

7th October 2021

Andrew Swanson
Senior Adviser
Australian Energy Market Commission

Submission on the National Electricity Amendment (Governance of Distributed Energy Resources Technical Standards) Rule 2022 and the National Energy Retail Amendment (Governance of Distributed Energy Resources Technical Standards) Rule 2022

Dear Andrew,

Energy Consumers Australia appreciates the opportunity to comment on the Australian Energy Market Commission's (AEMC) *Governance of Distributed Energy Resources Technical Standards, Consultation Paper*.

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the then Council of Australian Governments Energy Council in 2015, our objective is to promote the long-term interests of energy consumers with respect to price, quality, reliability, safety and security of supply. We advocate for a future Australian energy system that works for, and benefits, the households and small businesses who use it.

Energy Consumers Australia has made previous submissions on this issue, including on the AEMC consultation paper and draft determination for the related rule change in August 2020¹ and January 2021², the Energy Security Board (ESB) consultation in August 2020³, and the Australian Energy Market Operator (AEMO) in September 2020⁴. In all of these, we have emphasised our focus is on better consumer outcomes – that requires a strong consumer voice in the development of technical standards, as well as a decision-making process that appropriately recognises the value of DER to consumers.

With the increasing uptake of DER, there is a need for fit-for-purpose technical standards that are flexible, inclusive, clearly defined, and timely; establishing a new governance framework could better deliver on these outcomes. The AEMC is the appropriate decision-making body to set technical standards, but will need to work closely with consumer organisations to ensure that consumer interests are appropriately considered. Technical standards will impact the functionality and performance of consumer owned and invested assets, so the process for setting these standards should identify and address consumer costs and benefits from the outset. To do this, we propose that consumers should be central to this process and Energy Consumers Australia would be happy to collaborate with the AEMC, AEMO and Australian Energy Regulator (AER) on the Advisory Committee to help guide the outcomes.

¹ [Submission-to-the-National-Electricity-Amendment-Technical-Standards-for-Distributed-Energy-Resources-Rule-2020..pdf \(energyconsumersaustralia.com.au\)](#)

² [Submission-to-the-draft-determination-for-National-Electricity-Amendment-Technical-Standards-for-Distributed-Energy-Resources-Rule-2020..pdf \(energyconsumersaustralia.com.au\)](#)

³ [Submission-to-the-ESB-Governance-of-DER-Technical-Standards-Consultation-Paper.pdf \(energyconsumersaustralia.com.au\)](#)

⁴ [Submission-to-AEMO-DER-Minimum-Technical-Standards-Issues-Paper.pdf \(energyconsumersaustralia.com.au\)](#)



The standards should ensure that they support market developments which could lead to greater participation of small consumers, whilst at the same time taking into account what consumers value, not just the value of DER to grid security and reliability. We are concerned that the National Electricity Objective and the National Energy Retail Objective only apply to the long-term interests of consumers, which narrowly defines consumer interests. We believe that the DER Technical Standards should take a broader view, balancing the need to control DER assets with the costs and benefits to consumers of changing the use of their assets.

We expand on these points below and make additional comments on what the rule change could allow and how governance decisions could be made to address consumer costs and benefits in relation to their DER assets.

We need consumer representation in the advisory committee

DER are consumer owned appliances and technologies at their premise, so any technical standards imposed on these assets requires a consumer perspective. It is this perspective that needs to be appropriately addressed if DER's system potential is to be realised.

The Consultation Paper proposes that the AEMC should be the decision maker for new and updated technical standards, in collaboration with AEMO and the AER. As Dr Schott identified in her rule change proposal, the current Standards Australia process relies on "technical committees dominated by network service providers and market and regulatory bodies". We propose, given the context of consumer owned assets, that consumers should be a central part of the governance body and proposed advisory committee.

To ensure that the AEMC and the proposed advisory committee gives an adequate focus and representation to consumers, we suggest:

- the AEMC collaborate with Energy Consumers Australia, as well as AEMO and AER in developing and updating technical standards; and
- that the proposed advisory committee provides a balanced representation of consumers.

Governance needs to acknowledge consumers as part of the system

Currently, the assessment framework proposed by the AEMC in the Consultation Paper to assess the rule change proposal does not adequately consider the challenges and opportunities of the rule change for consumers. We would like to see this broadened to ensure overall consumer benefits are recognised and included, as there are advantages beyond security, price and safety that are not currently captured from a consumer perspective, such as potential savings in manufacturing costs. This broadening will also allow disbenefits to consumers to be identified. For instance, when the framework is focused on the system rather than the consumer, it may be desirable to shift increasing costs onto the consumer, which they are unable to mitigate.

