

TO/

Kami Kaur
General Manage, A/g
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001
Via email: VIC2021-26@aer.gov.au

8 January 2020

Dear Australian Energy Regulator,

Firm Power submission on the AER's draft decision for AusNet Services, CitiPower, Jemena, Powercor and United Energy Distribution Determination 2021 to 2026 (Draft Decision)

Firm Power is pleased to provide a submission to the Australian Energy Regulator's (AER's) draft decision on AusNet Services, CitiPower, Jemena, Powercor and United Energy Distribution Determination 2021 to 2026, specifically Appendix 19 Tariff Structure Statement (**Draft Decision**).

Firm Power is an intending participant in the National Electricity Rules as a Generator and specialises in providing energy services as a non-network solution to network limitations and constraints. Firm Power leverages private investment to provide innovative solutions, actively participates in Regulatory Investment Tests (RITs) and works with NSPs to design efficient and cost-effective means to save customers money through non-network solutions.

Firm Power was recently awarded a grant under the NSW Emerging Energy Program to develop two battery energy storage systems in Western Sydney as a way of deferring network investment to meet peak summer loads (see here for further details: <https://energy.nsw.gov.au/renewables/clean-energy-initiatives/emerging-energy-program>).

Firm Power broadly supports the objectives and principles of the Energy Security Board's (ESB's) "two-sided market" in streamlining services for those who use electricity and those who sell electricity on behalf of end users. The Draft Decision is a critical element of the ESB's vision of a two-sided market.

Scalable technologies, such as energy storage are increasingly offering cost-effective substitutes for grid infrastructure and conventional generation. Energy storage systems (ESS's) can help smooth variability locally rather than cause increasing spikes within the transmission system thereby flattening the "duck curve" which will become increasingly pronounced without a coordinated and efficient approach to integrating DERs.

Around the world, network operators are re-imagining the grid as an interactive network that provides value to connected end-users, however, the challenge is to implement change in a fair and equitable manner that does not have the potential to create stranded assets or provide perverse incentives to concentrate new technologies within specific regions of the grid whilst neglected other areas of the network where this technology can provide a positive benefit to end-consumers.

In light of the above and as a non-network service provider, we provide the following responses to the Draft Decision:

Suite 6, Level 6, 201 Kent St Sydney NSW 2000

W www.firmpower.com.au

E info@firmpower.com.au

M +61 427 054 436

Item	Issue	Comments and Recommendations
1	Appendix 19, Tariff Treatment of Grid-Scale Batteries	<p>Appendix 19 of the Draft Decision includes consideration of the distributor's proposed approach to grid-scale batteries under the proposed tariff structure statements. Four options are proposed for the tariff treatment of grid-scale batteries in Victoria, namely:</p> <ol style="list-style-type: none"> 1. Accept the Victorian distributor's proposed treatment of grid-scale batteries. 2. Require AusNet Services and Jemena to offer similar network tariff exemptions to those proposed by CitiPower, Powercor and United Energy. 3. Require all Victorian distributors to exempt grid-scale batteries from the residual component of network tariffs. 4. Require all distributors to exempt grid-scale batteries from network tariffs if the battery is registered as a scheduled load. <p>Firstly, Firm Power does not support batteries owned by Victorian distributors to have a different tariff treatment compared to batteries not owned by distributors. Allowing Victorian distributors to exempt their own batteries while proposing a different tariff treatment on other owned batteries will provide an unfair advantage to Victorian distributors, which will stymie market development in the battery space (particularly non-network service providers) and lead to a worse outcome for consumers. Tariff treatment for batteries should be consistent across distribution businesses and non-distribution businesses.</p> <p>Secondly, Firm Power supports the adoption of Option 4 proposed in the Draft Decision. This is on the following basis:</p> <ol style="list-style-type: none"> 1. ESS's do not receive firm or guaranteed access to the network, similar to generators. This is why generators are not required to pay use of system charges when they export energy. ESS's, similarly, should not be required to pay use of system charges for energy they import or export (less any roundtrip efficiency losses) as they do not receive firm or guaranteed access to the network. AEMO has proposed a similar rationale in their rule change request relating to integrating energy storage systems into the NEM (Rule Change). 2. Although the AEMC is currently reviewing AEMO's Rule Change request for integrating energy storage systems and the AER's Draft Decision may be superseded by the AEMC Rule Change, the interim arrangement is still likely to be set by the AER's final decision. AEMO have recently released their TUOS Pricing Methodology which proposes to exempt transmission connected ESS's from TUOS regardless of the AEMC Rule Change outcome. As such, it is important to provide consistent treatment of use of system charges across both the Victorian transmission and distribution networks otherwise this will lead to a concentration of ESS's in the transmission system. This will reduce the value of this technology in providing non-network services and in alleviating constraints in the distribution system. 3. Option 4 provides the greatest clarity for non-network ESS providers on the proposed tariff structure treatment. The Option 2 'net benefit' test provides too much discretion to distributors which would lead to market uncertainty and potentially a lack of consistency across each of the distributors.

We thank you for the opportunity to provide a submission to the Draft Decision. If you have any questions in relation to this submission please don't hesitate to contact Marcus Keller at [REDACTED].

Your sincerely,

[REDACTED]

Chris Wilson
Director, Firm Power
Email: [REDACTED]