ENA Initial Perspectives - AER's Electricity Distribution Ring-fencing Draft Decision

AER Public Forum

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Energy Networks Australia

Stand-alone power systems: the approach

- Support the introduction of a **broad-based exemption** in the Distribution Guideline to enable a DNSP-led SAPS rollout → **improve customer outcomes, kickstart market development, & incentivise more entry by third-parties over time**.
  - Strongly preferable to designing a list of specific exemption categories, which has limitations.
- SAPS exemption categories does not automatically provide the DNSP with exclusivity over service provision → DNSPs will still **respond to the incentive regime** in practice.

AEMC SAPS Final Report

*"…there are **likely to be circumstances where it may be necessary for a distribution business to provide both the SAPS distribution and generation services** - for example, where contestable service providers may be unable or unwilling to provide a SAPS generation service due to remoteness or other factors"*

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Stand-alone power systems: calibrating the threshold

- Support the introduction of a SAPS generation revenue cap.
- **Amendments to the proposed generation revenue cap thresholds are required** to ensure that customers benefit from SAPS rollouts.

Table 1: AER proposed generation revenue caps & indicative DNSP-led SAPS

DNSP	Category	Proposed AER SAPS gen. revenue cap (%)	Proposed AER SAP gen. revenue cap ($)	Number of indicative DNSP-led SAPS under cap
Ergon	1	0.200%	**$2,235,676**	**1,492.4**
Essential		0.200%	**$1,939,648**	**961.2**
AusNet Services	2	0.070%	**$456,907**	**271.8**
Ausgrid	3	0.001%	**$13,865**	**7.9**
Endeavour		0.001%	**$8,021**	**4.9**
Powercor		0.001%	**$6,501**	**3.7**
SAPN		0.001%	**$7,383**	**4.8**
TasNetworks		0.001%	**$2,433**	**2.2**
CitiPower		0.001%	**$2,807**	**1.8**
Evoenergy		0.001%	**$1,353**	**0.8**
Jemena		0.001%	**$2,517**	**1.6**
PWC		0.001%	**$1,449**	**1.1**
United Energy		0.001%	**$3,927**	**2.5**
Energex		0.001%	**$11,334**	**8.6**

For example, under the proposed thresholds, TasNetworks could roll out **only 2.2 SAPS** (20kW size) that earn a total of $2,433 in SAPS generation revenue without having to go through the AER's waiver process.

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Energy storage devices: what do consumers want?

- Australia's energy system is undergoing a significant transition → **DNSPs have an important role to play in facilitating the customer-driven transition to distributed energy**, which is supporting Australia's move to a low carbon future.
- Value-stacking of energy storage devices (ESDs) **reduces the cost to all consumers**. It would also foster the energy storage market & provide incentives for third parties to enter.

Public Interest Advocacy Centre (PIAC)

*"Storage systems will play an important role in the future of the NEM, and **regulated networks can help enable and accelerate this transition**. In additional to the benefits noted in the Issues Paper, allowing network businesses to provide other services from storage devices can help accelerate roll-out and share benefits across more consumers"*

- PIAC submission

Simply Energy/PIAC/Ausgrid

*"Distribution level batteries can play an important role in this transition and help lower the overall costs of the supply chain. This can be achieved by **allowing network businesses to provide other services from storage devices and share the value** across a range of stakeholders"*

- Simply Energy, PIAC & Ausgrid submission

Energy Consumers Australia

*"In the face of the unprecedented transformation impacting energy consumers and distribution network businesses, **regulatory transformation will be critical in providing downward pressure on SAPS and ESD costs while increasing system efficiencies** that benefit all consumers"*

- ECA (Strategen) submission

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Energy storage devices: the benefits

» ESDs represent an increasingly efficient option to address local network issues. **Value-stacking of the ESDs allows for the same ESD to be used for multiple purposes** (for both distribution & non-distribution services).

Ausgrid is currently undertaking a virtual trial of a community battery, which provides both a community storage solution for solar customers, and provides a more cost-efficient alternative to traditional poles and wires investment to address peak demand.

United Energy is leasing storage capacity of pole-mounted battery energy storage system (BESS) units to a third-party retailer partner as part of a trial project. This reduces the costs to all consumers of using the BESS units to provide network peak demand support.

» **AER's existing service classifications and ring-fencing framework currently limit networks' ability to provide certain energy storage services to customers** without going through the lengthy & costly waiver process.

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Energy storage devices: guideline amendments

- Do not support the AER's draft position to continue with the waiver process for all ESD applications.
  - **Theoretical competitive considerations and possible speculative risks** appear to have been given primacy.
  - **Need to avoid the risks of metering competition reform**, which resulted in poor customer outcomes.

- Practical **amendments are required to enable DNSPs' indirect use of ESDs**.
  - Ensure customer benefits are not delayed or eroded by lengthy and costly waiver processes.
  - Provide transparency to the market about the services that are being offered.

- **Possibility of any harms arising from DNSPs investing in ESDs can and should be addressed directly in a targeted manner.**
  - Current Distribution Guideline obligations, development of ESD cost allocation arrangements, & enhancement to ring-fencing non-discrimination provisions.

The ring-fencing framework must be sufficiently adaptable to ensure the optimisation of consumer value from the introduction of new technologies. In the longer term, we also encourage further consideration of how the AER classifies the services offered by energy storage devices.

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Key points

- The regulatory framework should facilitate network businesses providing innovative solutions that are in the long-term interests of customers.
- ENA **supports a ring-fencing framework that ensures consumers can benefit from networks' adoption and use of technologies such as energy storage devices and SAPS** → further changes are required to achieve this, including:
  - Amendment to the proposed generation revenue cap thresholds to accommodate the timely and efficient deployment of SAPS by DNSPs.
  - Amendment to enable the indirect use of ESDs with appropriate controls in place rather than continuing to rely on lengthy & costly waiver process.

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