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8 October 2021

Mr Andrew Swanson
Senior Adviser, Project Leader
Australian Energy Market Commission
Level 15, 60 Castlereagh St
Sydney NSW 2000

Dear Mr Swanson

Re: Consultation on Governance of distributed energy resources technical standards

Thank you for the opportunity to comment on the Governance of distributed energy resources technical standards (GDERTS) Consultation paper.

Overview

The AER acknowledges the challenges associated with increased penetration of distributed energy resources (DER) and the current governance framework for DER technical standards identified by the Energy Security Board (ESB) in its rule change request.

These are important policy issues to explore in a context of market transformation with increased DER and broader reforms to enable improved DER integration. In principle, we recognise the complexity of DER technical standards including the fragmentation across different jurisdictions and schemes, the need for improved responsiveness and faster pace for decision making, and the need for greater coordination and planning.

This rule change process is one step in implementing the ESB priority to integrate DER effectively into the NEM. Consideration should be given to other reforms and initiatives affecting DER technical standards including:¹

- [ESB's DER and demand side participation recommendations](#)
- Work underway by [ARENA's Distributed Energy Integration Program \(DEIP\)](#)
- ESB's policy advice to DEIP on interoperability to provide direction on technical standards

¹ Energy Security Board, Post-2025 Market Design Final advice to Energy Ministers, Part B, pp73-76

- ESB working with the Department of Industry, Science, Energy and Resources on cyber security including preliminary security design for DER interoperability
- Actions that will emerge from the ESB's Maturity Plan process
- Potential new minimum standards and other requirements that impact DER under the [Cyber Security Strategy being progressed by the Department of Home Affairs](#)

The AER is supportive of efforts to improve DER integration including DER technical standards governance and improvements that benefit consumers in the long run. There are relevant issues that require further consideration:

- Complexity and interaction of multiple different jurisdictional standards, initiatives and other conditions impacting DER
- Jurisdictional limits and scope
- Proportionality
- Reforms and initiatives already underway through other processes and timing to maximise benefits

Complexity and interaction of multiple different jurisdictional standards, initiatives and other conditions impacting DER

As noted in the consultation paper and the rule change request, technical standards impacting DER originate from various jurisdictions including international, Commonwealth, and States and Territories. They also arise from standards, conditions for market participation, from schemes and other initiatives, and as legislated requirements.

There needs to be a clearer mapping of how these different standards interact and impact on DER and ultimately on consumers and the market. This should be a key consideration as part of this process. It should be kept front of mind in considering any potential solutions to problems identified from this consultation process to ensure that any future changes are proportional and do not result in duplication.

Jurisdictional limits and scope

The AER notes the rule change request proposed obligations to meet DER technical standards would extend to connection applicants, manufacturers and installers of DER and that the AER would be responsible for enforcing compliance.

While there will be further work in identifying governance issues and possible solutions, we would caution against allocating compliance and enforcement responsibilities to the AER that extend beyond our scope and powers. Potential solutions and compliance implications should consider jurisdictional regulatory differences and the different roles of regulators and other bodies that may have responsibilities with respect to standards. The consumer experience should also be considered, including the simplicity of interfacing with any new framework and the ability to resolve problems when they arise including dispute resolution.

To the extent that an advisory committee is established on standards, it will be important to ensure that it contains a diversity of interests including consumer representation. Arrangements for funding of consumer representation would need to be considered.

Proportionality

Any potential solutions and change should be pursued only if they deliver benefits greater than costs and impacts. Consideration should also be given to how any potential changes

interact with other existing reforms and changes and the cumulative impact of costs and benefits to consumers, industry, market bodies and other stakeholders.

The costs of potential compliance and enforcement should also be considered. We expect the AER would be consulted about potential costs and impacts as part of this process.

The fast pace of DER and technological developments should also be considered and whether any potential changes are proportional to future reforms and other developments.

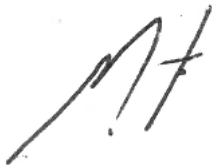
Reforms and initiatives already underway through other processes and timing to maximise benefits

As outlined above, there are a range of reforms and initiatives already underway including future consultation and initiatives that will emerge from the ESB's Maturity Plan process over the next three years. These reforms and initiatives will go towards addressing the challenges identified in the rule change request as well as change the context for DER integration and this rule change.

Consideration should be given to current and anticipated changes from these reforms and initiatives and how potential changes from this rule change process would interact and fit together. A holistic approach should be used to time potential changes to maximise benefits, avoid duplication and to take advantage of potential streamlining and efficiencies.

We would like to commend the AEMC's consultation efforts on this rule change process with a broad cross sector of relevant stakeholders including with the AER. We look forward to continuing our engagement on this rule change process and other DER integration initiatives.

Yours sincerely

A handwritten signature in black ink, appearing to be 'MF', written in a cursive style.

Mark Feather
General Manager, Strategic Policy and Energy Systems Innovation
Australian Energy Regulator

Sent by email: 08.10.2021