

DER ACCESS AND PRICING DRAFT DETERMINATION

NATIONAL ENERGY CONSUMER ROUNDTABLE 2021

ED CHAN
30 APRIL 2021

AEMC



We are the rule maker
for Australian electricity and
gas markets

What we do

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



Australian Energy Market Commission

Rule maker, market
developer and expert adviser
to governments

*Setting the guard rails for the
market and industry*



Australian Energy Regulator

Economic regulation
and rules compliance

*Implement the rules, ensuring
compliance and reviewing and
approving revenue and price
proposal*



Australian Energy Market Operator

Electricity and gas systems
and market operator

*Works with industry
to keep the lights on.*

RULE CHANGE REQUESTS

HOW DID WE GET HERE?



Electricity sector transformation



Changing generation mix

- Replacement of generation fleet
- Thermal → Renewable



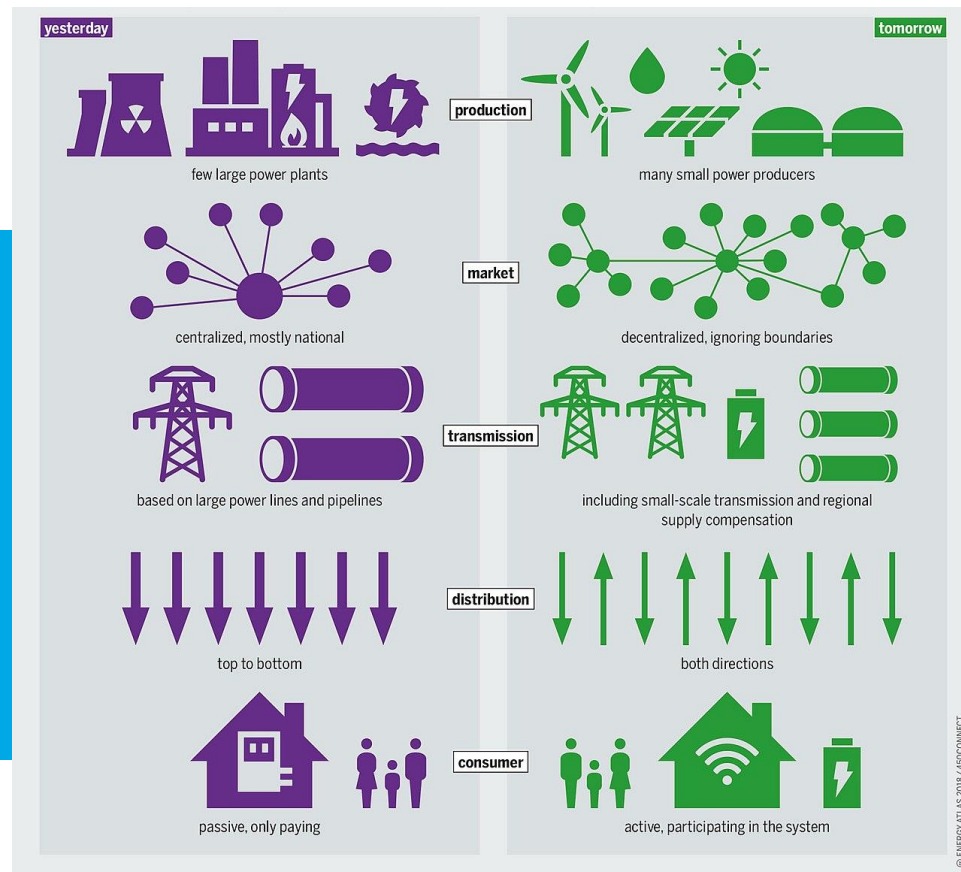
Decentralisation of supply

- A few large → many small
- Central → distributed



Technological advances

- Different customer interactions
- New market opportunities



Networks have an important role to play, but their role will need to evolve



Yesterday



Today



Tomorrow?

