

Review into consumer energy resources technical standards

10 November 2022

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About the Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is leading social justice law and policy centre. Established in 1982, we are an independent, non-profit organisation that works with people and communities who are marginalised and facing disadvantage.

PIAC builds a fairer, stronger society by helping to change laws, policies and practices that cause injustice and inequality. Our work combines:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change and public interest outcomes.

Energy and Water Consumers' Advocacy Program

The Energy and Water Consumers' Advocacy Program works for better regulatory and policy outcomes so people's needs are met by clean, resilient and efficient energy and water systems. We ensure consumer protections and assistance limit disadvantage, and people can make meaningful choices in effective markets without experiencing detriment if they cannot participate. PIAC receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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Public Interest Advocacy Centre



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The Public Interest Advocacy Centre office is located on the land of the Gadigal of the Eora Nation.

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1. Introduction

The Public Interest Advocacy Centre (PIAC) welcomes the opportunity to respond to the Review into consumer energy resources technical standards consultation paper (the Paper)

We support the objective of the review to enable the integration of Distributed Energy Resources/Consumer Energy Resources (DER/CER) to support the long-term interests of consumers. We agree that the review should commence with an assessment of the existing standards, and how they are either supporting or impeding realisation of this objective. This assessment should evaluate standards in terms of their effect on consumers with and without CER. That is, how do proposed standards contribute to both delivering the potential benefit of installed CER and optimising the operation of the energy system?

The scale of investment in CER (representing approximately 15 GW of capacity or one-in-three homes) and its projected growth demonstrate the magnitude of risk if CER standards are not appropriately set, monitored, and enforced. If CER cannot provide an appropriately predictable contribution to demand, commensurate with that installed capacity, then greater investment in networks and centralised generation will be required, at significant cost to all consumers.

The Paper notes that the review will consider and recommend actions outside the rule-making remit of the AEMC, including other reforms to consumer law or jurisdictional frameworks that may be required to support effective compliance. PIAC supports extending the scope of the review beyond the National Energy Customer Framework (NECF) to consider all measures which can contribute to the objective. The imperative for optimised integration and utilisation of CER is particularly urgent given current circumstances of high energy prices and future costs associated with the development of new generation and transmission infrastructure as part of the energy system transition.

2. Objectives and Scope

Objective

PIAC supports the objective of the review. This objective should apply not only to consumers with CER but, more broadly, to all consumers, which are indirectly impacted by the effectiveness of CER in terms of its impact on the effective, efficient, and reliable operation of the energy system.

Scope

PIAC supports the focus of the review on compliance and enforcement with technical standards of CER in the National Energy Market (NEM). It will be key to determine where, how, and why these standards are not being met and what implications this has for the energy system transition. Analysis of the factors contributing to the failure of compliance and enforcement with standards should not be restricted to the immediately responsible party (DNSPs) but also consider the role of other entities and frameworks interacting with DNSPs at the point of installation, maintenance, and support for CER.

Consideration of compliance and enforcement frameworks and potential reform recommendations should ensure effective compliance with standards is not dependent on consumer understanding or action. Good practice in assigning roles and responsibility in

compliance and enforcement frameworks aligns responsibility with the parties with the greatest incentive to act in accordance with the best interests of the consumers.

3. Proposed assessment framework

Consumer outcomes

PIAC recommends adding an additional aspect to the assessment framework under consumer outcomes:

'Will the success of compliance and enforcement approaches be dependent upon consumer information, engagement and action?'

Standards for CER require compliance and enforcement that is durable and independent of consumer information, capability, and action. Compliance and enforcement should be undertaken by the entity(s) with the greatest ability to undertake it effectively.

Safety, security, and reliability

PIAC recommends adding an additional point under system risks:

'Undermining continuity and affordability of consumer access to energy that meets their essential needs.'

Cost and complexity

PIAC considers that this review should not assess compliance and enforcement against the 'alternatives'. The existing situation is arguably already the 'alternative' to regulatory intervention. Consumers installing CER currently bear significant responsibility for 'enforcement' while all consumers bear the risks and costs (which they cannot influence) of non-compliance.

