Ausgrid Reset Customer Panel

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Submission - AER Framework and Approach Preliminary Issues Paper NSW, ACT, Tas and NT

This submission is made by the Ausgrid Reset Customer Panel (RCP). The Panel is an independent group appointed by Ausgrid to provide in-depth challenge to Ausgrid throughout the 2024-29 Regulatory Reset. We seek to represent the long-term perspectives of Ausgrid's customers and help ensure customer views are reflected within the Ausgrid 2024-29 Regulatory Proposal.

This submission focusses on three issues – SAPS, the use of excess battery capacity and facilitation services for battery leasing – and focuses on what we think should apply for the 2024-29 period.

1. Standalone power systems

We support the inclusion of:

- temporary standalone power systems (SAPS) after an emergency', and
- work related to a regulated stand-alone power system (SAPS) deployment, operation (fault and emergency) and maintenance and customer conversion activities

as standard control services.

2. The use of excess battery capacity

The RCP is very supportive of the work that Ausgrid is undertaking to prove the technical and commercial viability of community batteries. Stakeholders, including consumer representatives on the Ausgrid Customer Panel, are deeply involved in this trial through the Ausgrid Network Innovation Advisory Committee. The RCP sees community batteries - where their predominate purpose is the provision of network service - as potentially offering significant advantages to Ausgrid customers as a cheaper alternative to network upgrades.

We recognise that there will need to be an agreed understanding of how 'predominately' is defined. Given that the requirement for networks services could vary significantly day to day and is driven by factors outside of Ausgrid's control, the definition might be better expressed in terms of network benefits rather than a set % utilisation rate.

As Ausgrid explores how to build the business case for these community batteries, the benefits of scale inevitably give rise to an issue of how any spare capacity not required for network support should be treated given the leasing of this spare capacity is a service provided into a contestable market.

We understand this situation to be where Ausgrid might require 80 units of network support that is cheaper to provide than a network alternative and battery economies of scale suggest building a battery of say 100 units of capacity. This leaves 20 units spare that can be leased out to a third party. Ausgrid's RAB would include only 80% of the asset cost.

Ausgrid has argued that the leasing of excess battery capacity be recognised as an unregulated distribution service. The Preliminary Position Paper suggests that the AER should have no role in classification as the issue has already been dealt with in the ring fencing guideline.

The RCP would suggest that applying the ring fencing guideline is this way is 'putting the cart before the horse' for a battery that is predominately used for network support. Ausgrid is undertaking very welcome network innovation. It may or may not work. We expect that Ausgrid would be happy to purchase network support services from competitive market providers if they were available, but there is no evidence that the private market is willing to provide such services now or in at least the near future.

During the proof of concept stage there may be spare capacity that can be leased out to a third party. We support Ausgrid having the ability to lease out this spare capacity during its proof of concept phase in 2024-29. This will allow NIAC to further evaluate the benefits of community batteries to Ausgrid consumers.

Once the business case is proved then there will be the opportunity for the competitive market to provide the service and then the ring fencing guideline should apply.

3. Facilitation services for battery leasing

Ausgrid have proposed that the facilitation costs associated with leasing out the spare capacity should be a distribution service and recovered as a standard control service. This would be in the case where, in the above example, 80% of the asset value would be in the RAB. By contrast, we understand that under the shared asset guideline where 100% of the asset value is in the RAB, 90% of any revenue under that lease would go to Ausgrid and 10% to its customers.

Given we are only concerned with the proof of concept phase for a battery predominately for network services, our support for Ausgrid's proposal depends on the revenue sharing model applied to the revenue Ausgrid would receive from the lease. At a minimum it would have to cover the facilitation costs plus some amount to reflect the aim of the ring fencing guideline to prevent cross-subsidisation and over-sizing of the battery. We understand that in other community battery trials 100% of lease revenue is returned to consumers eg United Energy's Electric Avenue trial. However this is possible because they are supported by external ARENA funding. There is no external financial support for Ausgrid's trials.

We see an important part of the current trial and NIAC discussion will be to test various business models and revenue sharing models would be part of this process.

Rest Customer Panel

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