

Mr. Mark Feather
General Manager, Strategic Policy and Energy Systems Innovation
Australian Energy Regulator
GPO Box 520 Melbourne
VIC 3001

By email to: AERringfencing@aer.gov.au

11 January 2023

Dear Mr. Feather,

Initiation notice - Ring-fencing class waiver Community batteries funded under the Commonwealth Government's Community Batteries for Household Solar Program

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback to the Australian Energy Regulator (AER) *Initiation Notice: Ring-fencing class waiver Community batteries funded under the Commonwealth Government's Community Batteries for Household Solar Program*.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with Australia's leading renewable energy and energy storage businesses, as well as accredited designers and installers of solar and battery systems, to further the development of clean energy in Australia. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC does not support the granting of a ring-fencing class waiver for Distribution Network Service Providers (DNSPs) to own and operate community batteries funded under the Commonwealth Government's Community Batteries for Household Solar Program (the Program).

While recognising that DNSPs will necessarily be a key partner in the delivery of batteries under the Program and that it is highly likely that some of the batteries under the program will be owned and operated by DNSPs, we do not believe that the long-term interests of consumers nor the policy intent of the Program will be met by granting a class waiver.

DNSPs enjoy monopoly advantages over third parties and communities wishing to deploy batteries because DNSPs alone have access to the network data that will allow the identification of locations that will support a robust business case for a community battery. Additionally, DNSPs control the connection process, operational network access and set the tariffs that any competitive community battery will experience.

In the explanatory note that accompanied the November 2021 revised Ringfencing Guideline – Electricity Distribution¹, the AER extensively sets out its concerns with DNSP-led community batteries, including the potential to foreclose on third-party competitive business models:

“Given the interest from third parties and competitive players in batteries and the fact it is an emerging technology, it is important that we ensure that we do not foreclose

¹ <https://www.aer.gov.au/system/files/AER%20-%20Ring-fencing%20Guideline%20Explanatory%20Statement%20%28Electricity%20distribution%29%20Version%203%20-%20November%202021.pdf>, Chapter 3

the potential benefits that this innovation may provide, particularly at a time when the electricity sector is going through a major transition in which batteries are expected to play a significant role.²

In order to mitigate the advantages to the DNSP and the ability of the DNSPs to exercise monopoly powers, ringfencing arrangements need to be applied to this Program.

The revised November 2021 ringfencing guideline and associated “streamlined” waiver for DNSP-led community batteries has only been in place for just over 12 months. It is not yet clear from the nearly 80 DNSP-led community batteries already granted waivers under the streamlined process whether this model (scenario 2) is delivering benefits to consumers. Additionally, innovation funded projects, which have been in operation for longer (E.g., under the October 2022 waiver granted to United Energy) have not yet delivered any evidence of the benefits to consumers of the DNSP-led model.

A critical issue is the lack of network data available to third parties and communities to help site community batteries in the optimal location. As the AER stated:

“DNSPs have an insight into the best location for batteries, in terms of knowing the constraints within the network. A battery located in a constrained part of the network can offer more value to the network. Therefore it would be highly beneficial if DNSPs publish all relevant data and forecasts for opportunities.³”

The AER has granted waivers under the streamlined process for multiple batteries under a single application (e.g., August 2022, Energex, 35 batteries and October 2022, Essential Energy, 35 batteries⁴). We recommend that the AER modify the current streamlined waiver process to create a streamlined waiver process that is specific to the Program, namely, setting conditions that ensure the policy intent of the Program is met. This includes:

- put downward pressure on household electricity costs
- contribute to lower emissions
- provide a net benefit to the electricity network
- store solar energy for later use or sharing and support further solar installations
- allow households that cannot install solar panels to enjoy the benefits of renewable energy through shared community storage⁵

And setting conditions to ensure that DNSPs are meeting their obligations under the ringfencing guideline, such as preventing cross-subsidies and discrimination, and requiring ongoing monitoring over the life of the waiver.

We recommend that the delivery model and waiver process for the Program involves:

1. Requiring DNSPs to publicly share community battery “opportunity maps” that identify locations within the network that would maximise opportunities today and in the future to:
 - a. Provide network services;
 - b. Facilitate the deployment of more rooftop solar PV (or electric vehicles);
 - c. Allow customers to access a service from the battery;
 - d. Have access to the wholesale market to provide energy; and

² <https://www.aer.gov.au/system/files/AER%20-%20Ring-fencing%20Guideline%20Explanatory%20Statement%20%28Electricity%20distribution%29%20Version%203%20-%20November%202021.pdf>, page 32

³ Ibid, page 33

⁴ https://www.aer.gov.au/networks-pipelines/ring-fencing/ring-fencing-waivers?f%5B0%5D=field_acc_aer_sector%3A4

⁵ <https://minister.dccew.gov.au/bowen/media-releases/powering-australian-communities-solar-storage>

- e. Have access to the market for ancillary services.
2. Giving third parties and communities the first option on these locations, within a specified time frame, to deploy batteries that deliver for communities and customers. Should multiple third parties want to deploy at the same location, then the merits of each project would be assessed through the ARENA grants application process.
3. Any locations that are not adopted by third parties and/or communities are then made available to DNSPs to deliver.
4. DNSPs use the newly created streamlined waiver specific to the Program to submit a single application for the total number of community batteries that they wish to deliver under the Program.

This approach ensures that there are opportunities for the competitive delivery model for community batteries to develop and mature; maximises delivery of the full value stack from a competitively delivered and operated community battery; allows DNSPs to own and operate community batteries where there are no competitive providers; ensures that ringfencing obligations are met, providing proportionate protections to consumers while minimising the waiver work required by the AER and DNSPs; and ensures that the 400 community batteries can be delivered expeditiously under the Program.

Thank you for the opportunity to comment and if you would like to discuss any of the issues raised in this submission, please contact Emily Perrin on [REDACTED]

Yours Sincerely,

[REDACTED]

Dr. Jill Cainey
Acting Director Distributed Energy
Clean Energy Council
180 Lonsdale Street
Melbourne
Victoria 3000