

ACCESS, PRICING AND INCENTIVE ARRANGEMENTS FOR DISTRIBUTED ENERGY RESOURCES

OVERVIEW OF FINAL RULE AND DETERMINATION

NATIONAL CONSUMER ROUNDTABLE
25 OCTOBER 2021

AEMC

THE RULE CHANGE REQUESTS

HOW DID THEY COME ABOUT?



Four proponents, three rule change requests



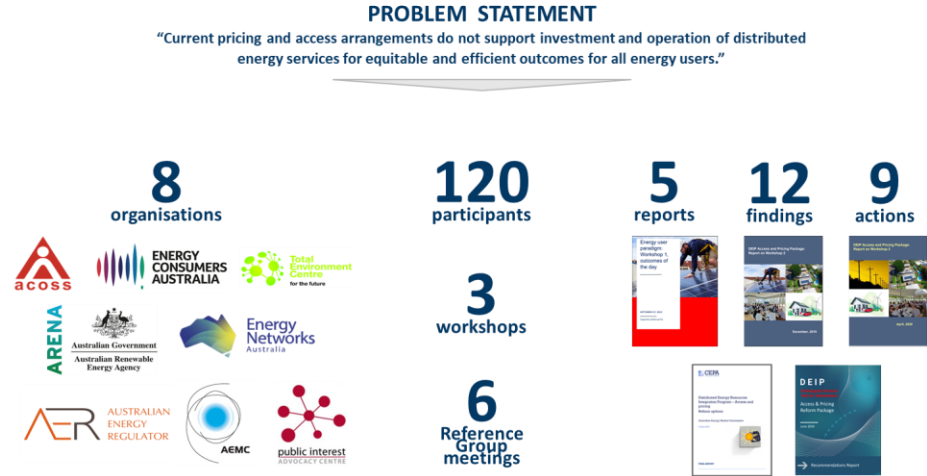
St Vincent de Paul Society
VICTORIA
good works

Requests represent the outcome of a collaborative process

- **How?** ARENA's Distributed Energy Resource Integration Program (DEIP)

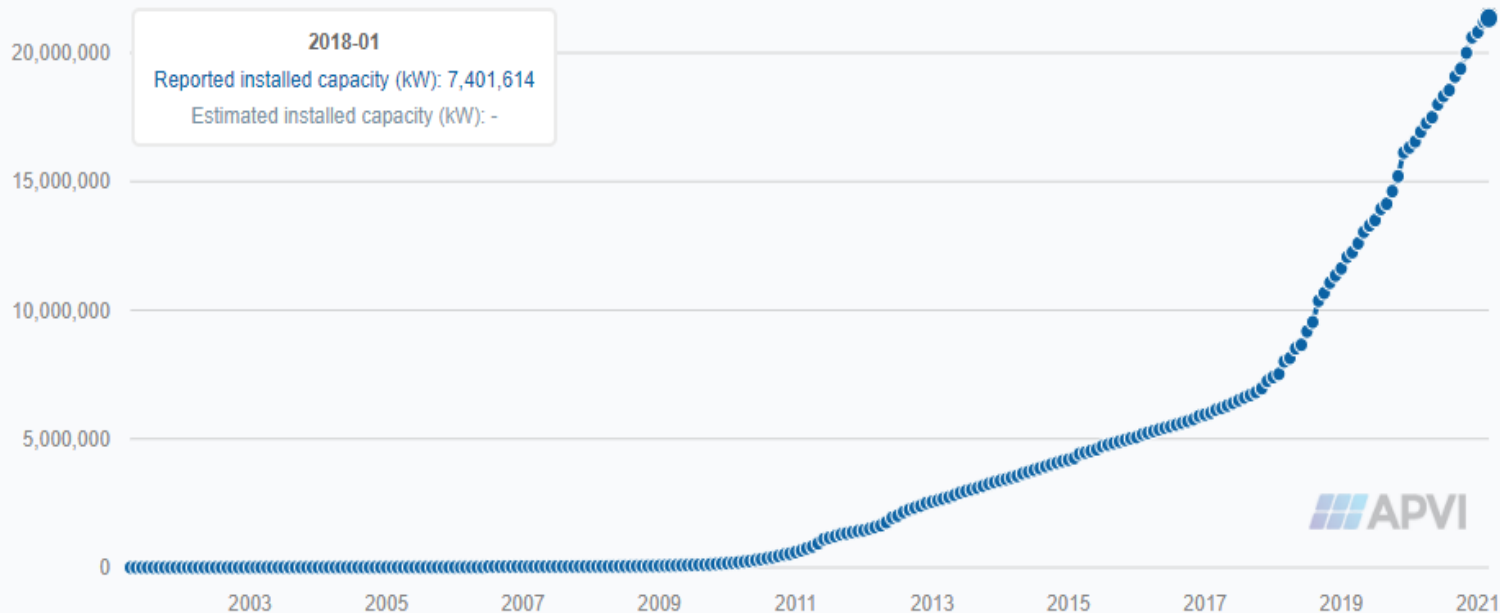
- **What was done?** Broader section of the energy sector came together to:

