

1 December 2021

Mark Feather
General Manager Strategic Policy & Energy Systems Innovation
Australian Energy Regulator

Sent via email

Electricity Distribution Ring-fencing Guideline Version 3 – Streamlined waiver

Dear Mr. Feather,

Energy Networks Australia appreciates the opportunity to provide feedback on the Australian Energy Regulator's (AER) proposed process and criteria for a streamlined waiver for energy storage devices to apply under the Electricity Distribution Ring-fencing Guideline Version 3.¹

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 has been an active participant in the AER's electricity distribution ring-fencing review (the review), and a strong advocate for adaption of the ring-fencing framework to ensure that consumers can benefit from the adoption and use of emerging technologies.

Enabling value-stacking of energy storage devices, such as batteries, reduces the cost to all consumers of distribution network service providers (DNSPs) providing distribution services. Ring-fencing waivers, however, add time, cost and uncertainty to energy storage projects. For example, United Energy's recent ring-fencing waiver ([pole-mounted battery trial](#)) cost close to \$100,000 to acquire. It also took around 12-months to organise and get approved, which led to an equal delay in the implementation of the project.

ENA therefore supports the AER introducing a streamlined waiver process and notes that it is important to target it, to the greatest extent possible, to address the current concerns with the waiver process.

Streamlined waiver criteria

Throughout the review, ENA supported the introduction of additional non-discrimination provisions (which have been adopted in the AER's final Guideline²), and the development of cost allocation arrangements to appropriately address potential cross-subsidisation harms raised by stakeholders.

We therefore support the AER's proposed requirement for DNSPs to provide evidence that the cost allocation method chosen appropriately ensures that only the cost of the portion of the battery providing standard control network services is included to the regulatory asset base. We note the examples of cost allocation approaches provided by the AER in the associated Explanatory Statement³ but, as we

¹ AER, Electricity Distribution Ring-fencing Guideline Version 3, November 2021.

² AER, Electricity Distribution Ring-fencing Guideline Version 3, November 2021, new clause 4.1(d).

³ AER, Electricity Distribution Ring-fencing Guideline: Explanatory Statement – Version 3, November 2021, Section 3.4.1.2.

understand it, a DNSP is not precluded from providing evidence via an alternative cost allocation approach if deemed appropriate. We support this, noting that it is appropriate to allow for flexibility in which cost allocation method is applied to determine the network value, particularly in the case of trials. Before a streamlined waiver is approved, the AER will ensure that the DNSP has adequately addressed the cost allocation methodology criteria.

While we support DNSPs demonstrating that they have an established process to engage third party suppliers, this process should be targeted at demonstrating that the DNSP has an established process in place to engage third party providers of non-network solutions more broadly rather than simply batteries.

Streamlined waiver process

ENA supports the introduction of a streamlined waiver template and will engage with the AER to ensure that the proposed format and content is fit-for-purpose. In particular, the template, and corresponding assessment, should be sufficiently flexible to accommodate both trials and full-scale rollouts of energy storage devices.

Once the AER has confirmed that the DNSP has adequately addressed cost allocation methodology and market testing criteria, we support the AER issuing the energy storage device waiver without undertaking public consultation.

ENA supports the development of the following standardised streamlined waiver conditions that may apply, depending on the nature of the approved waiver:

- » Support ex-post public sharing of non-confidential information about the battery project and any useful findings that will support the battery market, noting that this information may vary dependent on the battery project.
- » Support a DNSPs' compliance with its approved waiver, including the proposed cost allocation approach, be included in the annual ring-fencing compliance audit. However, further consideration needs to be given to how an external auditor practically and cost effectively assesses the DNSPs' use of battery.

We would encourage the AER to give further consideration to the implementation of a streamlined waiver approval timeframe. Given the standard practice of pre-lodgement engagement with the AER ring-fencing team, a 20 business day timeframe from lodgement should be sufficient time for the assessment of a waiver application.

If you would like to discuss this further, or have any questions on this response, please contact Lucy Moon, Head of Regulation at lmooon@energynetworks.com.au. We look forward to continued engagement with the AER to ensure that the ring-fencing framework enables DNSPs to provide efficient innovative customer-focused outcomes.

Yours sincerely,



Garth Crawford

General Manager Economic Regulation