Submission to the AER on its Assessment for granting a distribution ring-fencing class waiver for Distribution Network Service Providers to provide contracted RERT services via voltage management to AEMO

SolarEdge Technologies (Australia) PTY LTD (SolarEdge), Enphase Energy Australia (Enphase) and Tesla Motors Australia, Pty Ltd (Tesla), sonnen Australia Pty Ltd (sonnen), Redback Technologies (Redback), SMA Australia Pty Ltd (SMA), Selectronic Australia Pty Ltd (Selectronic), and Fronius Australia Pty Ltd (Fronius), are jointly writing today to respond to the AER on its Assessment for granting a distribution ring-fencing class waiver for Distribution Network Service Providers to provide contracted RERT services via voltage management to AEMO. We bring with our response an experienced understanding of the requirements to design, manufacture, delivery, operate and maintain millions of DER connection points.

Together Solar Edge, Enphase, Tesla, sonnen, Redback, SMA, Selectronic, and Fronius represent a significant portion of the Australian and global markets for residential solar and battery inverters. Collectively we have more than 85m solar inverters installed globally and Tesla has ~300,000 residential batteries installed globally and sonnen 100,000. Collectively we employ 12,000 globally and over 300 in Australia, as well as support a very large proportion of small businesses operating as approved solar retailers across the whole of Australia.

The RERT proposal raises a series of concerning questions, namely:

RERT by Voltage management – is it really going to be achieved via a DNSP?

1. It is clear from data sources below transformer level that voltage management is at best a blunt instrument and far from consistent
2. Suggesting DNSP's have ability to control this effectively at all levels of the network is not correct
3. The waiver notes DNSP's must declare customer complaints relating to quality of supply issues arising from provision of RERT … this would need to work in line with their guaranteed service level commitments and where customers are affected, they need to receive compensation

Is the waiver term required and/or justified?

1. Term: this should not be more than twelve months with an option to have the waiver renewed if no other form of contestable service is available to provide RERT services. Where contestable services are available, DNSP's must withdraw.
    a. Article 4 of AEMO's RERT Panel Agreement 2022-23 EOI document states term is 12months with the right for AEMO to extend for a further 12 months. Waiver should be consistent with this
    b. Five years is an extravagance and effectively gives DNSP's a monopoly which will kill any desire in organisations like ours to innovate RERT capable responses. The AER review clause is far from a protection from long-term contracting

2. Contestable services: RERT services are not to be contracted to other markets or options. This is reasonable when it is single load or voltage response reaction. When it is fleet which has many control aspects (load demand response, storage to inject, generation to curtail, et cetera) additional options become available. If RERT was reframed then additional volume, at scale, could be available

3. Ringfence: If the waiver must be deployed it should be limited to RERT services only. Any step outside of this should bring full impact of ringfencing guidelines and potential penalties into play

What is the impact for competition?

1. Merit order

    a. I don't know the scale of RERT services DNSP's are expecting to contract but given those services will come from assets on their RAB I would expect the short run marginal cost is going to be close to zero, which means they have a strong capability to outbid other providers when setting the pricing as part of the agreement.

    b. The waiver appears to be for short run RERT only. This must be a requirement so the DNSP cannot extend into medium or long notice RERT

4. Do other forms of response exist?

    a. VPP:

        1. Looking at 2020-21 RERT activation report from AEMO it appears RERT was active on two occasions over the year supplying 38MW for just over an hour and 15MW for 2'45". There are a number of VPP's available that could offer to this capability, particularly where the values created were $4.65/kWh or $10.68/kWh for the events[1].

        2. The issue is noted above in 2.b. that these would be contracted. However, having a reserve value that could be accessed during a RERT event is not difficult for VPP's to provide. Integrators would need to see preparedness from AEMO to contract before they would take on the commitment to build in the capability

1. Are DNSP's potentially able to benefit from double counting?

    1. Doesn't appear to be any contemplation of the interactions between the DNSPs changing voltage at a transformer level and the flow on impacts on other RERT providers who may be consumers within that distribution network. It may be the case that the DNSPs benefit from double counting or diminish the amount of load another RERT provider has aggregated.

    2. This creates moral hazards for DNSPs to raise network voltages in anticipation of a RERT event to increase the available delta. This reduces the amount of actual demand reduction provided.

[1] AEMO Reliability and Emergency Reserve Trader (RERT) End of Financial Year 2020-21 Report

The overall sense is that this proposed rule change is being done without consideration of technologies currently available in market.

The proposal It is also being put forward at a point in time where it is too late for any other options to be realistically considered.

Contracting with AEMO would take any other market participant much longer get through the approval process.

It does feel questionable that the AER is really interested in hearing what the industry has to say given they have left it to a point where whatever we say is immaterial as there is simply no time left to explore viable alternatives.

We are happy to meet with you to discuss further – please contact James Sturch for more information [redacted]

Kind regards

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