



Ausgrid Submission

AEMC Integrating Storage Rule Change Consultation Paper
October 2020



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Lodged online

Dear Mr Aulbury,

We welcome the opportunity to comment on the Australian Energy Market Commission's (AEMC) *Integrating Energy Storage Systems into the NEM* consultation paper (Consultation Paper). We support the ongoing work to integrate flexible resources, particularly batteries, into the energy system.

Ausgrid owns and operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that stretches from the Sydney CBD to the Upper Hunter. We see our grid as a shared, open platform, upon which a new ecosystem of products and services will evolve.

Both distribution and transmission networks are seeing an increase in the number of energy storage systems seeking to connect to the network. It is important that regulatory arrangements are clear to provide certainty and transparency for all stakeholders as the new market continues to grow.

While we support clear regulatory arrangements for storage systems, the changes proposed by AEMO are significant. In addition, many of the matters being dealt with in the Consultation Paper are also being considered in other reviews. For example, the AEMC's *Network planning and access for DER* rule change is considering whether DER should be charged (and rewarded) for both the import and export of energy through Distribution Use of System (DUOS) charges.

In our view, the AEMC should consider more incremental changes to the existing framework to ensure clarity in this instance while the national market design is progressed. It would also be desirable to keep a sufficient degree of flexibility in the rules. This will enable other technological solutions that might respond to bi-directional price signals should they eventuate from the *Network planning and access for DER* rule change or the Energy Security Board's (ESB) post 2025 work.

While much of the Consultation Paper's focus is on grid scale batteries, we expect distribution level batteries to also play a role in the future electricity grid. Rather than participating solely in wholesale and ancillary markets, we expect these distribution level batteries to perform a number of roles, including at the network, market and customer level. These services include:

- **Network services:** distribution networks are installing batteries in order to resolve network constraints, as well as provide voltage control and other services.
- **Customer storage services:** customers are installing batteries to provide greater control over their energy use, as well as reducing costs and their carbon footprint.

- **Market services:** batteries are increasingly being used to provide ancillary services such as frequency control ancillary services (FCAS) to help keep the network secure.

Through our Network Innovation Advisory Committee (NIAC) we are trialling the use of batteries as a shared community asset providing a combination of services. Innovation and co-designing solutions with our customers is key to evolving the shared distribution network to efficiently meet the changing needs of customers and their expectations of the energy system.

AEMO's proposed rule change contained a significant number of changes to chapters 2, 3 and 10 to the *National Electricity Rules*. We agree with the AEMC that the changes being proposed by AEMO may not align well with aspects of the ESB's post 2025 work.¹ More incremental changes to the regulatory framework may be appropriate.

Alignment between transmission and distribution pricing

In its rule change proposal, AEMO indicates that network service providers (NSPs) may be applying transmission use of system (TUOS) and DUOS charges differently across jurisdictions.² AEMO also suggests that this lack of clarity results in uncertainty for proponents of battery facilities, possible barriers to entry and ad hoc arrangements across the National Electricity Market (NEM).

AEMO's proposed solution is to provide clarity to battery proponents by establishing that:³

- TUOS would not apply
- DUOS would not apply to sent out electricity
- DUOS charges would apply for consumed or imported energy

AEMO proposes that these objectives be achieved through changes to the relevant clauses of chapter 6, 6A and 10 of the NER, including clause 6.1.4. In its Consultation Paper, the AEMC asks whether the different approaches for TUOS and DUOS charging is problematic.

There are competing reasons why energy storage systems should and should not be charged TUOS. Many of these reasons are outlined in the Consultation Paper.⁴ We consider it important that all network users contribute equitably to the total efficient network costs and face price signals rewarding behaviours that reduce future network costs. As such, it is important that bi-directional network users such as batteries receive network pricing signals. Ideally, these signals should be reflective of the assets used. Differential accounting of these flows for the purpose of their local settlement or market settlement would need to be implemented.

Technology neutrality

Beyond the relevant pricing arrangements, the ESB's two-sided market reform is exploring moving away from defining specific technologies and assets in the rules and towards a technology neutral approach that attaches obligations to services.⁵ In our view, this will ensure flexibility within the

¹ AEMC, *Integrating energy storage systems into the NEM*, Consultation Paper, p36

² AEMO, *Integrating energy storage systems into the NEM - rule change request*, p. 20.

³ AEMC, *Integrating energy storage systems into the NEM*, Consultation Paper, p76

⁴ AEMC, *Integrating energy storage systems into the NEM*, Consultation Paper, pp78-79

⁵ AEMC, *Integrating energy storage systems into the NEM*, Consultation Paper, p80

framework as technology and services continue to evolve. While this work is underway, we support minimal amendments to the existing framework to advance a more level playing field for participants.

If you have any queries in respect of this submission, please contact John Skinner on (02) 9269 4367 or john.skinner@ausgrid.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alex McPherson', written in a cursive style.

Alex McPherson
Head of Regulation

Thank you

Thank you