NEM-wide solutions

We agree that NEM-wide consistency and its benefits should be a key aspect of assessment. Consistency across the NEM is crucial to avoid non-compliance in some connected jurisdictions impacting on others. Consistency will also aid the further development of workforce standards and efficient supply chains for product and service delivery, which will benefit consumers through cost and accessibility of products and services that meet standards.

Principles of good practices - Simplicity and transparency

Information asymmetries between market participants with respect to technical standards should be a key assessment criteria. Good regulatory practice should aim to ensure that compliance and enforcement with standards is independent of the consumer. This responsibility should rest with the party with most incentive and ability to act in alignment with the protection and the promotion of the interests of the consumer.

PIAC considers the DNSP is the most appropriate focus of compliance and enforcement. The interest of DNSPs aligns with that of the consumer in the sense that they both seek to ensure connected resources are installed and maintained to standard. Where responsibility extends beyond the scope of action that DNSPs can reasonably undertake (such as in maintaining assets

to standard) the supporting framework should be designed such that its effectiveness is not solely contingent on consumer intervention (for instance, by ensuring that installing entities are accredited and regulated to meet installation standards and provide product warranty support that enables CER standards to be met over a reasonable time)

Question 1: Assessment Framework

1. Is the proposed assessment framework appropriate?

PIAC broadly supports the assessment framework and considers that it covers the scope of issues which should be assessed and considered.

2. Are there any other relevant considerations that should be included in the assessment framework?

PIAC supports the assessment framework explicitly considering measures beyond the NECF to ensure effective compliance. For instance, assessing the need for regulation of installers and reform to jurisdictional oversight of installation and safety frameworks that may support the intent of DNSP-based compliance with standards.

4. Issues for Consultation

Non-compliance

The scale and materiality (direct and indirect impacts on all consumers) of non-compliance is significant and should be regarded as a 'systemic failure, requiring a robust, timely and comprehensive regulatory response'.

Question 2: Complying with CER technical standards

3. What are the reasons for any non-compliance by DNSPs, manufacturers and consumers?

PIAC strongly recommends against focusing on 'consumer non-compliance', or assuming that consumer non-compliance is the primary contributor to the identified issues.

Enforcement of product standards by Commonwealth and State jurisdictions (and the ongoing availability of non-complying or unreliable CER products) should be examined. PIAC considers the continued availability of CER products that do not meet robust standards undermines the ability of installers and consumers to play an effective role in compliance.

Enforcement of installer standards by Commonwealth and State jurisdictions should also be examined. There is no robust, consistent mechanism to ensure:

- installers are appropriately qualified,
- the equipment they use meets standard,
- that equipment is installed to specification,
- installers effectively link with the DNSP to verify the installation meets standards,
- installers provide effective maintenance information, assistance, and service support for consumers, and

- installers have robust mechanisms to ensure the functionality of their installed systems for a reasonable period of time (warranty).

The review should also assess whether DNSPs have effective means of monitoring and enforcing compliance at point of installation, and on an ongoing basis. This should include:

- that DNSPs are notified of installations in advance,
- DNSPs are legally responsible (and empowered) to approve or verify installations,
- DNSPs have access to ongoing performance data indicating compliance with standards, and
- that an appropriate legal and regulatory framework exists to provide DNSPs with the ability to identify non-compliance, notify connections, and request or facilitate redress.

Accordingly, PIAC recommends that this review also consider developing measures to identify non-complying existing connections and support redress.

Market impacts of non-compliance

The market impacts of non-compliance with standards should be the priority consideration for this review. Assessment of market impacts should inform the need for regulatory reform to support more effective compliance and consider the individual impacts of non-compliance on consumers with CER, as well as the wider market impacts on all consumers.

