



Part of Energy Queensland

7 October 2021

Ms Anna Collyer
Chair
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

Dear Ms Collyer

ERC0319 Governance of Distributed Energy Resources (DER) Technical Standards

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex), operating as distribution network service providers in Queensland, welcome the opportunity to provide comment to the Australian Energy Market Commission (AEMC) in response to its consultation on the Governance of Distributed Energy Resources Technical Standards.

Ergon Energy and Energex has outlined our key positions regarding the consultation paper in the attached submission. Should the AEMC require additional information or wish to discuss any aspect of this submission, please contact either myself, on 0467 782 350 Barbara Neil on 0429 782 860.

Yours sincerely

Sarah Williamson

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Enc: Ergon Energy and Energex submission to Governance of DER Technical Standards



Governance of DER Technical Standards

Joint response to the Australian
Energy Market Commission

7 October 2021



Part of Energy Queensland

Governance of DER Technical Standards

ABOUT ERGON ENERGY

Ergon Energy Corporation Limited (Ergon Energy) is part of Energy Queensland and manages an electricity distribution network which supplies electricity to more than 740,000 customers. Our vast operating area covers over one million square kilometres – around 97% of the state of Queensland – from the expanding coastal and rural population centres to the remote communities of outback Queensland and the Torres Strait.

Our electricity network consists of approximately 160,000 kilometres of powerlines and one million power poles, along with associated infrastructure such as major substations and power transformers.

We also own and operate 33 stand-alone power stations that provide supply to isolated communities across Queensland which are not connected to the main electricity grid.

ABOUT ENERGEX

Energex Limited (Energex) is part of Energy Queensland and manages an electricity distribution network delivering world-class energy products and services to one of Australia's fastest growing communities – the South-East Queensland region.

We have been supplying electricity to Queenslanders for more than 100 years and today provide distribution services to almost 1.4 million domestic and business connections, delivering electricity to a population base of around 3.4 million people via 52,000km of overhead and underground network.

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INTRODUCTION

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex), operating as distribution network service providers (DNSPs) in Queensland, welcome the opportunity to provide comment to the Australian Energy Market Commission (AEMC) in response to its consultation on the Governance of Distributed Energy Resources (DER) Technical Standards – Consultation Paper.

Ergon Energy and Energex note there have been a number of rule change requests relating to DER Technical Standards and the governance arrangements for these. Last year, Energy Queensland (on behalf of Ergon Energy and Energex) responded to consultations conducted by the AEMC,¹ Australian Energy Market Operator (AEMO)² and the Energy Security Board (ESB).³

Ergon Energy and Energex agree there is value in technical standards for DER but are concerned in the lack of governance arrangements and guidance around these standards. Furthermore, we suggest the current Consultation Paper does not adequately address the issues raised in the Rule change request from the ESB, particularly regarding the proposed governance arrangements. In fact, we believe the current arrangements have created a disconnect between jurisdictional laws and the National Energy Rules (NER), and the Consultation Paper does not address this divide. The following section outlines our key positions.

KEY MESSAGES

DER Technical Standards

Ergon Energy and Energex suggest the current Rules definition of DER Technical standards is limited in scope and does not cater for expansion of the Standard within the NER. If the AEMC or AEMO required compliance to AS/NZS 4777.2 for model standing offers, this could have been achieved in a number of ways in the NER without the need for the creation of a concept of the DER Technical Standard. For example, the definition for micro embedded generator connection could have been amended to include “...*between an embedded generating unit compliant with AS/NZS 4777.2 and a distribution network...*”.

¹ Energy Queensland, Technical Standards for Distributed Energy Resources Consultation paper, 23 July 2020

² Energy Queensland, Initial Distributed Energy Resource Minimum Technical Standard, 29 September 2020

³ Energy Queensland, Governance of DER Technical Standards Consultation Paper, 31 July 2020

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Notwithstanding, we believe it is preferable that any technical standards for DER are prescribed in the NER or a subordinate instrument rather than in jurisdictional or other statutory references. However, the current lack of governance arrangements means that future changes to the standards would have to be instigated as a rule change submission to the AEMC. This would not meet the objective of timely change or adequate planning and consultation.

Moreover, the transitional arrangements introduced in the recent Rule change have exacerbated existing inconsistencies across jurisdictions. As such, we suggest that any changes to the DER Technical Standards should be supported by work to remove references to other statutory requirements in order to prevent conflicting obligations.

Finally, we do not agree with the Rule change request that the AEMC collaborate with AEMO and the Australian Energy Regulator in developing and updating DER Technical Standards. As noted in our previous submissions,⁴ this would increase AEMO's role beyond that prescribed in the National Electricity Law. It is our position that, as the rule maker, the AEMC should be responsible for developing and updating the DER Technical Standards with support and advice from an expert advisory committee. Accordingly, we propose the following example drafting:

“In undertaking its responsibility in developing and updating the DER Technical Standards, the AEMC:

- *Must collaborate and obtain expert advice from an advisory committee established as a standing committee under the Rules; and*
- *May obtain expert advice from consultants; and*
- *Must carry out a public consultation process for the DER Technical Standards.”*

The next section elaborates on our position regarding the governance arrangements for the DER Technical Standards.

