

# National Consumers Roundtable on Energy Enabling Group Reporting Template

**Reporting Period:** 1 November 2018 - 31<sup>st</sup> July 2019

## 1. Project Name, Enabling Group Lead Name and Enabling Group Members Names

<b>Name:</b> Distributed Energy Resources (DER)
<b>Co-leads:</b> Mark Byrne (TEC) and Kellie Caught (ACOSS)
<b>Members:</b> Luke Reade (QCOSS), Craig Memery (PIAC), Douglas McCloskey (PIAC), Dean Lombard (ATA), Rob Law (CVGA), Gavin Dufty (SvDP), Mark Henley (Uniting Communities)

## 2. Project Goals

The RT DER group (aka Le DERG) is an ongoing forum that will:

- Identify and discuss the opportunities and challenges facing consumers created by the DER transition, with a focus on inclusion and equity.
- Seek solutions to the issues identified.
- Build capacity of RT members and other consumer advocates to advocate on behalf of our constituents.

## 3. Project Outputs

These may be key agreements of the Enabling Group, such as policy principles, policies, joint submissions or reports, or decisions made by governments or businesses which the Project influenced. Please provide references if available, or attach additional pages if required. If the output was a published document, please provide a copy.

<b>1. Manifesto</b>
See next page
<b>2. Past outputs</b>
<ul style="list-style-type: none"> <li>• PPT Presentations to the Hobart Roundtable by Mark Byrne, ARENA and U Tas</li> <li>• Enabling group members invited to attend AEMC / ARENA Regulatory DEIP dive workshop in Adelaide (6 June 2019):             <ul style="list-style-type: none"> <li>○ Mark Byrne</li> <li>○ Dean Lombard</li> <li>○ Kellie Caught</li> <li>○ Mark Henley</li> <li>○ Craig Memery</li> </ul> </li> <li>• Provided an update at the Brisbane Roundtable meeting about the groups' ongoing work/projects</li> <li>• Face-to-face Enabling Group meeting at the Brisbane Roundtable, including guests from the AEMC</li> <li>• Developed draft Equity Principles for how the transition to DER should be paid for (<b>Attachment A</b>)</li> <li>• Developed draft briefing paper for how to deal with the split incentives issue for tenants living in rental properties and principles to support renters and low-income households access DER (<b>Attachment B</b>)</li> </ul>
<b>3. Workplan</b>
See next page

Date Provided to SACOSS	31 July 2019
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## Draft manifesto

The transition to a high DER energy system now seems inevitable. A high DER can provide significant benefits to Australian energy consumers, but can also create significant challenges if the transition does not deliver equitable benefits to all consumers and the system as a whole.

Benefits of a high DER energy system include:

1. Speeding up decarbonisation.
2. Optimising the efficiency of new infrastructure needs.
3. Improving consumer choice and control.
4. Reducing prices.
5. Optimising system resilience and reliability

Challenges of a poor transition to a high DER energy system, include:

1. Equity challenges :
  - Ensuring that the benefits of DER maximized are provided to those who are unlikely to be able to invest in or access DER products and services, including renters, apartment dwellers and low income households.
  - Cost of the transition is equitable and does not create greater hardship for low-income households
2. Technical challenges — e.g. in managing high reverse energy flows.
3. Regulatory challenges — e.g. in creating distribution system operators and trading platforms.

## Revised work plan

Issue	Action/notes	Lead
<b>Develop principles on how the transition to DR should be paid for</b>	Draft complete – to be finalised	Mark B
<b>Develop principles dealing with DER and split incentives</b>	Draft complete – to be finalised	Luke and Mark H
<b>Greater consumer input into the Open Energy Networks consultation</b>	Ongoing. No progress despite our best efforts.	Kellie
<b>Greater consumer engagement in the future DER-rich system design</b>	<p>Ongoing major project. Work with ARENA's Distributed Energy Integration Program (DEIP) to identify joint project to improve consumer benefits in a future DER-rich system. A series of 3 workshops are being planned in partnership with ARENA:</p> <ul style="list-style-type: none"> <li>• 5 September 2019: Consumer focussed workshop to develop/test a customer framework to guide the future energy system</li> <li>• 16 October 2019: Network pricing options in a high DER world</li> <li>• 3 December 2019: TBC</li> </ul> <p><b>Target Audience</b> Primary Audience</p> <ul style="list-style-type: none"> <li>• Consumer representatives/advocates - residential (welfare, mainstream and</li> </ul>	Kellie, Mark B

