


# NATIONAL CONSUMER ROUNDTABLE ON ENERGY

AUSTRALIAN ENERGY MARKET COMMISSION  
PRESENTATION



ED CHAN  
ANTHONY BELL

28 JUNE 2019

AEMC



We are the rule maker  
for Australian electricity and  
gas markets

## What we do

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We make and amend the:



National Electricity  
Rules



National Gas  
Rules



National Energy  
Retail Rules



We also  
provide market  
development  
advice to  
governments

## Market body roles

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### **Australian Energy Market Commission**

Rule maker, market  
developer and expert adviser  
to governments

*Protects consumers and achieves  
the right trade-off between cost,  
reliability and security.*



### **Australian Energy Regulator**

Economic regulation  
and rules compliance

*Polices the system and  
monitors the market.*



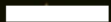
### **Australian Energy Market Operator**

Electricity and gas systems  
and market operator

*Works with industry  
to keep the lights on.*

# AEMC UPDATE

KEY HAPPENINGS SINCE THE MARCH ROUNDTABLE



## We have listed the priority areas of reform that we are focusing on

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### **Generator access and transmission pricing**



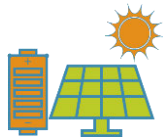
Shift from large geographically concentrated to small geographically dispersed generation

### **System security**



Services previously provided for free not necessarily provided by new generation

### **Integrating distributed energy resources**



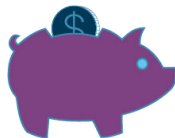
Increased adoption of small-scale solar and energy storage technologies

### **Digitalisation of energy supply**



Increased adoption of digital technologies

### **Aligning financial incentives with the physical needs**



More variable demand and supply creating volatility

## We have met with a number of stakeholders and held two workshops

- Public workshop on the incentive framework (March 2019)
- “DEIP Dive” co-hosted with ARENA on DER integration (June 2019)
- What feedback did we get?
  - DER and how they are integrated in the electricity system is a top priority issue
  - It is important to get the incentive framework right for network businesses, but recent changes has made this a lower priority issue





# 2019 ECONOMIC REGULATORY FRAMEWORK REVIEW

FOCUSING ON DISTRIBUTED ENERGY





## 2019 Review – what will we focus on?

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- Consumers – and how they use the electricity system
- How can the regulatory framework enable consumers to get the most value out of their investment in DER
- How do we harness the 'individual investment' to provide benefits to all consumers
- Set out a 'roadmap' to get us there

## What have we heard from stakeholders?

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- **Consumers want DER** – this is going to continue, don't stand in their way, work with them
- **DER can do lots of good things**, but their capabilities are not fully utilised – current framework and business operation not conducive
- DER exporting is causing **technical issues** for the networks – **restricting exports** is the one of the most common management tool, but this causes issues
- **Exports with no constraints** – some jurisdictional governments are thinking about it
- **Equity** issue – the haves vs have nots, the early adopters vs the late comers
- **Charging/tariff arrangements:**
  - General consensus: something needs to change

# What will the 'roadmap' look like?

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## The future

- The future is DER – and lots of it
- DER is more than PV and batteries
  - EVs, DR/DM ... plus more
  - When they are used/controlled in a coordinated manner
- Consumer centric and users driven
  - How will consumers use DER in the future?
  - What expectations do they have?

## How will we do it?

- Not define 'the future'
- The framework needs to accommodate multiple paths
- Consider all the work done (or being done)
  - by all organisations
  - at all levels of the system
- A coordinated effort , no one body can do this alone, but avoid duplications
- Recommend reforms where necessary

## What are some of the key issues?

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### **The role of networks in a high DER future**

- The changing nature of the electricity system
  - Moving from one-way to two-way traffic
  - Platform for multiple services
- Meeting customers' expectations
  - Also governments' – they provide subsidies to encourage more uptake of PV and batteries

### **'Enablers'**

- DNSPs' understanding and visibility of their LV networks
- AER's consideration of DNSPs' proposal for expenditure for DER enablers
- Smart meters
- Consumption tariff reform

## NER Clause 6.1.4 – a potential area for reform??

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### **Issues with consumption only pricing**

- Equity issues
- Revenue recovery for networks
- Not maximising DER's potential
- "Consumption only charging is not going to be fit for purpose in a high DER future"

### **Potential solutions?**

- Allowing DNSPs to apply a 'use of system charge' is a potential solution proposed by a few stakeholder groups

## NER Clause 6.1.4 – Will export charging solve all ills?

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- Export charging cannot be done on its own
  - Access, connections, charging are interrelated
  - Export charging alone won't address all the equity issues
- The role of networks in a high DER future is important
  - Providing services to enable customers to use DER in the way they want
- Different (or new) networks services will have implications on:
  - Access to the grid, nature of connection arrangements
  - Levels and standard of services
  - DNSPs' revenue requirements

## What about consumer engagement?

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- Uptake of DER is consumer led
  - Consumer preferences will be an important input
- Revenue determination process is moving more to the negotiated outcome process
- Complexity of the rules/framework presents a barrier to efficient engagement
  - Do we need to better integrate or incentivise consumer engagement in the regulatory framework?



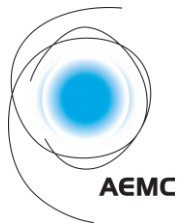
## What about DSO?

