

31 August 2021

Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator

Sent via email

AER Draft DER integration expenditure guidance note

Dear Dr Funston,

Energy Networks Australia appreciates the opportunity to make a submission to the Australian Energy Regulator's (AER) consultation on the draft Distributed Energy Resources (DER) Integration Expenditure Guidance Note (the Guidance Note).¹

Energy Networks Australia (ENA) is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA supports the development of a principles-based, rather than prescriptive, Guidance Note, which will be more accommodating and adaptive to future market developments. We have proposed Guidance Note amendments for the AER's consideration that incorporate the Australian Energy Market Commission's (AEMC) recently released access, pricing and incentive arrangements for DER final rule (AEMC's DER Rule Determination).²

The energy transition

Customers are rapidly adopting DER, and the role of the distribution network, and the services required of it, has changed – it increasingly provides two-way flows as customers both consume and export electricity. The

¹ AER, *Draft DER integration expenditure guidance note*, July 2021.

² AEMC, *Access, pricing and incentive arrangements for distributed energy resources*, Rule determination, 12 August 2021.

wide-spread adoption of DER creates opportunities, including the ability to sell surplus energy or participate in a Virtual Power Plant.

As the essential infrastructure providers that connect these technologies, distribution network service providers (DNSPs) are an enabler of these opportunities. To ensure that distribution networks can accommodate increasing two-way flow and support customer-driven change, DNSPs will have to make targeted investments to allow increasing amounts of DER export.

Following an extensive consultation process, the AEMC's recently released DER Rule Determination clarifies that distribution services are two-way, and rightfully places obligations on DNSPs to provide export services that customers value. There are important interactions between the AEMC's DER Rule Determination and the development of this Guidance Note that will need to be considered in the finalisation of the Guidance Note.

DER Integration Strategy

ENA supports the requirement for DNSPs to develop a DER Integration Strategy in regulatory proposals, providing stakeholders with an overview of a DNSPs' approach to DER integration.

We do, however, encourage more flexibility and the adoption of a principles-based approach for the DER Integration Strategy scope. The draft Guidance Note is prescriptive as it relates to DER Integration Strategy content requirements and we would recommend it being further reviewed prior to finalisation given the recent release of the AEMC's DER Rule Determination.

As an example of issues the AER may wish to further consider, there is potential duplication between the requirements included in the DER Integration Strategy, and what is required to be included in the Export Tariff Transition Strategy, the Overview Document, the Distribution Annual Planning Report and within a DNSP's business cases following the AEMC's DER Rule Determination.

We are conscious of the proposed Statement of Expectations for Networks (SOEN), and the shared stakeholder desire to reduce reset documentation where possible and practicable and therefore suggest a streamlining of information requirements. For example, the level of detail expected to be provided as part of the DNSP's regulatory submission should be relative to the level of proposed DER expenditure.

Guidance for assessing hosting capacity

As noted by the AER, DNSPs have varied levels of knowledge about the level of hosting capacity on their networks, which is largely driven by differences in network visibility and access to data.³

ENA supports the AER's proposed non-prescriptive approach to assessing hosting capacity, and therefore the proposal of criteria to be adapted according to a DNSP's circumstances.

³ AER, *Explanatory statement: Draft DER integration expenditure guidance note*, July 2021.

We note that DNSPs' access to advanced metering data on fair and reasonable terms will be a key enabler to this, and we encourage flexibility in examining these costs on an operating expenditure step change basis as the volume and nature of data is likely to change into the future.

Quantifying DER benefits

In principle, the AER's approach to quantifying wholesale market and network benefits appears reasonable, however, we consider there is a need for a recognition of the role of consumer engagement in determining the level of network expenditure that customers' support. This is line with both existing capital and operating expenditure provisions, and the proposed purpose of the upcoming SOEN, which is to incentivise network proposals that reflect consumer preferences and are capable of acceptance.

In addition, while we appreciate that the development of the Customer Export Curtailment Value (CECV) methodology will be subject to a standalone AER review, we consider the CECV playing a broader role, in line with the AEMC's DER Rule Determination, than the draft Guidance Note currently envisages. We would recommend a review of the draft Guidance Note to incorporate the findings of the AEMC's DER Rule Determination.

If you wish to discuss any of the matters raised in this letter further, please contact Lucy Moon, Head of Regulation, on [REDACTED].

Yours sincerely,

[REDACTED]

Garth Crawford
General Manager, Economic Regulation