Issue	Action/notes	Lead
	<p>environmental) and small business.</p> <p>Secondary Audience</p> <ul style="list-style-type: none"> <li>• Academics/consultants</li> <li>• ARENA, AEMC, AEMO, AER, ESB</li> <li>• Market participants</li> </ul> <p>Up to 50 participants in total.</p> <p><b>Outcomes of the workshop</b>  A draft Future Energy System Customer Framework would be developed by the end of the workshop. ACROSS and TEC will work with Energy Roundtable members and other key stakeholders to finalise and release.</p> <p>May continue into 2020.</p>	
<p><b>Capacity building – Webinar on TEC paper on equity implications of solar</b></p>	<p>Abandoned; good idea 6 months ago but too much else has taken over in meantime.</p>	<p>Kellie, Mark B</p>
<p><b>TBC: Network constraints on solar</b>  (Pending outcome of Renew ECA grant application)</p>	<p>On hold. Briefing note for RT on how networks are dealing with network constraints due to high solar penetration to build RT capacity. Expected later this year in conjunction with Renew’s related project.</p>	<p>Dean /Rob</p>

## Draft DER equity principles V2

*This document is the work of the DER sub-group of the National Consumer Roundtable on Energy, and does not necessarily reflect the views of all the organisations represented on the Roundtable. It is a living document on which feedback is always welcome.*

### Context and objective

The NEM is moving towards a high distributed energy resources (DER) system, driven by a combination of government incentives, consumer preferences and environmental imperatives. While acknowledging the inevitability of this transition, this group considers it is imperative that it happens in an equitable manner—ie that it

- (a) is inclusive of people and groups who may not be able to directly invest in, and derive financial benefits from, DER: renters, apartment residents and low income households; and
- (b) minimises material equity imbalances, wealth transfers or cross subsidies between DER owners and others, to ensure that the latter are not effectively paying for benefits they cannot access.

*That is, our overarching objective is to support the shift to a high DER energy system that also increases (or ensures?) energy equity.*

### Principles

To help consumer advocates and others engage effectively in designing, and respond appropriately to the equity implications of, DER initiatives (ie, rebates/incentives and regulatory reforms), we suggest that the following principles should apply. They are not necessarily in order of priority, although the first three are probably the most important.

1. **Public good:** Government spending on DER initiatives should be targeted to achieve social and environmental as well as economic benefits for the whole system and broader public, social and economic policy outcomes rather than for the benefit of individual households and businesses.
2. **Fairness/equity:** Public spending on DER should be targeted to maximise not only the economic and environmental benefits but also to reduce inequity between consumer cohorts. This principle implies that:

- i. Low income and other vulnerable households should be the primary recipients of government spending on DER. Means testing and/or targeted approaches should be in place where appropriate.
  - ii. Subsidies for DER should not be recouped through bills, where low-income households pay disproportionately more of their income on electricity, and ideally come instead from government budgets.
  - iii. Where a historically regressive cross subsidy cannot easily be rectified by shifting costs to government budgets, complementary measures (e.g. energy efficiency programs) should be introduced to help people affected.
3. **Causer pays and benefits:** Wherever feasible, those whose actions create costs to the system should pay those costs. Conversely, those who pay the costs should also be rewarded for the benefits they bring to the system.
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4. **Transparency:** Wherever possible, the user and system-wide costs and benefits of DER initiatives should be made clear, so that policy makers and consumers can respond appropriately.
5. **Materiality:** When assessing the costs and any cross subsidies related to DER initiatives there is a need to determine whether these are material (ie, substantial), taking into account transactional costs, convenience/simplicity, and the extent to which costs are offset by corresponding benefits.
6. **Simplicity:** Where there is a choice of responses to unwind an inequitable cross-subsidy or mitigate an adverse impact of DER, , and the differences between them are otherwise minor, the cheapest and simplest measure should be chosen wherever possible.
7. **Complementary measures:** Sometimes the best way to ameliorate the regressive impact of a cross-subsidy or poorly targeted policy is not to unwind it but to introduce other measures that will help the people affected (e.g. via energy efficiency programs or taxation reforms).
8. **Messaging:** Given the escalating climate emergency, we should attempt to find solutions which increase the uptake of renewable energy—e.g. by making solar energy available to more low income and rental households—rather than sending a price or policy signal that renewable energy or DER owners are a problem.

# Equity Principles for Distributed Energy Resources on Rental Houses

People who rent, and especially those on low-incomes miss out, on the social, community and consumer benefits of solar and other Distributed Energy Resources (DER), including both lower electricity bills and directly reducing their greenhouse gas emissions. There are several commercial and community models offering solar products to people who rent, including some which are marketed to low-income renters. However, most

- provide marginal benefit at most;
- are not accessible to people on low-incomes or households experiencing vulnerability;
- take advantage of people in disadvantage; or
- lock customers into a deal that may not necessarily be greatly in their favour.

This document aims to set out principles and considerations on what fair and equitable models of DER for rental properties might look like, and to prevent adverse outcomes for renters, and especially those on low incomes. Governments may need to step in or commit to reforms to ensure equitable uptake of DER where markets cannot deliver fair and equitable models i.e. for low income tenants, public housing.

