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South Australian Council of Social Service

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To whom it may concern,

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The South Australian Council of Social Services (SACOSS) is the peak body for the community services sector in South Australia, with an interest in the efficient (and affordable) delivery of essential services to communities across the state. We thank the Australian Energy Market Operator (AEMC) for the opportunity to provide input to the consultation paper on Distributed Energy Resources Integration – Updating Regulatory Arrangements.

This submission responds to the three rule change proposals from SA Power Networks, St Vincent de Paul Society and the Total Environment Centre and ACOSS for the integration of distributed energy resources (DER). This submission will not address all of the questions raised in the AEMC consultation paper. However, in principle SACOSS agrees with the need to update the regulatory framework to support increasing levels of DER on the network. There is also a need to prioritise the principle of equity in the electricity system across the National Electricity Market (NEM). As noted by SA Power Networks, household solar PV now has a total installed capacity of almost 1500 MW and in aggregate is now the biggest generator in SA, with a similar pattern occurring across the country.

The extended uptake of household solar PV shows no sign of slowing and there is evidence of distributional impacts and the reallocation of sunk network costs for non-solar and passive consumers (Eid et al, 2014; Chesser et al, 2018). The rule change proposals however are unlikely to resolve all issues across the NEM related to equity as the proposals largely address distribution network costs with increased DER. Although lower cost solar generation is being generated into the distribution network, this does not automatically correlate to lower wholesale prices and lower retail tariffs for consumers.

SACOSS acknowledges that overall, renewable energy traded on the wholesale market appears to reduce electricity prices over the short term due to the merit order effect (Bell et al, 2017; Csereklyei et al, 2019). However other factors, such as high gas prices, peak demand and coal plant exit in the market have significantly impacted on wholesale electricity costs, particularly in SA (Simshauser, 2019). In any case, the proposed rule change needs to be considered on a whole of system cost basis. SACOSS is therefore supportive of the proposed assessment framework (3.4) in the consultation paper and in particular the 'efficient provision of electricity services' that considers total system costs.

SACOSS also suggests the AEMC carefully consider the implications of SA Power Network's proposal to amend the definition of terms applicable to 'distribution service' in the National Electricity Rules (NER) so that these terms explicitly recognise export services, as stated in the consultation paper (p.23). SACOSS acknowledges the additional services network distributors provide now extend to export services, however it is important to state that export services are not utilised by all customers. Changing the definitions in the NER to allow for the inclusion of export capacity in network planning and expenditure has the potential to involve cost recovery from all customers for allowed expenditure incurred on the basis of export services. We do however recognise that SA Power Network's proposal (p.7) will include some type of export price, potentially through an export tariff and they state that, "any revenue recovered through an export price is revenue that will not need to be recovered from consumption pricing." However, it is not clear to SACOSS how costs and charges will be allocated and we suggest that the AEMC considers any potential inequities in the proposals to change the definition of 'distribution service' in the NER.

SACOSS does not have enough information to know if the proposed rule changes will result in the most equitable outcomes for all consumers on the NEM. It may be the case that options such as abolishing net metering and thus removing payments for solar generation to the grid has more equitable outcomes overall (Schittekatte et al, 2018; Eid et al, 2014). This is likely to be a less politically palatable option, however Eid et al. (2014) recommends bi-directional metering with both consumption and production charges, which is likely to incentivise self-consumption of solar PV and storage. Our understanding is the St Vincent de Paul's Society proposal has the potential to incentivise self-consumption for households and enable network investment in battery storage at the substation level.

There is limited evidence that we can see from the consultation paper and rule change submissions as to the overall equity outcomes of the proposed approaches. Thus, we recommend that the AEMC include an assessment criterion related to equitable outcomes of the proposed rule changes. The inclusion of an assessment of equity is important, particularly as the proposal received from ACOSS and the Total Environment Centre specifically note equity issues as one of the reasons the reform is needed. In addition, SA Power Networks in their rule change proposal state that they support changes in regulations that can, "improve equity in allocating the costs and benefits of DER." SACOSS believes the other proposed assessment criterion effectively considers the National Electricity Objective (NEO) and the National Energy Retail Objective (NERO).

SACOSS also has a few concerns with the proposed rule change and how it will be implemented, under what timeframe and what conditions will be imposed. We agree with the proposed approach of SA Power Networks to have an element of choice for solar customers in relation to their exports and the potential to be rewarded for export of solar generation at times that benefit the network. However, there is also some concern about the complexity of the arrangements and ensuring simplification for all energy consumers and prosumers will be important. We therefore reiterate that all proposals need to be considered holistically across the NEM, with whole of system costs, equity and differing jurisdictional challenges considered.

One other point to note for SA is the recent extension of the Virtual Power Plant trial to a further 3000 Housing SA tenants. SACOSS is very supportive of this initiative by the SA Government, however an important factor to consider is that Housing SA tenants are required to pay for every kWh of electricity used and they do not receive 'free' solar energy. The incentive for Housing SA tenants is a reduced tariff through their retailer. For that reason, SACOSS recommends that any additional costs are not applied to this cohort as they do not benefit from the solar energy being generated from these systems. These systems are in effect providing grid support in SA and Housing SA tenants should not be liable for any additional costs. Resolution of this concern is likely if there is a transition period in place as proposed.

Thank you in advance for consideration of our submission. If you have any questions in relation to this submission, please contact Maureen Boyle at maureen@sacoss.org.au or 8305 4233.

Yours sincerely,

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