

12th January 2023

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

Dear Mr. Feather,

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

Village Zero Sandringham welcomes the opportunity to provide a submission to the AER's Initiation notice - Ring-fencing class waiver Community batteries funded under the Commonwealth Government's Community Batteries for Household Solar Program.

Village Zero Sandringham is a not-for profit association driving change within a local movement. All aspects of energy, waste, transport, green spaces, art, culture and community are being addressed, and our mission will be repeated by many communities like ours through partnership with Regen Melbourne.

Our Energy project is led by a dedicated sub-committee and backed by Sandringham Traders Association, Bayside City Council, the Office of Zoe Daniel MP, Bayside Climate Crisis Action Group, and a huge community. **A community battery and enhanced solar uptake is at the heart of our 'Energy' project. We have a feasibility study which was performed by the Yarra Energy Foundation, led by Chris Wallin, Commercial Projects Manager. The study was commissioned by Bayside City Council in cooperation with Village Zero Sandringham and completed in October 2022.**

Village Zero understand that the *Ringfencing Guideline – Electricity Distribution* (November 2021) exists to ensure that the regulated electricity Distribution Network Service Providers (DNSPs) do not exercise their monopoly powers to:

- discriminate in favour of their related unregulated businesses to disadvantage competitive third parties operating in the same markets
- use revenue earned from electricity customers from regulated services to fund contestable services

DNSP-owned and operated batteries are an activity likely to breach the Ringfencing Guideline since competitive third parties can also deliver network connected batteries and sell a service to the DNSP without any ringfencing issues.

We also understand that the AER, in the development of the current version of the Ringfencing Guideline, identified a concern that allowing DNSPs to actively engage in the battery market, without appropriate controls, *risked the foreclosure of other players and would not be in the long-term interest of consumers.* However, given the fact that the development of distribution network connected batteries is relatively new, the AER decided to provide a specific streamlined waiver process for DNSP-owned and operated batteries and this process has been successfully used by a number of DNSP for their own battery projects.

While the AER initiation notice targets waiving the ringfencing requirement on the leasing of spare capacity and the operation of the battery by separate business entities, **our main concern is related to the potential for a DNSP to discriminate against a third-party battery developer on tariffs, connection fees and time to connection, but most critically the advantage the DNSP has in network knowledge and data.**

Third parties, including community groups, do not have access to the network data that would support a robust business case for third party-owned community battery. Only the DNSP can provide advice on the location of a battery within its network that would

- Maximise the opportunity to provide services to the DNSP
- Maximise access to the wider wholesale energy market
- Maximise the ability to provide ancillary services to the System Operator
- Maximise the opportunity to support increased deployment of rooftop solar PV
- Maximise the opportunity to provide services to support customers and the community

Only the DNSPs have the data that indicates where there are constraints on the network either to installing more local generation, adding electric vehicle charging, or accessing the transmission system. The Distribution Annual Planning Report (DAPR) and the Energy Networks Australia “Network Opportunity Maps” (based on the DAPR) do not provide sufficient publicly available up to date data to underpin the development of a third-party community battery. **This places third parties and communities at a disadvantage in comparison to DNSPs as they are dependent on the DNSP sharing its network data.** This reliance on the DNSP providing relevant and timely data enhances the likelihood that the DNSP may discriminate against third parties, because the limited access to network data essentially ensures that only a DNSP can currently develop viable battery project.

Discrimination is notoriously difficult to demonstrate under the Ringfencing Guideline given the broadness of the obligation, but if the AER and the Commonwealth Government are genuinely interested in community-led batteries, then this information asymmetry needs to be urgently resolved, with DNSP sharing publicly the locations that maximise the opportunities for third-party and community-led batteries.

The DNSPs have a critical role to play as a facilitator of distribution connected batteries and will necessarily need to be involved in any community battery project but the DNSP will earn revenue from connection application fees and network tariffs, with the latter another area for potential discrimination.

The Community Batteries for Household Solar Program targets funding at delivering community batteries that meet the policy goals of lowering customer bills, cutting emissions by facilitating further deployment of rooftop solar PV and reducing the need for customers to invest in new networks or their own batteries by allowing them to store and use the surplus power they produce in a community battery. **DNSP-owned and operated “community” batteries are still small in number and capacity and it is not yet clear whether the streamlined waiver and the DNSP-led model for batteries is delivering benefits to the wider community and customers.**

It should not be presumed that waiver applications from DNSPs will be so numerous as to result in the prohibitive waiver workload for both the Regulator and DNSPs and as such, **a class waiver for DNSP-led batteries is unnecessary and sets an unwelcome precedent for the future deployment of third-party owned distribution-connected batteries** that will likely result in the exclusion of competitive approaches.

In summary, given the AER's earlier concerns during the development of the current Ringfencing Guideline about DNSP-led batteries and the need to assess each waiver application on its merits, **the energy sub-committee of Village Zero Sandringham do not support the need for a "blanket" class waiver for DNSP-owned and operated community batteries as we do not believe it will ensure the competitive development of the community battery project in Sandringham, nor support the long-term interests of our community members.**

Village Zero Sandringham's direct experience of this was observing the inefficient way that the YEF needed to approach our feasibility study. YEF's methodology was considerably hampered, and incurred additional costs due to the lack of access to network data, and inefficient access to data relating to household solar PV generation and storage capacity – all needed for their task.

The existing streamlined waiver for DNSP-owned and operated community batteries is operating well and is a proportionate response to both the need to support innovation, the rapid delivery of storage onto the system and the need to ensure that DNSPs exercise their monopoly powers appropriately.

Thank you for the opportunity to comment and share our experience.

If you would like to discuss any of the issues raised in this submission, please contact Helen Gibson on [REDACTED].

Yours Sincerely,

[REDACTED]

Helen Gibson

Treasurer, Village Zero Sandringham

33 Bamfield Street, Sandringham, VIC 3191