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Dear Mr Feather

### **Ausgrid Submission to the AER's Streamlined Waiver Process**

Thank you for the opportunity to provide further comment on the streamlined waiver process. We support streamlining ring-fencing waiver applications. We are also appreciative of the Australian Energy Regulator's (AER) early engagement on our ring-fencing waiver application for phase 2 of our community battery trial.

#### **A more streamlined ring-fencing waiver process is required for community battery trials**

We recommend that the streamlined ring-fencing waiver approach be further refined for community battery trials. For example, Ausgrid is testing community batteries at three sites, but is still required to satisfy the Ring-fencing Guideline (Version 3) (**Guideline**) and associated Explanatory Statement designed for mass rollout of community batteries. Whereas the community battery market in Ausgrid's network is not at the mass rollout stage. And so, needing to satisfy requirements for mass community battery roll out is impeding community batteries trials still in the nascent innovation stage of development.

We appreciate that the AER is concerned about setting a precedent for allowing community batteries to be scaled without appropriate risk mitigation for potential discrimination and cross subsidisation. However, we recommend that the AER implement a less onerous streamlined waiver application specifically for community battery trials, where the trial is of a small and defined scale, is time-limited and will generate lessons learned that will be shared by the trial proponent. We note that trials can also help provide information about the materiality of any discrimination and cross subsidisation risks. We consider that the benefits of a more streamlined approach will outweigh any appreciable benefit from in-advance attempts to satisfy the AER that we have appropriately mitigated the risk of discrimination or cross-subsidisation.

#### **Discrimination requirements for community battery trials**

We understand that the AER is focussed on ensuring discrimination does not arise when making decisions in relation to:

- Potential procurement of network services from a third party (including potential battery owners); and
- Utilisation of the battery between the provision of network services and unregulated services.

We acknowledge the AER's concerns and note that the Guideline has provisions (including new provisions) that address these issues directly. However, in the context of a small-scale trial, it should be noted that:

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- The presence of an acute local network need will rarely drive trial investment; rather a trial is driven by the desire to innovate and share learnings. By necessity, trials are conducted in locations where the trial's potential failure does not impact customers;
- Trials aim to reduce uncertainty. In the case of our current community battery trials, a key learning will come from working with partners to determine how a battery asset can support: the local network; a retailer agnostic storage service for customers; and the impact these factors may have on other value streams;
- Given the small scale of any trial, the consequences of any discrimination in use of the battery is extremely low; and
- The small-scale and targeted scope to test specific factors in a trial environment does not lend itself to a rudimentary application of the Guideline.

In summary, at minimum, we encourage the AER to take a highly pragmatic approach in terms of the information required to address the risk of discrimination in the context of a small-scale community battery trial.

**The standard conditions should be as specific as possible to mitigate interpretation ambiguity**

We recommend that the standard conditions attached to streamlined ring-fencing waiver applications should be as targeted and specific as possible to ensure common understanding between the AER and successful applicants of the obligation imposed by the conditions. To address the AER's three identified conditions, while also ensuring that the conditions are targeted and specific, we suggest the following drafting at **Attachment A**. We note the drafting may evolve as the AER refines its template.

**Indicative waiver applications timeframes would help give investors and trial partners more certainty about participating in community battery trials**

We recommend that the AER reconsider whether it should assign to itself, even non-binding indicative, timeframes for assessment and determination on waiver applications. The AER's current position is that it will not assign any such timeframes, however this is creating investment uncertainty. For example, Ausgrid is unable to engage its proposed market partner on Phase 2 of our community battery until it receives a waiver from the AER. This uncertainty adds additional risk and costs to innovation.

We look forward to continuing to engage with the AER on the streamlined ring-fencing waiver process. If you have any questions about our submission, please contact Naomi Wynn, Manager, Regulatory Policy at [naomi.wynn@ausgrid.com.au](mailto:naomi.wynn@ausgrid.com.au).

Regards,



Alex McPherson  
Head of Regulation

## **Attachment A: Suggested streamlined waiver conditions**

The approved applicant must:

- Publish information about the intended use of community batteries on their website within 20 business days of the AER's approval of the waiver. This should include the likely size, likely number, and intended general locations of the batteries, and where it is a trial, any key findings\* related to discrimination, cross-subsidisation and cost allocation; and
- As part of their annual ring-fencing compliance report, ensure that their qualified independent authority conducts a desktop review of:
  - Contracts entered into in the previous 12 months for any batteries that have been installed on its network by the approved applicant, to ensure that the battery is being used in line with the approved waiver, and
  - Information supplied by the approved applicant to the AER as part of its annual capital expenditure reporting, where some or all of the capital expenditure incurred to fund a battery in their regulated asset base, to ensure the costs are being allocated in line with the approved waiver.

\* Key findings means sharing key learnings from the trial's knowledge share plan.