- Developed consensus on the issues to be addressed
- Developed and tested potential solutions
- Considered transition and implementation



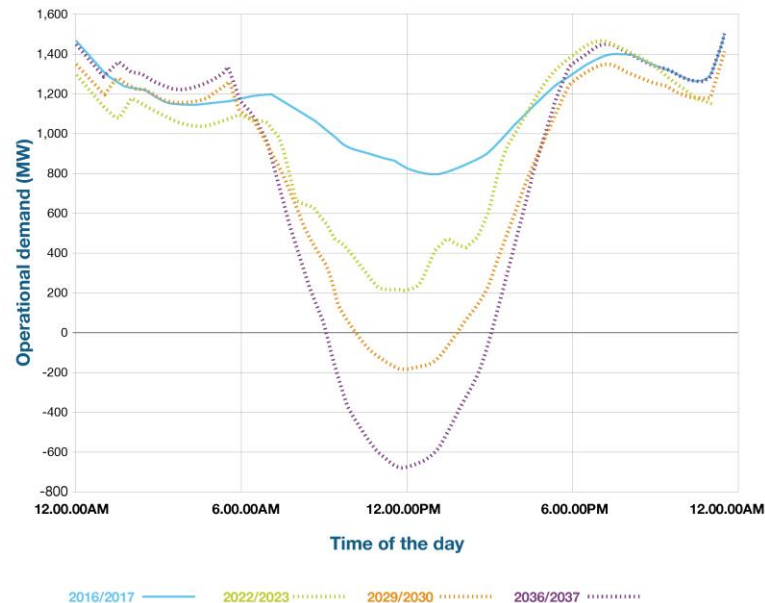
Solar PV providing low cost, renewable energy

Australian PV installations since April 2001: total capacity (kW)



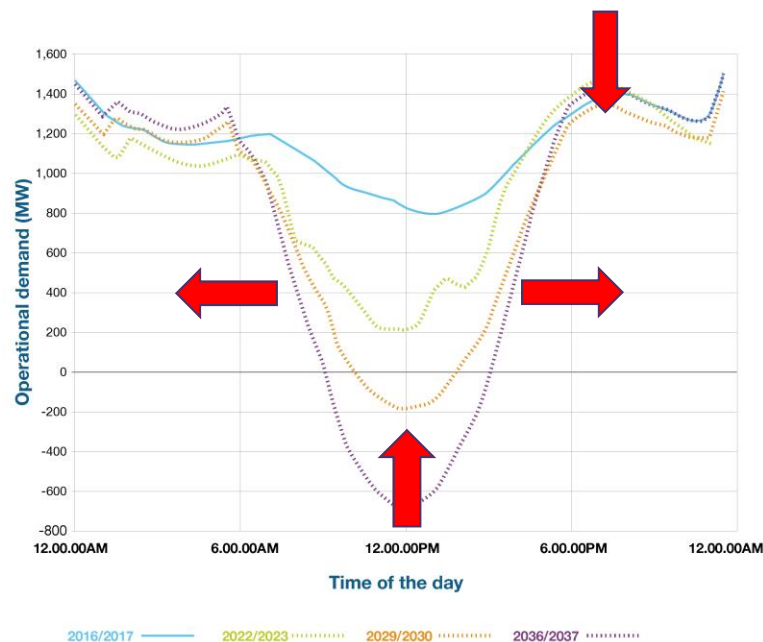
Handbrake on more solar – the challenges we are facing

- No clear rights for customers to export surplus generation
 - First come, first serve
- No clear standards of export service on networks
 - Reducing level of export allowance
 - Increasing instances of curtailment
 - Zero export limits
- Increasingly complex network operation



Our decision aims to support better integration of solar

- Helping to make distributed energy resources an integrated part of the system – for the benefit of everyone
- Enabling more distributed solar to get to the grid (And future technology like battery storage and electric vehicles too!)
- Supporting transition to a lower cost, decarbonised electricity system
 - Solar: using this renewable resource when the system needs it most
 - Network: Making most of what we already have