## Principles for Models and Programs for DER on Rental Properties

We strongly support fair and equitable models and programs that allow people renting to access the benefits of solar power, either on the roof or potentially innovative models such as energy trading, peer to peer (P2P) or Virtual Power Plants (VPPs) or Solar Gardens and demand response. Landlords, their representatives and organisations offering DER to people on low incomes need to ensure the energy being provided is more affordable than it otherwise would be, allowing all customers to participate in the transition to a cleaner, fairer, zero net carbon society.. It is acknowledged that some models using informal arrangements between landlords and tenants are providing good outcomes to tenants. The following principles and design considerations aim to ensure all models and programs guarantee good outcomes to tenants and low-income households.

- **Overall Costs are Reduced:** The tenants must receive financial benefit compared to the customers existing consumption patterns, with overall costs to tenants being reduced, such as through stipulating no rental increases beyond what's justified so that rental increases or solar charges are offset by equal or greater savings.
- **Affordability:** Models allowing renters to install Solar PV or access it through energy trading, peer to peer or VPPs and similar models, must make electricity and/or DER more affordable for the tenant, such as no or minimal up-front costs to the tenant.
- **Minimise lock in:** While acknowledging this is contextual, models should not overly commit to a particular retailer, or effectively lock a customer into a landlords choice of retailer, in order to access benefits of DER, unless the retailer led model satisfies the other principles listed here.
- **Accessible to All (but targeting those most in need):** As currently almost no renters have access to solar, commercial models should be open to all renters where possible, but that government programs may be required where the market cannot overcome barriers, and that these should be targeted to low income renters (i.e. public housing especially).
- , but not at the expense of low income households who can least afford it.
- **Agency:** Renters must have agency to participate in DER, such as being able to install DER, have it installed on their behalf, or be able to access DER in a fair, affordable and equitable manner.
- **Consumer Protections:** Consumer protections need to be in place for low-income and vulnerable households, such as solar payments or rent increases are put on hold for the duration of repairs if solar system isn't working.
- **Shifting Power:** Renters must have access to free and independent advice and support to negotiate with their landlord acknowledging the power imbalance between landlords and tenants. Benefits must prioritise tenants' costs of living and their right to participate in the transition.
- **Transparency:**

- Models, programs and their communications need to be clear and concise, ensuring consumers have full understanding of what they are signing up to what their rights are and potentially how their model differs to other models.
- Rental agreement must include information on the arrangement and responsibilities, with benefits to both tenant and landlord stipulated.
- Acknowledging that some more well-off renters may knowingly pay a premium to directly contribute to GHG reductions, communications for models that reduce emissions but not costs need to be clear that is the intention.
- **Education for Maximising the Benefit:** Education for tenants on how to best utilise solar based on the model, e.g. when to store (if batteries installed), export, or run appliances to use the PV generation to maximise benefits.

## Design Considerations

### Landlords

- Stand-alone houses and apartment blocks may require different models.
  - e.g. considering the possibility of changing tenants in embedded networks, while maintaining retail contestability/competition, or the role of embedded network managers. The model may need to be independent of who the retailer is.
- Repayment programs over 7-10 years based on average occupancy, may be needed to ensure vacant periods between occupancies don't mean landlord is at a loss overall.
- If the landlord has the account under their name (e.g. under an on-selling arrangements), there must be a transparent agreement with tenant, and that this should be included in the tenancy agreement. Landlord must then meet AER's Exempt Selling Guidelines including provision of concessions and hardship.
- Reduced stamp duty or council rates for rentals with solar (or framed as being higher for non-solar households).

### Renters

- Models must not lead to rent seeking, such as models that allow passive income from investment properties<sup>1</sup>, e.g. billing the tenants too much for the solar produced, rather than it contributing to reduced power costs. This needs to be clearly stated in the Tenancy Agreement.
- For landlord incentive schemes, "solar rent" must be less than savings due to solar, so that tenants get the bill benefit (i.e. reduction in energy costs), but pay an amount such as ~\$15-20/week to help pay off system.
- A public registrar of solar rentals would make it easier for renters to find a solar home.
- Tenancy agreements are short and insecure, so it is inappropriate for renters to sign up to long term contracts without tenancy agreements also being locked in.
- Targeting:
  - What if it is targeted to say concession card holders, but they move out and new tenants don't have concession (or any other eligibility criteria)
  - Aim to allow access to all renters, but targeted to ensure those most in need can access the benefits of solar.
  - Ensure finance products don't lock customers into bad credit and include consumer protections, such as including affordability assessment and that licensed credit providers are used to guarantee consumer credit protections are included.
  - Should it include family owned rentals (i.e. adult children rent parents second home)? Does this matter? Should it only be for open market rentals?
- Landlords utilising negative gearing for rental properties should be mandated to install solar and achieve a minimum energy efficiency standard when it's feasible.

