



VCOSS
Victorian Council
of Social Service

Ms. Anna Collyer

Chair, Australian Energy Market Commission

Anna.Collyer@aemc.gov.au

May 27 2021

Re: ACCESS, PRICING AND INCENTIVE ARRANGEMENTS FOR DISTRIBUTED ENERGY RESOURCES ERC0311

Dear Ms Collyer

Thank you for the opportunity to make this joint submission on behalf of ACOSS,¹ ACTCOSS, QCOSS, SACOSS, TASCOSS, and VCOSS to the Australian Energy Market Commission's (AEMC's) Access, Pricing and Incentive Arrangements for Distributed Energy Resources (DER) draft determination.

We would like to acknowledge the significant work of members of the AEMC, the energy industry, consumer, community and environment organisations and others to reach this point.

About the Signatories

The signatories to this submission include national and state organisations that represent the voice of people affected by poverty, disadvantage and inequity and peak bodies for the social services sector. Collectively we are part of a network of approximately 4000 organisations and individuals across Australia in metro, regional and remote areas. Our broad vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Summary

ACOSS and the State and Territory COSSes support a rapid but fair decarbonisation of the energy grid that leaves no-one behind. We recognise that distributed energy resources like rooftop solar, batteries and electric vehicles can accelerate transition to clean energy and make energy more affordable and resilient for everyone. However it's important that the costs associated with supporting the energy transition in general and the growth of distributed energy resources, are distributed equitably.

¹ ACOSS is also making a joint submission with the Total Environment Centre (TEC), as one of the rule change proponents, detailing proposed amendments to the draft determination.

Given the potential benefits of DER, we are concerned about the impact technical constraints² are having on the capacity of the electricity network to continue hosting a growing volume of energy exports. We are concerned that more and more solar owners will be export constrained and the decarbonisation of the electricity grid will be slowed as a result.

We therefore support the intent of the draft determination to require networks to improve the electricity grid to increase uptake of energy exports like solar.

In particular we support:

- formal recognition of export services in the regulatory framework;
- requirement for Networks to plan for and provide incentives to more efficiently invest in, operate and use export services; and
- introduction of a reliability standard for exports, where Networks will be required to guarantee a certain level of grid availability for exports, and would be penalised when the standard is not met

We also support the proposal to enable network operators to offer two-way pricing for export services. This would enable networks to recover costs of improving energy export hosting capacity by charging a small fee for energy exports under some circumstances. One aspect of this rule change would mean that households that benefit the most by being able to export more of their energy will contribute more to the costs of the upgrade and people who do not export energy (and benefit less) will pay less. It would also enable network operators to reward households for exporting when it benefits the network.

The net effect of these rule changes would be to support the continued growth of solar and distributed energy resources, by strengthening and improving the adaptability of the pricing, access and regulatory arrangements.

However, we do believe there is a need to provide greater certainty for households exporting energy, and would support more consumer protections being hardwired into the rules, alongside stronger consumer engagement guarantees.

Discussion

Why it's important to distribute energy costs fairly

We support the rapid decarbonisation of the energy system, underpinned by the principle that the transition must be just and fair. This principle means costs should be spread equitably within the community and should avoid disproportionate impacts on people experiencing financial and social disadvantage. These principles are for example supported by a [range of business, environment, union, investor, energy and social organisations](#).

Every household deserves affordable power. However, in Australia there are 3 million people living in poverty – including 750,000 children – the majority of

² As households export more and more energy it is [adding to existing over-voltage issues](#), increasing voltage non-compliance issues, and causing [thermal overloading of substation transformers](#).

whom don't own solar³ and who spend disproportionately more of the income on power bills.⁴ We are more likely to see single parents and their children, Aboriginal and Torres's Strait Islander people, people over 65 who rent, and people with a disability over represented in this group.

How costs are recovered through power bills matters.

Unfortunately more and more costs of the energy transition are being loaded on energy bills, which is resulting in people experiencing financial disadvantage paying disproportionately more of the costs of the transition.

For example, there is research that finds subsidy schemes for small-scale solar panels recovered through electricity bills, such as feed-in tariffs⁵ and the Small Scale Renewable Energy Scheme (SRES)⁶ which provide direct financial benefits to solar households, are inequitable and regressive.

Then there are network costs. Network costs make up two-fifths of the electricity bill (more in some network areas) and at present are recovered via consumption tariffs through a combination of fixed and usage charges.

Households able to substantially reduce their usage, like solar owners, contribute less to network costs, which leads to other households paying a greater share of all network costs (under non-cost reflective tariffs and network revenue caps).

People on low incomes either cannot afford or if they rent can't access measures like solar to reduce usage, other than depriving themselves of energy which often leads to significant health and wellbeing impacts.

While this rule change does not address the consumption charging issue, which more cost-reflective tariff reform could go part way to address, it demonstrates the impact of loading more network costs onto consumption charges.