Regulatory framework needs to evolve



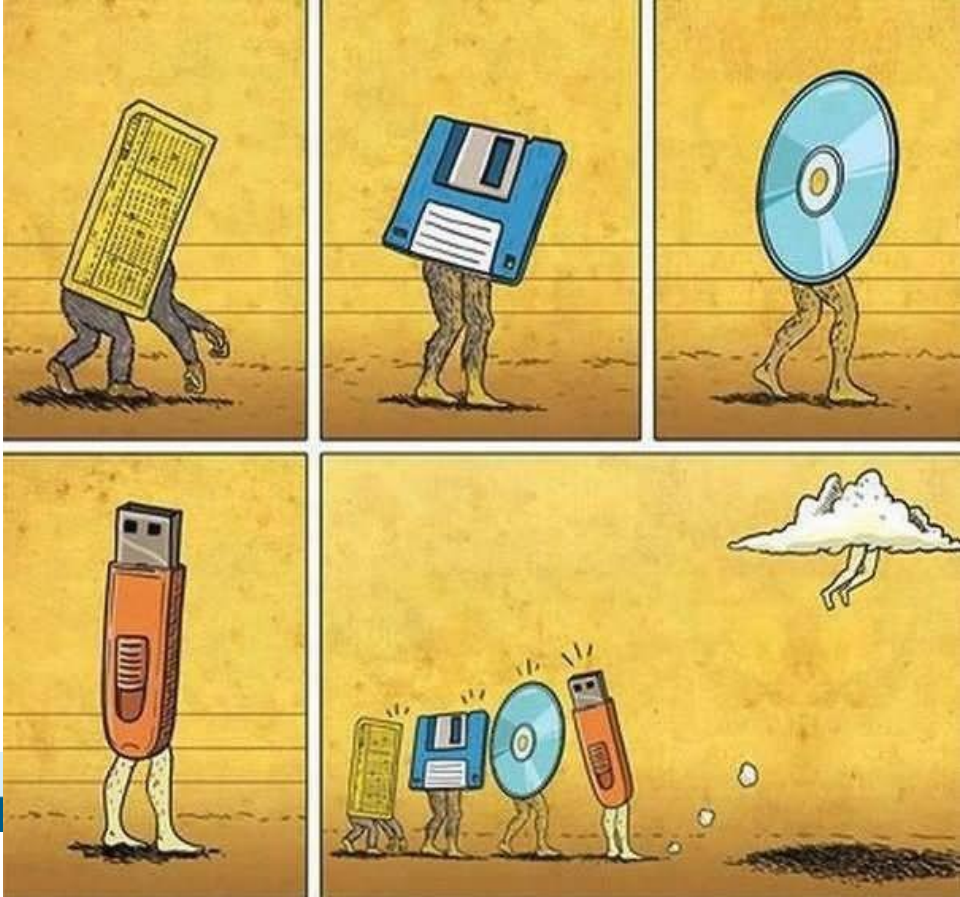
- Consumers? Producers? Prosumers? Electricity system users?



- Service quality, reliability standards, charging mechanisms?



- Evolving the framework to meet the changing needs of the electricity system user



The requests are culmination of the DEIP process

PROBLEM STATEMENT

“Current pricing and access arrangements do not support investment and operation of distributed energy services for equitable and efficient outcomes for all energy users.”

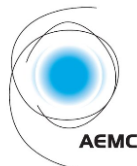
8
organisations



ARENA



Energy
Networks
Australia

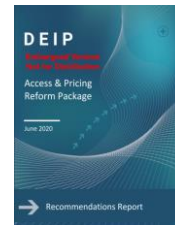
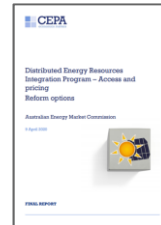


120
participants

3
workshops

6
Reference
Group
meetings

5
reports



12
findings

Rule change requests

Update framework

Align incentives

Price signals



TOTAL
ENVIRONMENT
CENTRE



SA
Power
Networks



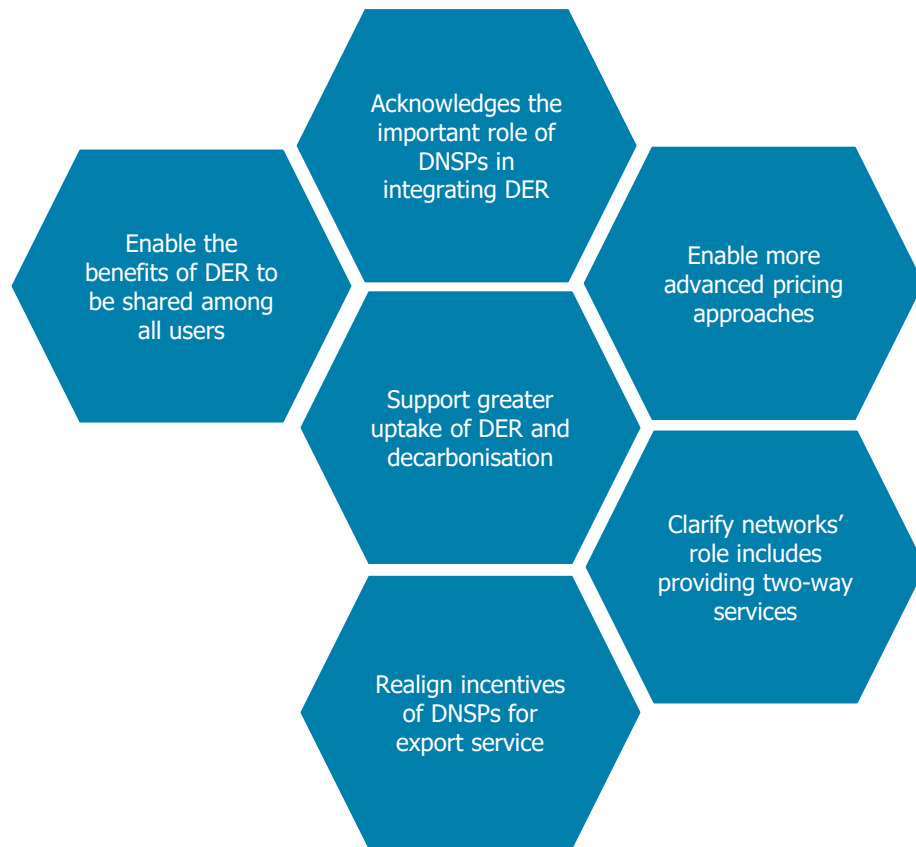
St Vincent de Paul Society
VICTORIA
good works