### Industry

<sup>1</sup> This is still vague under state-based legislation. In Queensland for example, the Residential Tenancies Rooming and Accommodation Act states that if a service is in the property owner's name they cannot ask the tenant to pay more than the 'amount charged' by the supply authority. The Act does not specify if the 'amount charged' is the total cost of the service or the total cost, less the solar bonus, nor does it make specific reference to the scheme.

<https://www.rta.qld.gov.au/Renting/During-a-tenancy/Rent-and-other-bills/Solar-power>

- Recognition of electricity price increases over time, and changes to the value of the model. Particularly if someone is renting for 5-10 yrs, does it get reviewed and updated for each lease?
- Electricity retailers are likely to develop market offers targeting renters with solar once solar on rentals becomes more common. P2P models run through retailers for example, need to consider accessibility, such as cost to customer obtaining a digital meter – customers in some jurisdictions (i.e. not Vic) are likely to have to pay for digital meter and therefore unlikely renters/low income households will participate. Ongoing monitoring of market offers, such as via the AER, could ensure such offers are fair.
- If using a no interest loan (NILs) model, there is potential to roll it out as a Revolving Energy Fund – interest free loan that becomes available to other after landlords have paid it off.
- The focus on renters should be integrated with improvements to residential tenancy legislation and regulation to lead to systemic change. Where appropriate, solar for rental properties models and programs should link to energy efficiency and/or minimum standards in the long term:
  - Change what is considered eligible repairs and reasonable upgrades for rental properties<sup>2,3</sup> to ensure solar is repaired if it stops working.
  - Introduction of a Code of Conduct for Property Agents to improve service standards and responsiveness to requests for property upgrades and repairs.
  - Implementation of a mandatory disclosure scheme that enables renters to compare the energy performance rating of different rental properties.
  - If of no cost to landlord, landlords must support energy efficiency improvements. Where tenants have the electricity account under their name – landlords are likely to need an incentive for participation.
- Could run program through tenancy organisations (not social housing) or Community Powerhouses (see Victorian Energy Hubs Trial<sup>4</sup>). The concept is around capacity building, and comes out of the *Home Grown Power Plan*<sup>5</sup> (see page 90 for **Community Powerhouses**). “The hubs will support the development of renewable energy projects by providing legal and technical expertise, as well as start-up funding”. The energy hub idea could be expanded to provide energy literacy and consumer advice services,.

### Communication

- Engagement needs to inform how their model compares to other models, e.g. social housing tenants with solar feel resentment as they don't have a Feed in tariff (FiT) and feel that the retailer is getting more benefit.
- Development of resources and factsheet materials to:
  - explain the different energy features commonly found in rental properties and how those features can affect energy costs, thermal comfort and access to state and national consumer rights and safeguards.
  - promote and encourage landlords to make energy performance improvements.
  - Help tenancy advice services provide advice on solar to tenants
- Clear, concise and timely information/engagement through leasers to facilitate these opportunities and open up opportunities for tenants and landlords to negotiate positive outcomes.

### Protections

- The model should prevent landlords participating only to take advantage while the house is tenanted knowing that they're about to move in themselves.
- For split benefit schemes, technologies must be CEC accredited, solar retailers and installers must follow the ACCC code of practice (Consumer Code)<sup>6</sup>, with cost benefits falling to tenants (this is about access for renters).
- System monitoring data, including energy, power and cost implications, must be accessible to both parties (data prevents conflict).

<sup>2</sup> <https://www.rta.qld.gov.au/Forms-and-publications/Fact-Sheets/General-tenancy-fact-sheets/Rental-premises-use-condition-and-repairs-fact-sheet>

<sup>3</sup> <https://www.rta.qld.gov.au/Renting/During-a-tenancy/Maintenance-and-repairs/Who-is-responsible-for-repairs>

<sup>4</sup> <http://www.sustainability.vic.gov.au/About-Us/Grants-and-Funding/Community-power-hubs>

<sup>5</sup> [http://cdn.getup.org.au/1499-Homegrown\\_Power\\_Plan\\_-\\_Full\\_Report.pdf](http://cdn.getup.org.au/1499-Homegrown_Power_Plan_-_Full_Report.pdf)

<sup>6</sup> <https://www.accc.gov.au/public-registers/authorisations-and-notifications-registers/authorisations-register/new-energy-tech-consumer-code>



- Protections will be needed for when the system is down and not generating power, e.g. protocols around time of repairs, payments from tenants being put on hold (current timeframes for general repairs may be too long, especially if the tenant is paying for a service they're not receiving).

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