8th July 2021

Mr Mark Feather
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Australian Energy Regulator
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Submission in response to AER Draft Ring-fencing Guideline for Electricity Distribution (Version 3)

Dear Mr. Feather,

EcoJoule Energy is an Australian-owned designer and manufacturer of technology solutions that help transition the grid into a lower cost, environmentally sustainable and reliable system. We supply Community Energy Storage solutions to the electricity industry, in addition to power electronic based voltage regulation solutions.

We read with interest the above mentioned Draft Guideline and its accompanying Explanatory Statement and welcome the opportunity to provide a response. Our comments centre mainly around the sections related to "Contestable services using batteries".

We strongly agree with the Explanatory Statement (pg. 11) that batteries / energy storage devices are set to play a key role in the energy system and that they can meet both regulated network needs and provide a range of contestable services.

Since batteries will form a key component of the future energy system, **we think that it is essential to develop a regulatory framework to support the efficient and open participation of a wide variety of market players**. We support the position's aim to develop a "framework for batteries that promotes the competitive provision of contestable services using batteries".

We note that battery installations on the grid cover a wide range of potential sizes and physical installation locations in the network from large multi-MWh medium voltage connected units to sub-MWh systems installed on the low voltage network. Community Energy Storage at a low voltage level represents the optimal, lowest societal cost position for battery storage as described in numerous reports [1], [2], [3]. A community battery placed in the low voltage distribution network has the combined advantages of capturing economies of scale whilst providing maximum value along the energy value chain. We therefore expect these smaller LV connected batteries to be a key component of the energy storage mix. Since these are typically small lower cost energy capacity units we think that an efficient regulatory system should take this into account and minimise the regulatory burden associated with individual battery approval processes.

With these points in mind, we have two main issues with the Draft Guideline:

1. To achieve the most cost competitive outcome, we think **that the regulatory framework should be designed to encourage a wide range of competitive market players**. **We think that effectively preventing DNSP participation (by imposing tough ringfencing requirements) is needlessly removing a potentially competitive market participant.** We

understand the AER has concerns about **potential** anti-competitive monopolistic behaviour of DNSPs, but at this early stage of the market development this "presumption of guilt" is not supported by evidence and will have the unintended consequence of slowing down the uptake of community storage. At this point in time DNSPs are often the most suitable, efficient, and most likely party to deploy community storage in a safe and sustainable manner. If they are essentially precluded from doing so, it will slow down the uptake of battery storage systems and consequently slow down the benefits of battery storage flowing to the community. Regulating one of the best potential market participants out of a market, before the market has even been established, based on no actual evidence, does not seem to be in the interests of consumers. We would suggest a better approach is to allow all potential market participants equal access and the allow market forces to ultimately decide on the most efficient solution provider, whether they be a retailer, DNSP, aggregator or other entity.

2. Given a key part of the overall energy storage solution will be delivered by a large number of individually small batteries installed on the LV network, we propose that the approval and information reporting requirements should be appropriate and reflective of the low impact of individual battery units. Specifically, the regulatory burden of approval and information provision for LV connected batteries should be lightweight and designed to support many thousands of installations. In this regard we view the 14 points required in the Explanatory Statement (required for the waiver) as unnecessarily onerous, particularly for LV connected energy storage.

We trust this submission provides perspective and value to the AER. We are available to discuss the content of this submission at a time convenient.

Your faithfully,

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References:

[1] AECOM, ""Grid vs Garage" A comparison of battery deployment models in providing low voltage network support and other services, 13-Dec-2019, https://arena.gov.au/assets/2020/04/arena-grid-vs-garage.pdf

[2] KPMG Feasibility Study on Ausgrid Community Battery, https://www.ausgrid.com.au/-/media/Documents/Reports-and-Research/Battery/Ausgrid-Community-Battery-Feasibility-Study-Report-2020.pdf
[3] ANU, “Community batteries: a cost/benefit analysis”, https://arena.gov.au/assets/2020/08/community-batteries-cost-benefit-analysis.pdf