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Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Submitted electronically via aemc.gov.au

Consultation Paper: Enhancing the Integrated System Plan to support the energy transition - ERC0395

Essential Energy welcomes the opportunity to provide a submission to the Australian Energy Market Commission (the Commission) on its *Enhancing the Integrated System Plan to support the energy transition* Consultation Paper (the Consultation Paper). Essential Energy supports the submission of Energy Networks Australia to the Consultation Paper and provides this further perspective on Section 3 "Improving demand forecasting and demand-side data in the Integrated System Plan (ISP)" of the Consultation Paper.

Essential Energy supports the need for more detailed consideration of network connected Consumer Energy Resources (CER) and Distributed Energy Resources (DER) within the ISP at an aggregate level. Both resources will play a key role in supporting the safety and security of the energy system, particularly at the distribution network level and throughout the energy transition given the delays facing key ISP transmission projects. The current ISP assumptions that there are no distribution network constraints and the necessary policy and market structures are in place to encourage uptake and orchestration of CER in the future are unrealistic. Essential Energy also welcomes the creation of a guideline to support a consistent approach to forecasting and analysing CER and DER developments.

Essential Energy does, however, have some concerns with the Consultation Paper and these are outlined below.

Minimise new reporting obligations to ensure efficiency

Before adding any new reporting obligations on Distribution Network Service Providers (DNSPs), consideration should be given to using data that is already available or provided to other parties, as these sources of information may provide AEMO with a sufficient base level for forecasting. These include:

- DNSPs' Regulatory Proposals contain their hosting capacity plans
- The Australian Energy Regulator's (AER's) Regulatory Information Notice[1] (RIN) captures DNSPs' actual export services data
- Energy Networks Australia's Network Opportunity Maps provide a visual of networks
- Distribution Annual Planning Reports (DAPRs)to highlight where opportunities for distributed generation, energy storage and other non-network solutions can best address network capacity constraints and reduce costs for customers

[1] These reporting obligations will continue in the Annual Information Orders that replace the RIN from 1 July 2024.

- AEMO's CER Data Exchange project will likely provide an additional source of information, though how this project may assist AEMO forecasting was not made clear in the Consultation Paper
- Network information available to the public from DNSPs, with Essential Energy hosting its Network Information Portal on its website.

Consider granularity and the forecasting period to appropriately balance benefits and costs

The required level of granularity and the length of the forecasting period should be agreed with DNSPs and registered participants so that costs do not outweigh the associated benefits. This is because:

- The five yearly regulatory determination cycle necessarily limits DNSPs' ability to accurately forecast hosting capacity beyond one regulatory period, given underlying expenditure forecasts are contingent on the AER's approval
- There are inter-relationships with the ISP inputs – if the forecasts for CER and DER uptake, electrification or CER orchestration uptake are incorrect, then DNSP forecasts will become increasingly incorrect over the forecasting period
- The energy transition continues to hamper the accuracy of long-term forecasting across the industry, as each ISP has proven time and time again.

Collaborate on the methodology for using DNSP forecasts to prevent adverse outcomes

AEMO should collaborate and agree a methodology with DNSPs for establishing CER and DER forecasts and use these in the ISP modelling so that such modelling outcomes do not inadvertently:

- Undermine or weaken a DNSP's regulatory proposal by interpreting or using data in a contradictory or different way
- Allow DNSPs to manipulate their forecasting approach to achieve a more favourable outcome in the ISP, potentially leading to "land-grabs" by connection proponents and one DNSP gaining more government support and investment than others.

Consider timeframe disjoints between distribution and transmission networks

Whilst CER and DER can play a significant role in alleviating constraints on both the distribution and transmission network, their ability to resolve transmission constraints is much slower. This will need to be acknowledged for the purposes of selecting the optimal development path. The Consultation Paper does not make it clear how AEMO will consider this disjoint in timeframes.

With these concerns in mind, Essential Energy recommends that AEMO undertakes a thorough co-design process with DNSPs and other registered participants before the AEMC makes a final Rule Determination. Appendix A to this letter contains Essential Energy's response to specific questions raised in Section 3 of the Consultation Paper.

Essential Energy looks forward to working with the AEMC and providing more specific feedback as this Rule Change progresses. If you have any questions in relation to this submission, please contact Hilary Priest, Head of Regulatory Affairs via hilary.priest@essentialenergy.com.au or via phone 0419 818 115.