FINAL RULE DETERMINATION

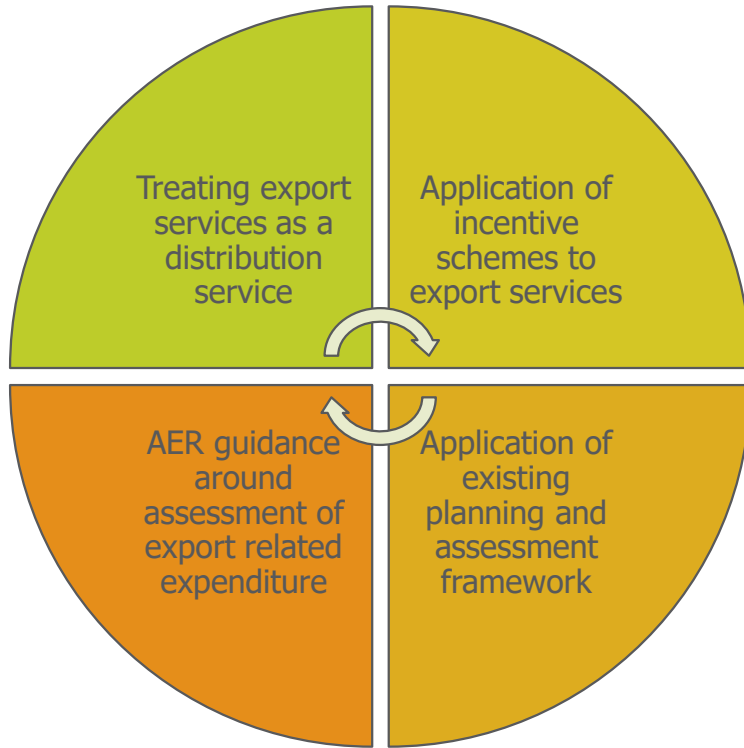
THE KEY ELEMENTS

Key elements of our draft rule

- Introduce obligations on network businesses to provide export services
- Require the development of export service performance standards
- Enable networks businesses to develop two-way pricing on both consumption and export services
- Provide flexibility and enable options to suit individual networks (or their state's and territory's) circumstances



Obligation to provide export services: what does it mean?



Providing a framework to decide on the type and level of services to be provided

Export service performance



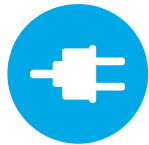
Developing performance standards

- AER to review feasibility of extending Service Target Performance Incentive Scheme to exports within 18 months



Reporting on export performance

- AER to monitor export performance annually



Value of customer exports

- AER to develop framework and calculate the value of customer exports



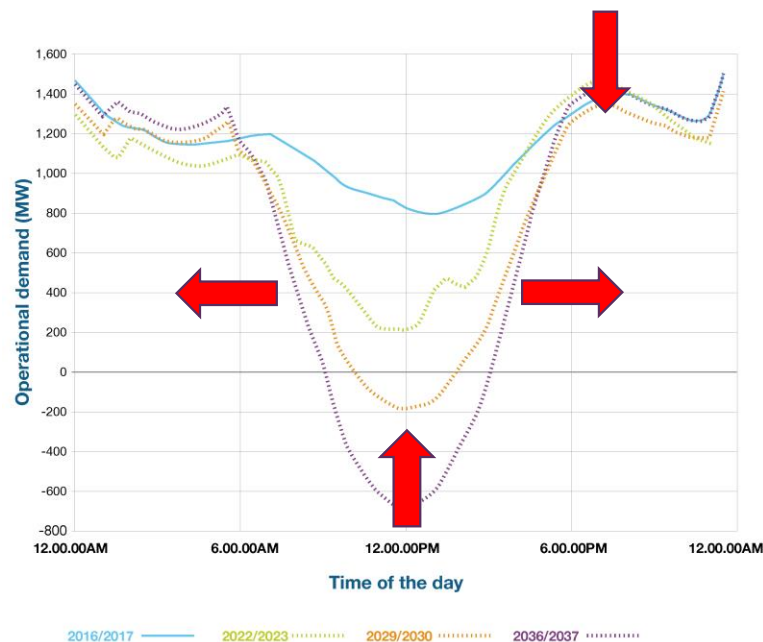
Enabling two-way pricing for consumption and exports

- Networks will have the **option** to develop pricing for export services
 - This rule removes the barrier for networks to develop export tariffs
 - It does not mandate for it to happen
- Clarify that pricing can be 'two-way'
 - Signalling costs and providing rewards
- Temporary increase of threshold for 'in period' tariff trials



Two-way pricing: a useful tool in the toolkit

- Making best use of existing infrastructure
 - Rewarding customers when their actions support the grid
 - Signalling high cost or congestion periods
- Helps to smoothing of 'demand' for network services
 - higher productivity and lower average network costs for all system users
 - new investment may be deferred
- Foundational to future market development



