

11 January 2023

Mr Mark Feather
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Mr Feather,

Re: Initiation notice – Assessment for a distribution ring-fencing class waiver for projects funded under the Commonwealth Government’s Community Batteries for Household Solar Program

Simply Energy welcomes the opportunity to provide feedback on the Australian Energy Regulator’s (AER) initiation notice on the potential class waiver for distribution network service providers (DNSPs) in relation to the Community Batteries for Household Solar Program.

Simply Energy is a leading energy retailer with approximately 700,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. Simply Energy is owned by the ENGIE Group, one of the largest independent power producers in the world and a global leader in the transition to a zero-carbon economy. As a leading retailer focused on continual growth and development, Simply Energy supports the development of effective regulation to facilitate competition and positive consumer outcomes in the market.

Since March 2018, Simply Energy has also been leading VPPx, which is an ARENA funded project to build the first virtual power plant (VPP) that integrates with a distributed energy market platform. Simply Energy is collaborating on this project with several partners, including technology vendor GreenSync and SA Power Networks. Simply Energy is also currently collaborating with several DNSPs regarding opportunities for network-owned, retailer-leased, community batteries.

Overall, Simply Energy supports the AER granting a class waiver with conditions under section 5.3A of the electricity distribution ring-fencing guideline.

DNSP-owned batteries can support the transition to a renewable energy system

During the AER’s review of the electricity distribution ring-fencing guideline in 2021, Simply Energy did not support requiring DNSPs to obtain a ring-fencing waiver to lease the use of DNSP-owned energy storage devices to third parties.¹ We considered that the need to obtain a ring-fencing waiver would add regulatory uncertainty to community battery projects and that the potential risks of these leasing arrangements could be dealt with separately to the ring-fencing guideline.

Simply Energy considers that community batteries can provide an affordable alternative for consumers investing in their own residential battery storage systems. DNSP ownership of energy storage devices enable these devices to be used for network support, which can potentially displace or delay the need for costly network expansion. As the devices would only be used to provide grid

¹ Simply Energy 2021, Submission to draft ring-fencing guideline version 3 (electricity distribution), 8 July, available at: <https://www.aer.gov.au/system/files/Simply%20Energy-%20Electricity%20Distribution%20Ring-fencing%20Draft%20Guideline%20Submission%20-%208%20July%202021.pdf>

support for a small percentage of the time, investment in these devices is unlikely to be economical unless the excess capacity of the devices can be leased out to market participants to provide competitive services. The leasing of DNSP-owned devices enables a more efficient use of the devices and reduces the regulated costs that are ultimately paid by consumers.

Enabling DNSPs to invest in batteries can also benefit retail market competition, as smaller retailers that cannot invest in grid-scale batteries themselves will be provided opportunities to obtain battery capacity through these leasing arrangements. Through competitive tender processes, DNSPs can provide the market with energy storage services at an efficient cost and on a non-discriminatory basis.

A class waiver would help accelerate the rollout of these community batteries

Simply Energy supports the class waiver under section 5.3A of the electricity distribution ring-fencing guideline, as this would support an accelerated rollout of the batteries under the Community Batteries for Household Solar Program. As highlighted in the initiation notice, DNSPs can play a practical role in the roll-out of projects under the Program. We note that the ability to value stack the batteries would likely enable DNSPs to be well placed to optimise the funding through the Program. We expect that DNSPs would be less likely to apply for funding under the Program if there was regulatory uncertainty around whether a ring-fencing waiver would be granted. As noted above, the investment in batteries would likely be uneconomical without leasing out the excess capacity of the batteries to third parties.

The class waiver should have conditions that address the risks of discrimination

In relation to conditions to be imposed on the class waiver, Simply Energy supports the AER's proposal to include conditions that mitigate the risks of cross-subsidisation and discrimination. In particular, Simply Energy supports a condition that DNSPs provide reasonable network access and relevant information to third parties that intend to lead a project to install a community battery within their network.

Concluding remarks

Simply Energy welcomes further discussion in relation to this submission. To arrange a discussion or if you have any questions please contact Matthew Giampiccolo, Senior Regulatory Adviser, at

[REDACTED]

Yours sincerely

[REDACTED]

James Barton
General Manager, Regulation
Simply Energy