

Ring-fencing class waiver

DNSP-led projects funded under the Community Batteries for Household Solar Program

As part of consultation on the proposed distribution ring-fencing class waiver for DNSP-led batteries funded under the Australian Government's Community Batteries for Household Solar Program, the AER hosted a public verbal feedback session on 13 December 2022.

This document provides a summary of feedback received at the 13 December session, but does not provide responses to any feedback, questions or concerns. The feedback will be considered in our decision-making process and addressed in our decision document.

Stakeholder feedback from public verbal session on 13 December 2022

The following organisations provided comments during our verbal feedback session:

- AGL Energy
- Origin Energy
- Flow Power
- Clean Energy Council
- Indigo Power
- Merri-bek City Council
- Victorian Government Department of Environment, Land, Water and Planning (DELWP)
- Energy Networks Australia (ENA)
- Citipower and Powercor

Class waiver is pre-emptive

Indigo Power, the Clean Energy Council and AGL raised that the AER designing a class waiver prior to the program design being finalised seemed pre-emptive.

Indigo Power further noted that the Tarneit neighbourhood battery project, which the AER has already granted a ring-fencing waiver for, hasn't provided any learnings yet.

Concerns were also raised by the Clean Energy Council that in giving DNSPs a class waiver, this would set a precedent for waivers for future DNSP battery projects.

Discrimination and data asymmetry between DNSPs and non-DNSPs

The Victorian Government DELWP, Origin Energy and Indigo Power noted that distribution businesses have visibility of their networks that third parties don't, and as such, there is an information asymmetry. Examples of the type of information held by DNSPs that is needed for third parties to develop projects is data on optimal battery locations, and availability of tariffs.

Stakeholders noted two aspects to the process of concern: DNSP allocation of time to providing data to external parties, and equitable access to relevant information. The process for non-DNSPs to get access to information is not transparent to external parties.

ENA noted that the AER's distribution ring-fencing guideline included obligations for DNSPs not to discriminate in favour of themselves or a related party, and these obligations would not be waived.

Discrimination in DNSP tender processes

Indigo Power and the Victorian Government DELWP requested further on the AER's expectations for DNSP tender processes, and the AER's process for monitoring and enforcing the obligation not to discriminate (as set out in the distribution ring-fencing guideline).

Method for allocating battery projects to a DNSP's Regulatory Asset Base (RAB)

AGL and Origin Energy commented that RAB allocation methodology is complicated, and it is difficult to determine whether something should be in the RAB or not, and AGL cautioned against the option for DNSP's to include a project in their RAB (Class b of the draft initiation notice).

Origin Energy noted whether the attribution of a battery to a DNSPs RAB is intended to be a one-off allocation. Would have thought there would be a true-up throughout the life of the class waiver, possibly a reset at each regulatory determination.

Government program aims

AGL, Origin Energy, the Clean Energy Council, the Victorian Government DELWP and Indigo Power noted the community battery market is still nascent and the program should look at a variety of business models to deliver community batteries. AGL noted that battery projects can be owned and operated by other competitive market participants (from whom DNSPs are able to procure network services) with no ring-fencing risks.

Indigo Power commented that the program needs a clear idea of value for benefits that aren't purely financial – for example, how non-financial environmental benefits are valued.