

16 December 2022

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Australian Energy Regulator
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Energy Consumers Australia's submission to the Australian Energy Regulator's Draft Ring-fencing Guideline Electricity Transmission - Version 4

Dear Gillian,

Energy Consumers Australia appreciates the opportunity to provide comments on the Australian Energy Regulator's (AER) Draft Ring-fencing Guideline for Electricity Transmission (Version 4).

As you know, Energy Consumers Australia is the national voice for residential and small business energy consumers. The significant expansion of transmission infrastructure and transmission network-related electricity services to enable a reliable, secure, and decarbonised energy system in Australia is critical, but it also brings forward key consumer concerns on affordability, trust and transparency.

We welcome the AER's review of the transmission ring-fencing guideline. As roles and responsibilities of transmission network service providers (TNSPs) evolve during this transition, it is important that frameworks are in place to prevent TNSPs from taking advantage of their monopoly position to reduce competition and increase prices in the provision of contestable services.

The latest [Integrated System Plan](#) (ISP) indicates that a pressing need in this next decade is for dispatchable storage to balance the daily and seasonal variations in renewable generation. As a market in its early stages of development with several technical, commercial, social and regulatory barriers to overcome, it makes sense to consider how network service providers (NSPs) can play a valuable role to help further develop this niche.

It is unclear if NSPs will be among the best placed actors in the long-term to develop, own, and operate batteries and other storage devices. Given the need for storage and the advantages NSPs offer – including land, low interest finance, information and skilled operations and maintenance staff – it is sensible to provide a reasonable pathway for NSPs to own and operate batteries and access the full suite of potential market revenues while waiting for the market to further develop as long as networks provide greater information about the potential for storage throughout their service area.

Whilst the draft guideline prevents TNSPs from leasing excess capacity from batteries without a waiver, the AER rightfully acknowledges in the [explanatory statement](#) that “there may be benefits to allowing TNSPs to lease batteries to allow the full potential value of batteries to be realised”. We consider this to be a sensible, short-term solution to enable more storage to be deployed while a more competitive and innovative market emerges in the longer term – if broader reforms are initiated that inform other potential actors of the network service value of storage. As a non-transmission contestable electricity service, there needs to be sufficient regulatory protection for other market participants to provide energy storage services through utility-scale batteries in a level playing field.

One of the main market barriers to the deployment of utility-scale and community-scale storage lies in the inability to monetise the network services that batteries and other storage technologies can provide. Currently, it is unclear which are the best places within the network – either transmission or distribution – for a storage device to be located. It is not obvious what energy and capacity values from

which storage technologies may be most valuable in which parts of a given network – though we do know that there are clearly opportunities for batteries and other storage technologies to provide a suite of network services, including deferring or avoid augmentation, reducing renewable curtailment, provide voltage support, and others. At present, it appears that only NSPs have an understanding of which parts of their network are most suitable and would most benefit from a battery – though, this is an assumption that has not been proven. Presumably, a NSP would only nominate a given location for a battery because it offers an ability to maximise the services and revenue from the technology relative to its costs. But networks have not clearly shown why a particular location is more preferred than others. If a given part of a network offers unique opportunity to storage to provide network services, shouldn't all potential market players have such information so that they too might be able to develop storage projects?

This information asymmetry hinders other market participants from competing fairly in the provision of storage services. The AER can correct this market failure by requiring this type of information to become publicly available through the battery waiver conditions and requiring mandatory disclosure about all parts of the network that would benefit from a battery.

Hence, we recommend that the AER adopts, as one of the conditions in TNSPs' battery waiver considerations, the provision of accurate, consistent, timely and methodologically demonstrated evidence on adequate site locations for batteries throughout a NSPs service area (i.e., including, but not limited to the location of the proposed storage investment) in ways that add value for all consumers and potentially defer or avoid other network expenditure. TNSPs should be required to submit this information along with the waiver application to the AER in order for the waiver to be granted. Further, as a condition on the waiver being granted, TNSPs must agree to update this information annually within their Transmission Annual Planning Review (TAPR) for the life of the storage asset. TNSPs should be held accountable for adopting transparent, deliberate, and proven processes to assess where batteries could be of significant value to the grid.

We realise that such analysis represents a new cost for networks. We deem this cost acceptable from a consumer perspective for two reasons. First, providing such information will enable the energy storage market to expand beyond NSPs and drive further cost reductions in the provision of network services in the future. Secondly, the detailed analysis that is required to determine the best storage opportunities has many additional benefits to networks and the broader industry. It would identify opportunities for other non-network solutions and would require an improvement in hosting capacity analysis, which is an urgent need in the sector. In other words, increasing network's skills and capabilities in this type of analysis is likely to offer benefits beyond the immediate one of levelling the storage playing field.

Thank you again for the opportunity to provide feedback on AER's Draft Ring-fencing Guideline for Electricity Transmission (Version 4). Transmission networks are essential to delivering a clean, affordable, and reliable future energy system. As our energy system becomes more complex and interconnected, it's expected that transmission network service providers expand their services. Cooperation and collaboration with other stakeholders in the provision of contestable services is essential for a more affordable system for all consumers. Consistency, transparency and information sharing can enable a least-cost system that meets consumer needs, values and expectations.

Should you have any questions or require clarification about anything in this submission, please contact Caroline Valente at [REDACTED].

Yours sincerely,

[REDACTED]

Brian Spak
Director, Energy Systems Transition