Yours sincerely,

Annie Pearson

Annie Pearson
Chief Corporate Affairs Officer

APPENDIX A – RESPONSE TO SECTION 3 QUESTIONS IN THE CONSULTATION PAPER

6(a) Should the ISP's analysis include greater consideration of the assumptions and contingent factors underpinning the expected development of CER and distributed resources? Why or why not?

Essential Energy supports the inclusion of distribution level factors in the ISP. The distribution network plays a critical role in the energy system and the energy transition, and the appropriate integration of distribution connected DER and CER is crucial to a robust ISP. However, the provision of any new data will need to be concise, designed to solve well defined gaps in the current ISP and appropriately balance the associated costs and benefits.

6(b) Do you agree that AEMO is currently constrained in its ability to access relevant information about distribution network hosting capacity and relevant CER forecasts from DNSPs?

Essential Energy is open to providing data, though we emphasise the need for a cost-effective approach that appropriately considers the utilisation of publicly available reports such as the DAPR and network information provided by DNSPs on their websites. Data should be provided at the appropriate, aggregated level for ISP purposes.

It is also worth noting that the general lack of available industry information at this stage is because many networks are still developing their local and network-wide hosting capacity (and CER forecasts) and others are looking to improve their data sets given:

- The accuracy of network data relies on DER and CER installers completing and submitting accurate and timely paperwork for the commissioned installation as there are regular mismatches between the installation requested and the commissioned installation which results in incorrect and incomplete DER and CER data being captured which in turn impacts the reliability of the 'base line' data set that informs local and network-wide hosting capacity (and CER forecasts).
- There is no formal governance framework for the oversight of DER and CER installation compliance which undermines the completeness and accuracy of the associated DER Register data.
- AEMO's DER Register allows new connection data to be added for a premise but does not allow existing (unreported) energy resources at the same premise to be recorded.

Essential Energy understands AEMO along with industry is seeking uplift in network connected CER devices. In NSW, improvements in CER standards and compliance are a focus of NSW Government's Household CER Strategy.

8(b) What are the costs DNSPs might incur in complying with requirements to provide further information? Do the benefits outweigh the costs? Should DNSPs be required to provide further information in their DAPRs or elsewhere?

While willing to comply with information requests where it is efficient to do so, Essential Energy stresses the importance of balancing these requests against the costs of data preparation and provision. We advocate for maximising the use of existing publicly available data to mitigate costs and a collaborative approach to determining what data is missing, the required granularity, an appropriate forecast period and the methodology for using that data within ISP forecasts.

8(c) Would the proposed solution impose costs on any other stakeholders? If so, how might these costs be minimised?

As costs may impact various stakeholders, Essential Energy suggests that the AEMC facilitates a cost-benefit analysis involving all affected parties to ensure that costs are minimised.

As noted in 6(b) above, the DER Register data is incomplete and contains inaccuracies as it lacks a governance framework and resourcing to monitor and enforce compliance - the Consultation Paper does not address this core problem.

We also reiterate the points in 8(b) as to the need for the benefits around additional granularity and the length of the forecasting period to exceed the associated costs of providing that data, for the purposes of developing the ISP.

9(a) What implementation issues should be considered? For example, are DNSPs likely to face any challenges in complying with new information obligations?

Every new information obligation brings new challenges if the data is not already available and being used within an organisation. Where reports are required to be built, there will likely be challenges with resourcing as this activity tends to rely on a small number of subject matter and technical experts.

As mentioned in our letter, long-term forecasting is inherently difficult, and the energy transition has only made forecasting less reliable. The interrelationships between electrification, CER and DER uptake and orchestration means the forecasts DNSPs can reliably provide is limited and subject to many of the same difficulties and limitations AEMO has encountered in ISP forecasting to date.

The five yearly regulatory determination process adds a further challenge as DNSP expenditure forecasts may not be approved by the AER. It is also possible that the ISP outcomes may inadvertently undermine or weaken a DNSPs regulatory proposal should the data be misinterpreted or used by AEMO in a different or contrary manner.

Essential Energy encourages AEMO to work with DNSPs and registered participants to determine the specific data required and to establish a clear guideline for forecasting and analysing CER and DER developments.

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