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To whom it may concern:

Energetic Communities Association welcomes the opportunity to provide input to the Australian Energy Market Commission's ***Draft Rule Determination - National Electricity Amendment (Access, Pricing and Incentive Arrangements for Distributed Energy Resources) Rule 2021***.

Energetic Communities supports a fast and fair transition to a zero-carbon economy, including the opportunities for participation and benefits for all members of society, even if they cannot participate, such as through installation of rooftop solar and other distributed energy resources (DER).

Our overall position to the proposal is to cautiously support some of the rule change. Our position is that there are better options to an export charge, but nonetheless see it could be included if aligned with strong analysis and protection measures. We also feel that by the time the changes are implemented (i.e. during the next regulatory period), much of the energy system may have changed to make exported charges redundant as other options and mechanisms come into play. We also note that the complexity of the issues and considerations in this draft decision, along with many uncertainties, make it difficult, if not impossible, to fully form a wholistic or firm position.

As such, we are contributing issues register, listing some of our concerns and uncertainties. Please note that comments in the middle column do not necessarily demonstrate support or opposition to a position or draft decision, but may be just to flag some of the considerations.

Please find our issues register as our submission to the ***Draft Rule Determination - National Electricity Amendment (Access, Pricing and Incentive Arrangements for Distributed Energy Resources) Rule 2021***.

Sincerely,

Luke Reade
President
Policy Advocate (Energy and Climate Change)
Energetic Communities Association

**DER Rule Change Issues Register 2021
(Energetic Communities Association)**

	Issue/Question	Comments	Recommendation or options
Export Charges			
	Removal of 6.1.4	<ul style="list-style-type: none"> • Blunt instrument • Voltage increase is not necessarily an issue caused by solar (see UNSW study May 2020) 	<ul style="list-style-type: none"> • Leave 6.1.4 as is <ul style="list-style-type: none"> ○ Use up front connection charges instead (see below) • Alternatively, amend 6.1.4 as per TEC/ACOSS proposal
	Minimum exports	<ul style="list-style-type: none"> • Solar owners should be able to expect a minimum export (within reason, and acknowledging that there are occasions of real issues from grid limits). • Such RoI is only fair to a degree (i.e. no-one has a “right” to a return on investment if it adversely affects others, but also acknowledging some PV owners invested in good faith of a fair return on their investment, and that the overall cost of DER enablement in the TSS is relatively low. • This is easy if it fits within the grids intrinsic hosting capacity, but may form some temporal, geographic or household inequity if intrinsic hosting capacity is the only consideration (see grandfathering below). • Would aid non-battery and non-EV DER owners (often tending to be low-income households who cannot afford batteries or EVs) to export to community scale batteries or third parties. • Poor optics of not allowing some minimum export level – households may not invest in solar due to fears of being charged. Allowing minimum exports would be easy to 	<ul style="list-style-type: none"> • Allow minimum exports, e.g. between 3-5kW with an optional paid premium beyond that. • Require the AER to have a principle based on intrinsic hosting capacity (and grandfathering) in their guidance to DNSPs (i.e. reducing the need for augmentation). • Develop guidance for retailers around transparency of cost pass-through.

		<p>communicate with and engage the broader community.</p> <ul style="list-style-type: none"> • Allows households to make use of intrinsic hosting capacity. 	
	<p>Alternatives to export charges?</p>	<ul style="list-style-type: none"> • Unclear if and how alternatives to export charges were being assessed and justified for or against – will be especially important as networks approach intrinsic hosting capacity. • Export charges make it difficult for households to make investment decisions when export charges (and therefore their RoI and affordability) is unclear. • Export charges will further complicate this essential service (i.e. energy as an essential service, notwithstanding overconsumption) for households (e.g. understanding bills and tariffs, undertaking behavioural responses). • The need for various grid services may also vary over time (e.g. through use of different technologies, or as BTM solar increases), or outcomes of the ESB’s Post 2025 market design process. • While not mandatory – it may be that export charges are likely to happen or pushed by networks unless system changes through other industry development makes them an obsolete option. • Up front connection charges – may have perverse outcome of owners selling house and new owners not having to contribute, which may be considered as a free ride. • Is there are role for smart meters to be used to collect data and therefore better manage 	<ul style="list-style-type: none"> • Invest in community scale batteries to improve peak generation opportunities, along with network services. • Up front connection charges – would allow clear investment decision making and potentially based on system capacity (or capacity over a set minimum export level) as well as location. <ul style="list-style-type: none"> ○ Investigate options to annualise up front connection charges to remove free ride potential. • AER Guideline to provide advice on alternatives to export charges, including a principle of export charges being a last resort, only after demonstrating all other alternatives have been exhausted and evidence to support the need for investment. • AER Guidance to make it clear that export charges are the choice of consumers, not DNSPs. This will require strong communications and transparency.