DRAFT DETERMINATION

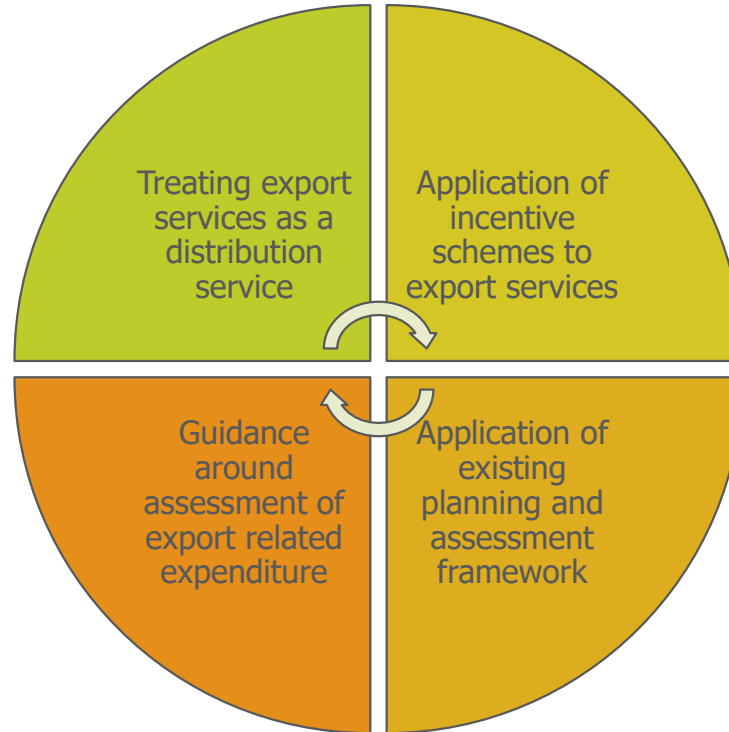
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WHAT DECISION DID WE MAKE?

A package of reforms to better integrate DER

- Culmination of an extensive collaborative effort including from the DEIP group and this TWG
- Incorporates most of the changes put forward in the rule change requests, the feedback from the TWG, opportunities to improve framework and consequential changes
- Most of the changes under the draft rules would come into effect in July 2021 – including transitional rules
- The draft NER rule relating to the export tariff guidelines and customer export curtailment values will commence on 1 July 2022.



Recognising export services in the regulatory framework: four key positions



Incentives arrangements – key changes

Balanced incentives for exports

- Extending STPIS to exports
- AER to conduct review within 18 months of rule commencement
- Interim incentive arrangements can be considered

Export service levels could be set in the same way as reliability

- STPIS provides a platform

No minimum export capacity rights

- Retaining flexibility to suit individual networks' circumstances

DNSPs would need to report on their export service performance

- Annually report on metrics related to their export service performance
- Average of export capacity requested and provided, no of customers receiving zero export limits

VCR equivalent: Customer Export Curtailment Value (CECV)

- It's just the value of customers exports
- The foregone benefit to the customers and the market if exports are curtailed instead of enabled

Enabling flexible pricing options

Enable export pricing

New consultation requirements

AER guideline specific to export pricing

Increased threshold for in-period tariff trials

Tweaks to network pricing principles

A few key principles

- Horses for courses – regulatory flexibility
- NOT mandating export charging
- Strengthening existing process for implementation
 - Consumer engagement is fundamental
 - Added safeguards to facilitate transition

WHY ARE WE DOING THIS AGAIN?

FEADING LINE TWO

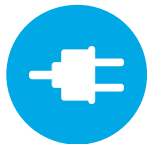
What could a future decentralised system look like?



- **Dynamic and resilient**
New technologies and business models creating different dimensions of system usage



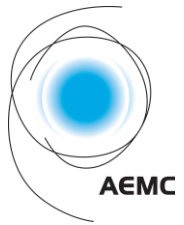
- **A consumer-centric system**
A flexible system responding to consumer preferences



- **Benefits for all users**
A fully integrated system delivering benefits for all users



Efficient integration of distributed energy resources will deliver benefits for all



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