



24 July 2018

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cc Mr John Pierce, Chairman, AEMC

*Submitted online: info@energynetworks.com.au*

Dear Andrew,

**RE: Open Energy Networks Consultation**

Thank you for the opportunity to comment on the Australian Energy Market Operator (AEMO) and Energy Network Australia's (ENA's) *Open Energy Networks Consultation Paper* (the Consultation Paper), released on 15 June 2018.

The Consultation Paper is the result of a partnership between AEMO and ENA formed under AEMO's Distributed Energy Resources (DER) Program. The DER Program has been established to 'help address the market opportunities and technical and operational challenges that increasing amounts of distributed resources are having on the NEM.'<sup>1</sup> AEMO and ENA's collaboration is the first of many AEMO intends to undertake as part of the DER Program.<sup>2</sup>

In the Consultation Paper, AEMO and ENA identified a key question for stakeholders to consider when evaluating the Paper, namely:

*'What new capabilities, functions and roles will be required to coordinate and optimise the value of customers' DER investments whilst maintaining security and reliability across the NEM?'*

SACOSS and St Vincent de Paul Society submit that in order to optimise consumer outcomes and efficiently integrate DER into the NEM, the key question of **pricing and connection charges** under the National

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<sup>1</sup> <https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/DER-program>

<sup>2</sup> AEMO, Integrated System Plan for the National Electricity Market, July 2018, p.100

Electricity Rules<sup>3</sup> (NER) must be addressed as a priority. We believe effective two-way pricing is essential for the development of the network of the future.<sup>4</sup> Appropriate pricing will result in the unit cost of energy falling, optimising consumer outcomes and thereby promoting the long term interests of consumers. SACOSS and St Vincent de Paul Society believe it is important to point out that the term ‘pricing’ could mean a ‘reward’ or a ‘charge’.

In July last year, SACOSS and St Vincent De Paul Society provided a joint submission to the Australian Energy Market Commission (AEMC) in response to its *Distribution Market Model Report*,<sup>5</sup> where we outlined our arguments in support of amending the National Electricity Rules to delete Rule 6.1.4.<sup>6</sup> Rule 6.1.4 of the (NER) prohibits DUOS charges for the export of energy, providing:

**6.1.4 Prohibition of DUOS charges for the export of energy**

(a) A Distribution Network Service Provider must not charge a Distribution Network User distribution use of system charges for the export of electricity generated by the user into the distribution network.

(b) This does not, however, preclude charges for the provision of connection services.

We relevantly repeat our submission to the AEMC that:

*‘...this rule creates a significant barrier to appropriate pricing for the use of the distribution network, resulting in increased cross-subsidies within customer classes. We also believe it undermines a smooth transition to the new transforming energy market, including distributed energy, micro and mini grids.’*

We submit that 6.1.4 represents a structural impediment to the efficient and flexible network of the future, and the removal of the restriction in 6.1.4 will not only optimise the network and enable the effective utilisation of non-network solutions, its removal is also consistent with the policy of cost-reflective tariffs and the orderly development of the market.

We note the recent comments of Consumer Challenge Panel CCP14<sup>7</sup> on SA Power Networks’ preferred approach to the challenges presented by AEMO’s forecasts and analysis<sup>8</sup>, which the CCP indicates is consistent with options 1 and 2 proposed by AEMO and ENA in the Consultation Paper.<sup>9</sup> In particular, the CCP14 observed SA Power Networks had (as yet) failed to meaningfully consult on non-network matters in its consumer engagement as options for response. Importantly, CCP 14 stated ‘the exploration of a wide

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<sup>3</sup> <https://www.aemc.gov.au/regulation/energy-rules/national-electricity-rules/current>

<sup>4</sup> Given the significant challenges of the growth in batteries and the potential impact of electric vehicles, amongst other considerations.

<sup>5</sup> SACOSS and St Vincent de Paul Society, *Submission to the AEMC on the Distribution Market Model Draft Report*, 3 July 2017 see:

[https://www.sacoss.org.au/sites/default/files/public/documents/Submissions/Utilities%20Submissions/170703\\_Submission%20on%20Distribution%20Market%20Model.pdf](https://www.sacoss.org.au/sites/default/files/public/documents/Submissions/Utilities%20Submissions/170703_Submission%20on%20Distribution%20Market%20Model.pdf)

<sup>6</sup> <https://www.aemc.gov.au/sites/default/files/2018-07/NER%20-%20v111%20-%20Chapter%206.PDF>

<sup>7</sup> AER Consumer Challenge Panel CCP14, *Response to SA Power Networks approach to the challenge of the high penetration of embedded generation as part of their 2020-25 Regulatory Proposal early engagement*, 29 June 2018 <https://www.aer.gov.au/system/files/CCP%20subpanel%2014%20-%20Advice%20-%20Response%20to%20SAPN%27s%20approach%20to%20the%20challenges%20of%20the%20high%20penetration%20of%20embedded%20generation%20-%20June%202018.pdf>

<sup>8</sup> Presented by SA Power Networks as part of its 2020-25 Regulatory Proposal Early engagement.

<sup>9</sup> AER Consumer Challenge Panel CCP14, *Response to SA Power Networks approach to the challenge of the high penetration of embedded generation as part of their 2020-25 Regulatory Proposal early engagement*, 29 June 2018, p.9

range of technical, commercial, contractual, pricing and legislative options is not evident, and the relative value of each approach has not yet been socialised'.<sup>10</sup> Further, CCP14 noted that:

*'With the current activity on tariff structure and network price reform, CCP14 would be expecting SAPN to actively explore the role of network pricing and connection agreements to encourage a better matching of loads to generation.'*<sup>11</sup>

CCP 14 recommends that<sup>12</sup>:

*'SAPN consider a connection agreement framework that supports the intent of 'causer pays', with connection agreements that balance the constraints of the distribution network with the needs of the embedded generator. The customers themselves should be presented with options that signal the cost of connecting DER and the proposed operation of the generator.'*

SACOSS and St Vincent de Paul Society submit that 6.1.4 prevents the development of a pricing framework that would *'signal the cost of connecting DER and the proposed operation of the generator'*, and further 6.1.4 limits the *'uptake of other technology such as batteries, EVs and other energy management tools'*.<sup>13</sup>

The removal of 6.1.4, together with the introduction of smart meters and the complimentary measure of the development of a Consumer Data Right<sup>14</sup> will encourage innovation and competition in the energy market, allowing for a smooth transition and the value of customer investments to be realised.

We thank you for consideration of our comments. If you have any questions, please contact Mr Gavin Dufty, Manager Policy and Research, St Vincent de Paul via [gavind@svdp-org.au](mailto:gavind@svdp-org.au) or Ms Jo De Silva, Senior Policy Officer, SACOSS via [jo@sacoss.org.au](mailto:jo@sacoss.org.au).

Yours Sincerely,



Gavin Dufty  
Manager Policy and Research (St Vincent de Paul)



Ross Womersley  
CEO (SACOSS)

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<sup>10</sup> AER Consumer Challenge Panel CCP14, *Response to SA Power Networks approach to the challenge of the high penetration of embedded generation as part of their 2020-25 Regulatory Proposal early engagement*, 29 June 2018, p.11

<sup>11</sup> *Ibid*, p.11

<sup>12</sup> *Ibid*, p.12

<sup>13</sup> SACOSS and St Vincent de Paul Society, Submission to AEMC, 3 July 2017

<sup>14</sup> See <https://treasury.gov.au/consumer-data-right/> and <https://www.accc.gov.au/focus-areas/consumer-data-right>