A related issue is that technical standards that provide industry functionality are relatively easy to assess, in terms of benefits and costs. Where additional functionality in the technical standards would benefit consumers, the benefits are often hard to quantify as they have not always been monetised in our existing markets and are therefore often rejected on the basis of adding additional costs for industry, which it must be recognised are paid by consumers. If the costs imposed on consumers of poor functionality or externalities such as loss of trust and social licence were also adequately accounted for, smart technologies and devices could have additional functionalities that provide benefits that consumers value.



There is a need for a new, flexible, approach to DER technical standards

Like the Energy Security Board, we are concerned that the current rule requirements which develop and implement DER standards lack the ability to respond quickly, flexibly and transparently. The transition of the energy system that is underway will require fit-for-purpose technical standards in relation to DER.

In our view, the current process under Standards Australia is too slow to respond to the technological advancement and changes of a rapidly evolving NEM. These changes mean flexibility becomes a key strength within the standard setting process, ensuring that the standards can respond in a timely way. The standards could also allow for flexibility in their application across the network (if required to address localised concerns), though our preference remains that there should be consistency across jurisdictions. Equally, expanding the coverage of the standards, under the new proposed process, to include considerations outside the current remit of Standards Australia, will enable specifications directly related to the NEM to be identified and addressed. It is for these reasons we agree with Dr Schott's proposal for a rule change to the National Electricity Rules (NER) and National Energy Retail Rules (NERR) in order to keep pace with the evolving market, provide flexibility in approach and broaden the scope of standards to address the specific needs of the NEM. In this context, we propose a subordinate instrument to allow timely iterations keeping pace as the market evolves. This is an optimal alternative to embedding the standards in the current NER which can only be amended through a rule change process.

On a technical note, the AEMC may wish to consider the definition of DER Technical Standards to avoid any overlap with jurisdictional requirements and the process should also allow for the removal of redundant provisions as required.

Co-design to enable consumer-orientated decisions on DER technical standards

It is important to recognise the traditional way of approaching an issue of this type is to take a technological and systems approach. However, consumers do not use these assets in a purely economically efficient or technologically practical way, but rather based on their own needs and as part of daily functioning and wellbeing. It is for these reasons we propose co-design as an alternative approach to enable decisions around DER technical standards be focused on the end-user consumer. This method is founded in design thinking, a process of human centered creative problem solving.

The ESB Maturity Plan Pilot Co-Design Knowledge Share Report⁵ demonstrated the value of taking this approach, which ultimately helped inform the ESB's Post 2025 final recommendations. What we see with the Knowledge Share Report is that technological considerations are important but equally so are a myriad of perspectives based on design thinking that is consumer orientated. In order to ensure the standards are inclusive of consumer values and perspectives, we propose the co-design process used in this report to explore the complex challenge of minimum demand be applied in this context of DER technical standards. This would allow the problem, issue or proposal and refined solutions or suggested standards, to be grounded in consumer centricity.

A related point is the increasing value of public interest technologists⁶ within this space. Combining technological expertise with a public interest focus, in this context, positive consumer outcomes, can be helpful in identifying technological issues while at the same time acknowledging impacts either cost or benefit for the end-user consumer. As DER integration increases in the community, this perspective

⁵ https://prod-energycouncil.energy.slicedtech.com.au/sites/prod.energycouncil/files/ESB%20MPP%20CoDesign_Knowledge%20share%20report_Final.pdf

⁶ [Public-Interest Technology Resources \(public-interest-tech.com\)](https://public-interest-tech.com)



is critical when considering technological impacts of community and consumer owned assets in terms of personal autonomy, agency and equity.

Once again, thank you for the opportunity to provide our feedback on the Australian Energy Market Commission's (AEMC) *Governance of Distributed Energy Resources Technical Standards, Consultation Paper*. If you have any questions about our comments in this submission, or require further detail, please contact Taneesha Amos-Hampson, Graduate Policy Officer, by phone on 02 9220 5500 or by email at taneesha.a@energyconsumersaustralia.com.au.

Yours sincerely,

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Energy Consumers Australia