		voltage and increase intrinsic hosting capacity?	
	Cost recovery	<ul style="list-style-type: none"> • Poor optics of charging prosumers, who may be installing to save money and/or reduce emissions, may discourage installations. • Are there alternative cost recovery options? <ul style="list-style-type: none"> ○ via the daily service charge? ○ if networks themselves cover it, they'll likely have export limits or charge retailers who will spread it across all customers? ○ internal revenue (like QLD temporarily did with the FiTs). This would also mean low-income households below the tax-free threshold won't be paying (nor will big companies!). ○ Cost reflective consumption charges for DER owners (where consumers have the capacity to respond and self-consume) • Up front connection charges could potentially improve network investment decisions by being a more clear and transparent capital, as well as allowing more timely investment planning. • We don't want to see a repeat of air conditioners, where the rapid increase of ownership leads to greater network costs paid by all, even though they didn't see the climate control benefits (i.e. non air conditioner owners). 	<ul style="list-style-type: none"> • Other options of who pays should be considered – Internal/ government revenue (e.g. Regional FiT in QLD until a few years ago) rather than spread across all consumers • Encourage dynamic export tariffs • Encourage cost recovery through consumption tariffs for DER owners (e.g. via the AER Guidance), including tariff trials to ensure low-income and other consumers have the capacity to respond, and that there are no adverse outcomes.
	Communication	<ul style="list-style-type: none"> • Highly complex issue, with lots of interrelated and moving parts. <ul style="list-style-type: none"> ○ Communications need to be targeted to the audience. Does the communication aid 	<ul style="list-style-type: none"> • Include costs of upgrades to provide grid services in the Expenditure Forecast Assessment Guidelines and communication with DER households.

		<p>or obfuscate accountability for both experts and the broader community?</p> <ul style="list-style-type: none"> ○ Is the communication up front so consumers can make an investment decision in good faith, or is it after the fact? ○ Will consumers trust the source? ● Our understanding is that the costs to the network of providing grid services are in fact relatively quite small. Accordingly costs for exports should be a relatively small component. ● Such cost may increase over time as we approach intrinsic hosting capacity. ● If costs are low or nonexistent because no investment is needed, will there be transparency in network decision making (and retail offers). 	<ul style="list-style-type: none"> ● Include justifications based on these costs in the Expenditure Forecast Assessment Guidelines ● Communication should not just rely on AER, networks or retailers (support Recommendation 38 of ACCC retail price inquiry)
Role of Networks and TSS			
Power Imbalance			
	<p>Power of networks – knowledge and access to resources</p>	<ul style="list-style-type: none"> ● It's unclear what the consultation with consumers looks like – i.e. direct with consumers, not retailers or consumer advocates. Will it be via focus groups? Will the consumers engaged have or be given the energy literacy (the complexity is evident in the divergence of views from many stakeholders)? ● What's the real ability of prosumers to affect decisions -is likely to be through consumer and solar advocates 	<ul style="list-style-type: none"> ● If not already, networks should follow Energy Queensland's example of tariff transition working group. ● Promote Recommendation 38 of the ACCC retail price inquiry regarding a grant scheme for consumer and community organisations to provide targeted support to assist vulnerable consumers to improve energy literacy. This would aid both consumer engagement and the capacity of consumer organisations.

	Capacity of consumers and advocates to engage	<ul style="list-style-type: none"> • Rule change would increase both system complexity and therefore the need for consumer advocacy • Hard to resource, including knowledge, pay/salaries, travel, admin • Supporting consumer and environmental advocates in TSS and other process related to DER exports would further improve their capacity in broader energy market engagement. • EQL had a good process through last RESET/TSS, but required consumer advocates to contribute significant resourcing and therefore limited full participation by most organisations. 	<ul style="list-style-type: none"> • Support consumer advocates beyond sitting fees, including knowledge, pay/salaries, travel, admin • Work with consumer advocates and environmental organisations to develop TSS engagement processes to support this
	Trust and transparency	<ul style="list-style-type: none"> • Major issues around lack of trust of regulators, DNSPs and retailers (and poor literacy around who's who and their roles). <ul style="list-style-type: none"> ○ Trust can only be improved by doing the right thing by all consumers, not just DNSPs and retailers. • Will networks use export charges to over-augment? Being a regulated cost, the AER needs to dis-allow it if it's not needed. • Intent is to charge households occasionally when there's a wider dis-benefit to the system, generating revenue to upgrade the local grid. Is there a risk networks will charge when this isn't needed? Also assumes households can respond. 	<ul style="list-style-type: none"> • Be clear in AER guidelines and communications on exactly what all decisions were made on. • Undertake significant tariff trials as part of TSS.
	Localisation	<ul style="list-style-type: none"> • How local are the export charges? Who gets involved in that locality in the determination? Do the networks have the ability to do that 	<ul style="list-style-type: none"> •

