14 May 2021

Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

By electronic lodgment

ERC0311 Draft Rule Determination: Access, pricing, and incentive arrangements for DER

Alinta Energy welcomes the opportunity to respond to the AEMC's draft rule determination on access, pricing and incentive arrangements for distributed energy resources.

Alinta Energy, as an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW and more than 1.1 million electricity and gas customers has a strong interest in the development of the draft (more preferable) rule change made by the Commission.

The continued growth of distributed energy resources in distribution networks presents challenges and opportunities for customers, network service providers, retailers, DER installers and businesses engaged in providing new services to consumers investing in DER.

We generally support the changes proposed to the NER and NERR and the Commission's approach to facilitate the integration of DER capacity allowing for flexibility across different distribution networks. Balancing certainty in investment, minimising the regulatory burden, anticipating future developments, aligning with other reforms underway (e.g., the Energy Security Board's post 2025 DER workstream) and developing a reform package that meets customer needs and expectations in relation to DER is a difficult challenge. With some qualifications, Alinta Energy considers the Commission's draft rule appropriately captures the intent of the rule changes put forward by the proponents.

The role of the Australian Energy Regulator in implementing any final rule will be critical. We welcome the comprehensive consultative approach the Commission recommends in the draft determination that the AER and DNSPs should adopt in considering measures to support investment in DER hosting capacity.

While not a matter for the NER or NERR, Alinta Energy believes that to the extent possible, any mechanisms impacting customers through retailers or other service providers (price signals for example) should be aligned as much as possible across network businesses. This will minimise implementation and operating costs for industry and reduce confusion for customers and the risk of materially different customer experiences depending on where DER customers are located within the National Electricity Market. Common principles and objectives when designing mechanisms to support investment in DER hosting capacity would help achieve this outcome.

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We support the fundamental and necessary changes clarifying the two-way nature of distribution services in the rules. This removes the historic uncertainty of how DER should be treated in the context of network regulation and establishes the basis for incentives for DNSPs to invest in efficient levels hosting capacity.

Tariff Structure Statements

We agree that the Tariff Structure Statements published by DNSP's are an appropriate vehicle to set out how a network business intends to integrate and support DER through efficient investment. The emphasis on consultation by the AER and DNSPs directly with impacted stakeholders is welcome and an important element in the transition to further DER integration. The requirement for DNSPs to develop an export tariff transition strategy (recommended in rule 6.18.1A(a)) is an important element to build confidence in how DER will be managed over time.

We welcome the Commission's acknowledgement that energy retailers operate in a highly competitive environment and will choose the best approach to meet consumer preferences (including the packaging and presentation of network tariff signals).[1] This is an issue that applies more generally to cost-reflective tariffs and we believe the competitive retail market remains the best determinant of providing such signals to end use customers via their retailer. As the predominance of flat tariff structures diminishes over time, retailers and other market participants will innovate in response to price signals from different part of the energy supply chain, including from DNSPs for export tariffs.

Service Target Performance Incentive Scheme

Amending the STPIS to include factors measuring the performance of networks as they relate to export services minimises the regulatory impact of the rule change and over time, should align incentives for DNSPs to invest in hosting capacity in line with consumer expectations. Alinta Energy expects that the AER incentive mechanism will be refined and enhanced overtime by the AER in consultation with stakeholders.

Customer Export Curtailment Value

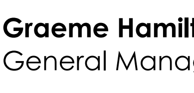
The determination of CECVs by the AER aligns with the existing approach to the analogous Values of Customer Reliability. Similar to other stakeholders (Renew's position in the consultation paper for example), while the CECV may vary across networks and jurisdictions, the method to determine it should be as consistent as possible.[2]

Trial thresholds

The proposal to increase the individual and cumulative trial thresholds is appropriate in the context of the continued rapid growth in DER within distribution networks. This change will allow DNSPs to invest in more comprehensive and targeted trials with partners.

We welcome further discussion with the Commission as it works towards its final determination. Please contact David Calder on (03) 9675 5359 in the first instance.

Yours sincerely



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[1] AEMC (2021), *Draft Rule Determination – Access, pricing and incentive arrangements for DER*, page 127.
[2] Ibid., page 107.