The consultation paper details AEMOs findings that unreliable PV response is already a material issue, risking power system security in the short term and the effectiveness of CER and its role in the system, in the long term. PIAC notes the Paper's evidence indicating more consistent compliance with the standards would facilitate a doubling of CER hosting capacity within existing networks – a contribution that would lower costs for all consumers through lower wholesale prices. Ongoing non-compliance is likely playing a material role in wholesale prices and network costs, which are higher for all consumers than they would be if CER were more effectively integrated and predictably operated.

The materiality of the issue and its systemic impact mean that compliance must be consistent. PIAC considers this requires a framework for compliance that is not unduly dependent upon consumer action. Robust regulation is required and should be pursued even if it places more substantial requirements on installers, networks, and other entities.

Question 3: Market impact of non-compliance for consumers

4. How are consumers able to manage compliance costs?

Costs at installation could be reasonably managed as a relatively small component of upfront cost (verifying installation compliance, for instance). However, managing ongoing compliance may be more complicated as existing installations may not meet standards (through no fault of the consumer) and rectification and compliance may not be practical for the consumer.

5. Do consumers face any other detrimental experiences from non-compliance, such as complex experiences installing and operating devices?

Many consumers lack clear understanding of:

- their responsibility in enabling effective operation of their CER to standard,
- the impact of non-compliant CER on their energy costs and the system at large,
- how to identify and verify the quality of installers and equipment,
- how to verify that an installation is compliant,
- the role of DNSPs in verifying and overseeing ongoing compliance, and
- where to access information on how to maintain their CER to standard and rectify issues when they arise.

Many consumers assume installers are compliant and undertake all relevant work to standard as part of their contract. They are also likely to assume that any system installed will fulfil its function. It is often the case that consumers have poor understanding of the operation (and limitations) of solar systems, simply assuming they mean 'free energy' or 'going off grid'. In any case, consumers rely on installers (and potentially retailers and DNSPs) to undertake work to standard and provide effective information and direction on how to ensure ongoing functionality and compliance. Failure at any (or often all) these points, results in reduced CER functionality (and increased costs for consumers) and can lead to considerable impact on consumers and a negative view of CER.

6. Are device owning consumers aware of their obligations to comply with CER technical standards under the NER

Consumers are mostly unaware of any obligation on them to comply with CER technical standards. They reasonably assume that installers, retailers, and DNSPs (whose services they pay for) will undertake compliant work and ensure standards are met. While device owning consumers should have a role to play in supporting ongoing compliance (through basic maintenance and upkeep, for instance) the primary responsibility should be on entities installing devices, DNSPs who verify the connection, and the information and support they provide to consumers. This should include, how to operate the CER effectively, how to maintain it, and an obligation to ensure that it continues to meet standards and operate as intended for them, and the system.

PIAC strongly recommends this issue not be viewed as one only requiring further consumer information. Consumer information improvements should be secondary supports for ongoing compliance. The primary focus should be on embedding product and installer standards in a framework that enables more effective compliance and enforcement by DNSPs.

Question 5: Enforcement and other potential solutions

DNSPs remain the most efficient focus point for compliance and enforcement of effective CER standards, particularly at the point of installation. However, consideration must be given to the supporting frameworks required to ensure that DNSPs can effectively undertake this role. This should include considering:

- more robust regulation of CER products to ensure they meet or exceed required standards,
- regulation of installing entities to ensure they meet reasonable prudential standards, their workforce is appropriately qualified, they are installing to standard, and that measures are in place to ensure business or service continuity for the purposes of warranty, product maintenance, and repairs.

- more regulation of the information and support provided to consumers installing CER assets to support effective maintenance of their systems and to ensure they are capable of meeting requirements over time,
- jurisdictional reforms to support information provision, workforce training, product quality, and
- more durable processes to ensure DNSP verification of standards at installation, and for DNSPS to monitor ongoing system compliance (directly or via retailers and data providers) and initiate rectification works. This should potentially include having support from jurisdictional safety enforcement mechanisms.

5. Further engagement

PIAC welcomes the opportunity to discuss these matters further with the Commission and other stakeholders.