks could provide timely and efficient response to these challenges.

Energy and Technical Regulation Division

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The Division is still of this view and considers that a framework similar to that proposed by the Energy Security Board, with consideration of issues raised in the Division's submission, is likely to improve the processes related to making DER technical standards. In particular, such a framework should support development and implementation of DER technical standard to address urgent issues where timeframes associated with existing processes are not sufficiently expeditious.

The Division considers that the Rules could be amended to require the Australian Energy Market Operator (AEMO) and distribution network service providers (DNSP) to report annually on DER related issues and opportunities to manage these issues through technical standards. This reporting could be required under existing reporting obligations, such as a DNSP's Distribution Annual Planning Report and the AEMO general power system risk review.

The Division also considers that a standards group, as requested in the initial rule change request, should be established under the rules to consider the issues raised by AEMO and DNSPs. As outlined in the Division's previous submission, the group should include all three market bodies, DNSPs, technical experts, jurisdictional technical regulators, consumer groups, Standards Australia and original equipment manufacturers.

The standards group would be responsible for considering reported issues with DER and potential options to address these issues. The standards group could then make recommendations on technical standards to address these issues, this would include feeding information and recommendations to Standards Australia which could develop standards through the existing process.

The Division considers there will be times when the existing Standards Australia process is not swift enough to address urgent power system security issues contributed to by DER. For example, in 2020 South Australia had to introduce local obligations to address DER voltage ride through issues to manage risks to power system security as other processes would not have introduced the obligations in the required timeframe. Given the rate of continued installation of DER, power system security issues could be greatly exacerbated and consumer harm result if existing processes are relied upon.

The Division considers that the rules should therefore provide AEMO with a function to make DER technical standards, however this function could be limited in scope to addressing urgent power system security issues that would not be addressed quickly enough through the usual Standards Australia process. The established standards group could support AEMO in this function.

The Division asks that the AEMC reconsider its draft rule determination not to make a rule and reconsiders options for a standards and development implementation role in the national energy frameworks.

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Energy and Mining

Thank you again for the opportunity to make a submission. If you have any further queries, please contact Rebecca Knights on (08) 8429 3185.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Vince Duffy".

Vince Duffy
EXECUTIVE DIRECTOR, ENERGY AND TECHNICAL REGULATION

10/02/2022