Flexibility to accommodate different circumstances – horses for courses

What our decision enables

- Networks to develop options suitable for their own circumstances
- Provides a clear framework for how services should be provided
- All customers to have a say on services to be provided, and how costs should be allocated
- Export pricing only to be introduced if it is in the interest of consumers

What our final rule does not do

- Prescribe specific outcomes
- Requiring network businesses and the AER to implement export pricing options

Networks will need to explain how they will introduce new pricing options

- In addition to the current tariff structure statement process (TSS), networks must:
 - develop and consult on an **export tariff transition strategy** – outline when and how each DNSP intends to phase-in any proposed export pricing over time
 - include in a **plain language overview** how different aspects of their regulatory and pricing proposals are linked
- AER guideline specific to export pricing – reinforcing the need for continued consultation and collaboration



It is not a 'blank cheque' to invest or introduce new charges

Is there a need?

- Are you expecting more solar uptake?
- Are there constraints on your network?
- Does benefit outweigh costs?

Is it efficient?

- Is the proposed option the most efficient?
- Have you already exhausted all the 'low hanging fruits'?
- What about 'non-network options'?

Who should pay?

- How should the cost of this investment be recovered?
- What should the tariff structure look like?
- Can pricing options help enhance the outcome?

The final rule includes transition mechanisms for existing solar customer

- No mandatory assignment to export pricing options until 1 July 2025 for existing customers
 - Customers can opt-in
 - Supports tariff trials
- A basic export level must be offered to all exporting customers for a 10-year period
- DNSPs cannot offer static zero export limits to customers seeking to connect
 - Unless it affects the safe, reliable and efficient operation of the network



FINAL RULE DETERMINATION

WHAT DOES IT MEAN FOR CONSUMERS?

A package of measures to support more DER for the benefit of **ALL** consumers



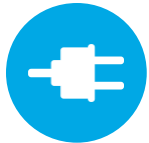
- **Benefits for all users**

More DER can connect, but the cost of supporting them can now be recovered from those who get the benefit



- **Connect and export**

New connecting customers will be much less likely to have static zero export limits



- **Rewarding customers**

Customers can be rewarded for their actions that help make the grid more efficient



Decentralised energy resources plays an important role in the future grid

Some logistics

- First export tariff options not likely until 1 July 2024 (NSW/ACT/NT/TAS reset)
- Existing customers
 - They don't have to change anything until 1 July 2025
 - They can still export under the basic service option
- Options within options
 - This is not the only tool, or the silver bullet
 - This is intended to work with technical solutions like flexible export limits

WHERE TO FROM HERE>



This is just the start of the process



- Opportunities for stakeholders to have a say on how new pricing structures are implemented – AER processes



- Collaboration is key – all participants working together with consumers to deliver better outcomes for all

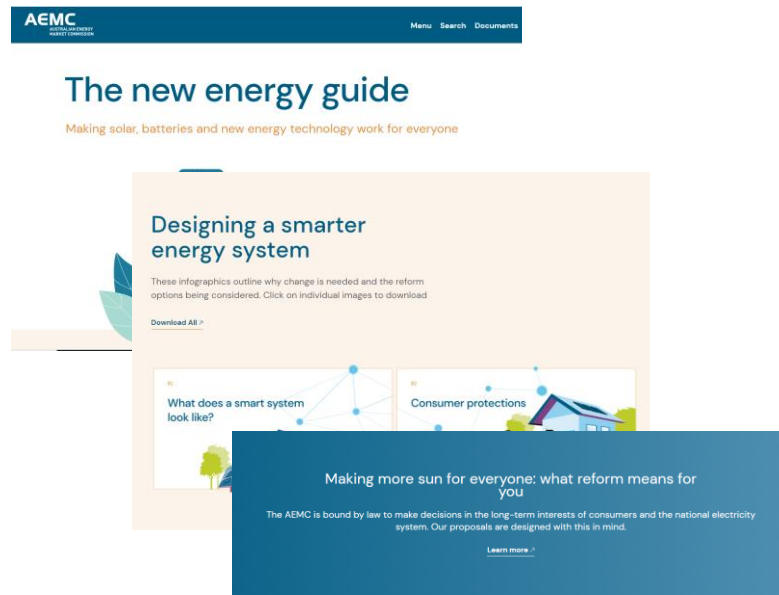


- There is no one 'correct' answer – balancing economics and other objectives best done at network and jurisdiction level



For more information

- A dedicated website to provide more information
- Online resources to explain opportunities and challenges of integrating distributed energy
- More explanatory material about these reform proposals
- Include helpful documents – all printable



Top 10: Your key questions answered