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- Is there a difference between DSO and DMO?
- DSO is a potential solution
  - The role of DNSPs are crucial (again)
- Some considerations
  - Consistency in standards – rail gauge issues
  - What about difference between regions or within a network?
  - Implementation costs

# YOUR THOUGHTS?

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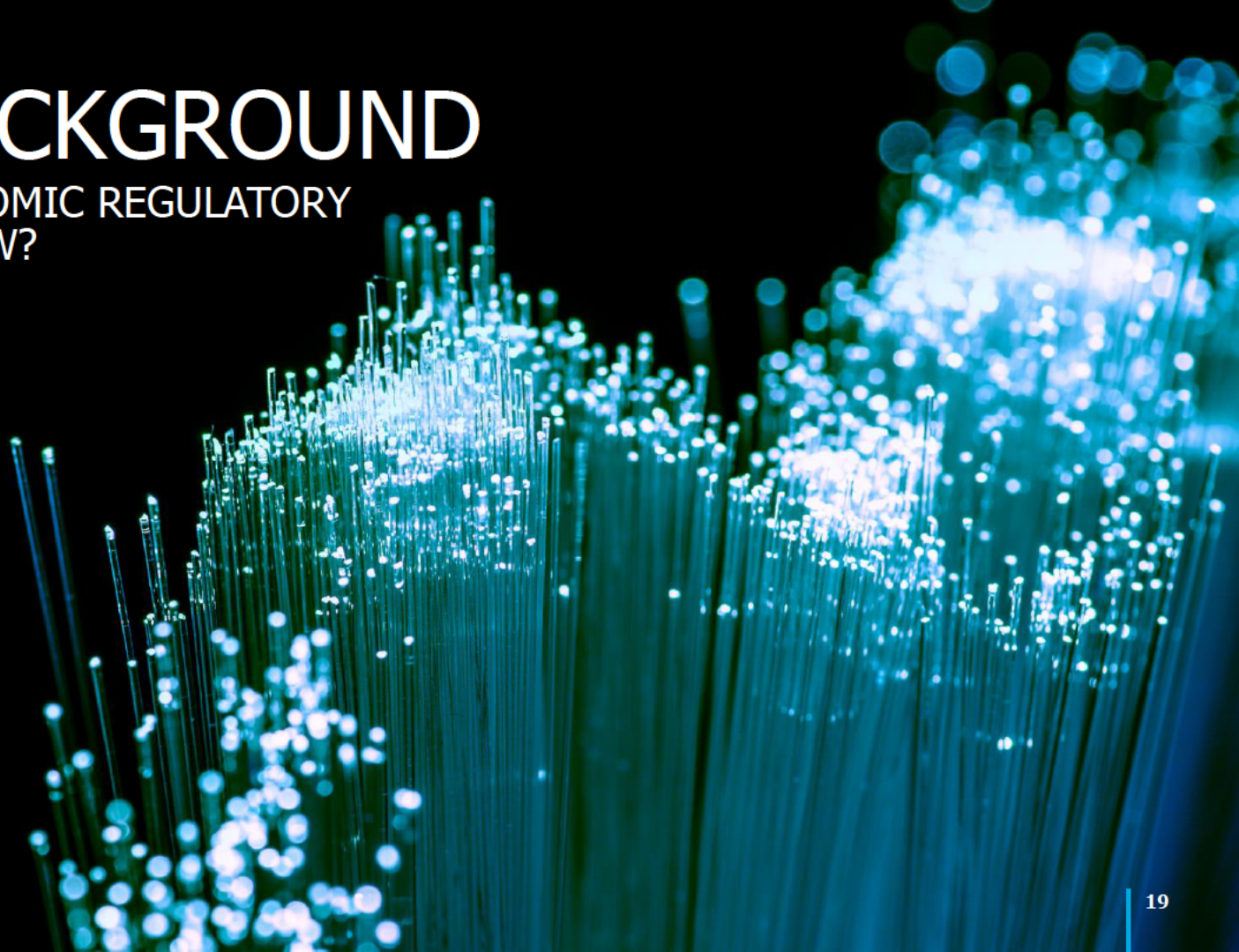
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# BRIEF BACKGROUND

WHAT IS THE ECONOMIC REGULATORY  
FRAMEWORK REVIEW?

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## What is it for?



- Monitor the impact of distributed energy on electricity networks and the regulatory framework



- Broad terms of reference provides flexibility to consider a range of issues



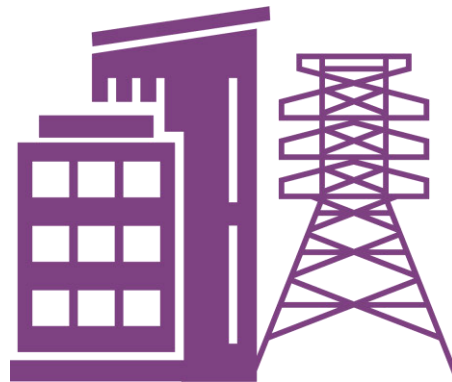
- Part of a broader distributed energy related program – for significant medium to longer-term trends and issues



## What is our approach to the review?

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- A regular and ongoing platform to monitor changes and developments in the national electricity market
- Working with all stakeholders of the energy sector to identify and understand risks and opportunities for reform
- If there is a need for reform ...
  - Recommend changes to the COAG Energy Council
- Progress recommendations tasked by officials and other review bodies



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The economic regulatory framework needs to deliver the best outcomes for consumers

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## We would like to hear your views

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- The annual economic review is an important and structured mechanism to examine issues and consider potential reforms if necessary
- We need to broaden the discussion beyond regulators and network businesses
- What are your views on the issues we are considering currently?
- Are there other issues we should be thinking about?