



8 July 2021

Kathie Standen
Executive General Manager
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Dear Ms Standen,

The Public Interest Advocacy Centre (PIAC), Simply Energy and Ausgrid are pleased to provide our shared views on the Australian Energy Regulator's (AER) draft Ring-fencing Guideline for Electricity Distribution (Version 3) (the draft Guideline).

Regulated networks have an important role 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. Distribution-level batteries can also offer consumers a lower-cost alternative to residential energy storage systems.

We acknowledge there are risks associated with distributor ownership of batteries, as raised by some stakeholders. However, we are not aware of any compelling evidence of potential detriment to consumers from the use of storage systems by third parties accompanied by appropriate control measures. Conversely, discouraging efficient distributor investment in batteries may cause detriment in the form of higher network costs to consumers, less consumer benefit from ancillary services provided by batteries, and less wholesale market benefit.

In our joint submission in response to the AER's Preliminary Position paper, we expressed the view that the ring-fencing framework should not restrict the prudent and efficient investment in community storage systems. We were concerned that the need for ring-fencing waivers would add time, cost and uncertainty to community scale storage projects, damaging their investment case. Our position has not changed.

For that reason, we do not support the draft Guideline's proposal to specifically require a ring-fencing waiver for the leasing of distributor-owned batteries to provide contestable services. The need to obtain a ring-fencing waiver would delay investments in community battery projects and significantly increase the regulatory uncertainty and costs for potential participants that

would lease the excess battery capacity. We do not consider that the additional guidance in the AER's Explanatory Statement will materially reduce the uncertainty that the waiver process adds to community-scale storage projects.

We do not agree that allowing distributor-owned batteries would exclude new entry and competition in emerging markets. Instead, our view is that distributor-owned batteries can help maintain retail contestability in the provision of innovative energy services to customers. Through competitive tenders, distributors can provide energy storage to the market at an efficient cost and on a non-discriminatory basis.

We continue to stress the importance that appropriate control measures for distributor ownership of batteries are introduced to enable consumer benefits to be realised while ensuring competition in storage services is protected. In our view, these additional safeguards can be introduced without also requiring distributors to obtain ring-fencing waivers to progress community scale storage projects.

As the energy storage market is still in the early stages of development, it is premature to overly regulate specific ownership and operational models until the costs and benefits can be properly assessed. Planned community battery trials present an opportunity to explore the benefits and risks of different ownership models and the potential measures that can be introduced to mitigate any risks.

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 final Guideline. Should the AER have any questions in relation to this submission, please contact Anna Livsey (PIAC) on 02 8898 6520, James Barton (Simply Energy) on 0481 039 029 or Alex McPherson (Ausgrid) on 0427 781 285.

Regards,



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