Recovering the additional costs to improve energy export hosting capacity through consumption tariffs would mean non-solar households would be paying a greater share of the costs.

Benefits of solar to all households will not always outweigh costs of current blunt arrangements

It has been argued that the wholesale market benefits of rooftop solar far outweigh DER enablement costs for non-solar consumers, and the cost of upgrading networks to accommodate DER are, and will likely remain, small relative to total expenditure.

³ Poverty is measured using income after housing costs, as those households with lower housing costs are able to afford a higher standard of living than those on the same income with higher housing cost. While there are an increasing number of people on lower incomes (does not include housing cost) who own rooftop solar, these are mainly aged pensioners who own their own home. If we look at wealth indicators, the ABS data shows that it is households with relatively [higher wealth](#) who own rooftop solar (.e. people who have more assets like owning a home). People experiencing financial disadvantage – both low wealth and low income – are least likely to own solar.

⁴ ACOSS and BSL (2018) [Energy Stressed in Australia](#)

⁵ Nelson, T., Simshauser, P. and Nelson, J. (2012) [Queensland Solar Feed-in-Tariffs and the Merit order Effect: Economic Benefit, or Regressive Taxation and Wealth Transfers?](#)

⁶ Best, R., Chareunsy, A. and Li, H. (2021) [Equity and effectiveness of Australian small-scale solar schemes](#)

However, the research⁷ often cited when putting forward this argument looked at historical expenditure by network operators to increase hosting capacity. Networks have advised that this expenditure has historically been “minimal” as they have been able to utilise intrinsic hosting capacity and export restrictions. The research did not look at forward expenditure, which network operators are indicating will now require significantly more expenditure to increase export hosting capacity to cater for doubling or quadrupling of energy exports.⁸

The research also assumes that rooftop solar will continue to make a significant contribution in further reducing wholesale electricity prices. However, it is likely with more and more solar in the system there will be diminishing gains from rooftop solar's contribution to reducing wholesale prices.

The research also did not look at costs and benefits between consumers. While there may be some benefits for all in reduced wholesale prices and decarbonisation of the grid, those with rooftop solar benefit the most through additional direct financial gain (as well as their ongoing savings through self-consumption and avoided contributions to network costs), and those experiencing financial disadvantage and reliant on retail energy are contributing disproportionately more.

Solar owners will maintain significant financial gain

Solar owners will not be forced to pay every time they export to the grid. The intention is to give solar owners more options as to how they manage solar exports. Solar owners could choose things like free exports up to a limit or paid premium services that guarantee export during busy times.

For those who opt to pay to export, the payment should be offset by retailer feed-in tariffs, which are currently between 5-17 cents per kilowatt hour depending on region and retailer.⁹ In other words solar owners will still earn income from exporting (and save money through self-consumption). Some solar owners previously being constrained could earn more.

Networks will also be expected to reward consumers when their exported energy benefits the grid and other consumers.

The reforms will address the export limits being imposed on new solar owners who are losing income, and enable them to earn more income.

It will enable the millions of future solar owners to export, which will support rapid decarbonisation, and they will also have the opportunity to earn income.

⁷ Mountain, B., Percey, S. and Burns, K. (2020) [Rooftop PV and electricity distributors: who wins and who loses?](#)

⁸ If additional expenditure turns out to be small then networks will have no reason to seek a service fee for energy exports.

⁹ <https://www.canstarblue.com.au/solar-power/a-comparison-of-solar-feed-in-tariffs/> as of 31 March 2021.

Amendments to the Rule change

The current draft determination relies heavily on network operators and the Australian Energy Regulator (AER) to make the final decision on price options and export limits. This is problematic given the power imbalance between network operators and consumers, and frequently reported low level of trust in energy companies in general.

We therefore support the proposed amendments being made in the ACOSS and TEC submission to the AEMC, which aims to provide stronger consumer protections:

- Make it a rule that networks have to provide a tariff option that does not charge for export, noting this may result in export limits (but not zero);
- Guarantee a minimum energy export i.e., no longer be able to set zero export; and
- Strengthen the rules regarding network funding for independent consumer engagement in tariff structure statement processes to ensure greater consumer consultation.

Being more prescriptive in the rules should give consumers more confidence they will have choice and in how they manage their solar exports.

Conclusion

With the addition of stronger consumer protections, this is an important rule change that will contribute to ensuring we have the electricity grid of the future that supports rapid decarbonisation; readies us for the increasing variety of household and community energy technologies such as EV's and batteries; is aligned with the ambition of cost-reflective reforms; and puts into practice the principle that the transition to a net zero economy is just and fair. It will reduce electricity bills for non-solar customers (helping reduce energy stress of people experiencing financial disadvantage), while maintaining significant financial benefits for those who are able to go solar, some may be better off.

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