Governance arrangements

Ergon Energy and Energex understand from the abovementioned consultation processes that industry overwhelmingly supported the creation of a DER Technical Standard overseen by a national governance committee, and that the AEMC would consider the governance arrangements

⁴ Energy Queensland, Technical Standards for Distributed Energy Resources Consultation paper, 23 July 2020

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through a separate Rule change (i.e. this consultation). However, we do not believe that this Consultation paper adequately addresses the issues raised nor does it propose appropriate governance arrangements. Ergon Energy and Energex are not satisfied that the recent Rule change⁵ addresses the issues raised in this Rule change request.⁶

We note that Standards Australia does not provide governance for jurisdictional compliance to standards. However, existing relationships with Standards Australia and other standards bodies or working groups should be leveraged to ensure that standards developed are timely and fit for purpose. There should also be focus on implementing adequate governance to ensure compliance with relevant standards and removal of compliance barriers such as conflicting jurisdictional requirements and national statutory requirements. We will address compliance issues further in the following section.

As noted earlier, Energex and Ergon Energy support the Rule change request for the development of an DER governance advisory committee, reporting to the AEMC as the best solution to support the DER Technical Standards development under the Rules. We agree that the AEMC is the appropriate convener of a governance committee as it fits within the AEMC's remit and purpose.

Ergon Energy and Energex suggest this committee should be established similarly to the Reliability Panel and be comprised of members who represent a range of participants in the national electricity market (NEM). Specifically, we recommend the committee consist of a broad range of members with technical, customer, jurisdictional, regulatory, industry, installation and safety experience as well as appropriate input from emerging DER industry participants.

This approach will ensure that a range of stakeholders are represented, with the ability to engage with industry and state jurisdictions, as well as delivering appropriate customer outcomes. The committee could have a determining role in terms of system security and reliability in relation to DER and be advisory in terms of "best-practice" guidelines to account for differences in network characteristics and jurisdictional requirements. However, even by specifying AS/NZS 4777.2, the DER Technical Standard already has an influence on network settings, such as protection settings which have both local and system impacts. As the DER Technical Standards have already impacted on the governance requirements and distribution system design and performance criteria, the committee must involve adequate and current DNSP representation.

⁵ National Electricity Amendment (Technical Standards for distributed energy resources) Rule 2021, No.1.

⁶ AEMC, Governance of distributed energy resources technical standards, Consultation Paper, 2 September 2021, page 16.

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As noted above, the current transitional arrangements for the DER Technical Standard have resulted in inconsistent approaches by the Clean Energy Regulator, AEMO, AEMC, and Electrical Safety Office, due to a lack of appropriate consultation. As such, there are a variety of interpretations as to how different jurisdictions and bodies will implement the transition to the DER Technical Standards. This is in contrast to the intent of the transitional arrangement clauses which was to provide clarity and consistency. Therefore, the advisory committee should be responsible for developing the process for public consultation, including in accordance with the Rules consultation procedures prescribed in Part F of chapter 8 of the NER.

Ergon Energy and Energex believe that introducing national governance arrangements would ensure a timely approach to more consistent standards across Australia. While technical standards for DER may not be developed any faster, if an urgent change is required, this could initiate committee action. The committee approach ensures that all stakeholders are adequately engaged and state governments, for example, are appropriately prepared.

Ergon Energy and Energex suggest the requirement and structure of the governance arrangement for the DER Technical Standard should be reviewed in the medium term (10+ years) as it is designed to address immediate challenges with a long-term focus. Therefore, it is our opinion that the arrangement should be able to resolve and adequately plan for the future within that timeframe.

Compliance and enforcement

Ergon Energy and Energex believe the rule change request does not adequately address compliance and enforcement of the DER Technical Standards. Even with registered DER connections, enforcement and penalty arrangements for non-compliance are not suitable to encourage behaviours which prevent system or safety issues in the distribution networks and the wider NEM. While the best way to ensure compliance is to educate and promote good practice, most jurisdictional distribution entities, including Energex and Ergon Energy, can only provide warnings to customers or disconnect the customer from the distribution network. As batteries and electric vehicles increase in volumes on networks, systems and markets will become more complex, increasing the risk and impacts of non-compliance to the system, networks and customers.

We suggest the governance committee could also provide guidance on compliance and enforcement protocols, with consideration given to the interface and interrelationships with the NER and National Electricity Retail Rules as well as other consumer laws (including the Australian Consumer Law), safety legislation and jurisdictional requirements regarding the entire value chain from manufacturers of inverters, installers, retailers, networks, aggregators and consumers.