



15 March 2021

Arek Gulbenkoglou  
Acting General Manager, Consumers and Markets  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

Dear Mr Gulbenkoglou,

The Public Interest Advocacy Centre (PIAC), Simply Energy and Ausgrid would like to offer this supplementary submission to the Australian Energy Regulator's (AER) review of the Ring-fencing Guideline for Electricity Distribution (Version 2) (the Guideline). The reason for this supplementary submission is that the AER's preliminary position, outlined in workshops on Friday 26 February and Wednesday 3 March 2021, is likely to restrict the prudent and efficient investment in community storage systems. This is because the need for ring fencing waivers will add time, cost and uncertainty to community scale storage projects.

Electricity networks are going through a significant transition. In December 2020, PIAC and Ausgrid provided submissions to the AER's November issues paper recognising the important role of regulated networks in facilitating the transition to a more distributed energy system and a lower carbon economy.

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. Distributors can make investments based on accessing this wider range of benefits, which will lower supply chain costs and help lower network tariffs for all consumers. Distributor provided batteries can also help maintain retail contestability in the provision of innovative energy services to customers. By working with market participants to share network and market benefits, distributor led batteries could help competition develop in community battery services.

We recognise the potential harm that may arise from unrestricted ownership and use of storage systems. For this reason, we do not support unrestricted distributor use of storage systems. However, we do consider that the indirect use of storage systems by third parties, with appropriate control measures in place, will allow consumer benefits to be realised while ensuring competition in storage services is protected.

Existing competition and non-discrimination safeguards include:

1. The AER's distribution ring fencing guideline and compulsory staff ring fencing training
2. The provision of network information through the Distribution Annual Planning Report, Regulatory Investment Test processes and network opportunity maps
3. Cost allocation method compliance obligations
4. Obligations to connect customers under the open access framework in the National Energy Retail Law

In addition to these existing competition safeguards, additional measures could be considered, including:

1. A shared battery register, similar to the staff sharing register and proposed Stand Alone Power System (SAPS) exemption register, that shows where batteries are being used by third parties, the percentage of costs allocated to the RAB and the network need being addressed. (This register would be subject to yearly audit as part of the ring fencing compliance process)
2. Enhancement to the ring fencing non-discrimination provisions to ensure that a distributor can't discriminate between itself and another legal entity in relation to the provision of direct control services (in this case, connection services)
3. Amendments to the cost allocation guideline to outline a methodology and/or principles for cost allocation for community batteries (something the AER has already been thinking about with regards to the ElectraNet Dalrymple battery)
4. A public, arms' length process when conducting community battery procurement (similar to the SAPS procurement process).
5. A review of the arrangements for battery sharing which should be conducted after a defined period of time to ensure the framework is operating and being used as intended. This could be aligned with the AER's proposed review of the SAPS ring-fencing arrangements.

With these, or similar safeguards in place, the need for ring fencing waivers for indirect use of storage systems should be carefully reviewed to ensure that the Guideline does not restrict the efficient use of storage and resulting benefits for customers.

We appreciate the AER's engagement on its review of the guideline to date and would welcome a further discussion prior to publication of a draft Guideline. Should the AER have any questions in relation to this submission, please contact Miyuru Ediriweera on 02 8898 6525, Ryan Wavish on 03 8807 5125 or John Skinner on 02 9269 4357.

Regards,



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