		kind of engagement? How do the charges evolve over time?	
AER			
Guidance and Standards			
	Expenditure Forecast Assessment Guidelines	<ul style="list-style-type: none"> • Unclear what sort of information will be included. We understand this is yet to be reviewed, but hard to trust the process without some clarity if what consumers can expect 	<ul style="list-style-type: none"> • Regulate or at a minimum, set principle of limiting export charges (see above).
	Export Service Performance Standards	<ul style="list-style-type: none"> • Intent of rule change is that the networks must improve the electricity grid to increase uptake of energy exports, provide grid services and enable fair cost recovery. • Guidance for how networks assess export related expenditure – will occur annually. • Will networks be assessed for charging unnecessarily and will there be penalties? • What input from consumers around what is needed? Will it be accessible to consumers? 	<ul style="list-style-type: none"> • The Annual Export Service Performance report could report on: <ul style="list-style-type: none"> ○ what grid services are being supported ○ incentives used and their impact, including recommendations to update the <i>AER Guidance on Network Pricing</i> ○ investments/DER connection levels by households ○ Options used by households ○ GHG emission reductions ○ Satisfaction of households ○ Updates to be investigated/used as a result of annual Export Service Performance Standards • Include principles to ensure: <ul style="list-style-type: none"> ○ Household will always have the option of not exporting ○ Overall emission reductions • If not already, publicly report on the investment expectations for the next 3-5 years (not just what has occurred)
	<i>AER Guidance on Network Pricing</i>	<ul style="list-style-type: none"> • Guidance specific to network pricing – how broad will it be? Will it include alternatives to network pricing? • Guidelines are non-binding for both AER and networks 	<ul style="list-style-type: none"> • Regulate or set expectations of following the guideline (following significant consumer engagement).
AER Power			

	Too much power in AER	<ul style="list-style-type: none"> • While the draft decision suggests there will be a negotiation or consultation between networks and consumers, it is unclear how this will happen and the AER has the final say in any proposals. • We would see that this consultation will be between networks/the AER and often poorly resourced consumer advocates, rather than DER households themselves. 	<ul style="list-style-type: none"> • Regulate that networks cannot propose zero exports as the sole option • Support consumer advocates (see <i>Capacity of consumers and advocates to engage</i> above)
Engagement			
	AER's engagement practices	<ul style="list-style-type: none"> • Forum on May 20th, AER stated they engage well. The AER do some good and timely engagement, but there are a few failings (while beyond scope of this consultation, it's till worth flagging these issues). <ul style="list-style-type: none"> ○ Often meeting clashes (including meetings organised by the AER at same time, different cities, same advocates) ○ Limited number of participants ○ Some technical content without being able to process beforehand. ○ Includes sitting fees – but not time for preparation or work needed in run up to meetings. 	<ul style="list-style-type: none"> • See comments above on “Capacity of consumers and advocate to engage”.
Retailers			
	Cost pass through	<ul style="list-style-type: none"> • Will consumers see exactly when they've been charged, especially if it's at a time that's not bad for the grid where they are located, but maybe allowed regionally. This would be resource intensive. • Customers in the same region with different retailers will be treated differently, see different retail offers. While this provides 	<ul style="list-style-type: none"> • AER produce guidance for retailers. <ul style="list-style-type: none"> ○ Retailers to communicate why charges occurred, either through cost pass through or commercial offerings. ○ Guidance on how to treat DER Households on hardship, payment plans, or at risk of financial difficulty, including either engaging those households or working through trusted third parties.

		<p>competition opportunities, this also relies of consumer engagement/penalizes those who can't or won't engage.</p> <ul style="list-style-type: none"> • As with status quo, households will have no visibility of how retailer are passing through costs. There is a risk that retailers may implicitly or explicitly poorly communicate to households. • Will cost recovery by retailers for network charges be spread across all consumers? • Will cost reflective network tariffs be effectively passed through to DER households? • Do the costs truly only reflect the additional costs imposed on the distribution network to facilitate DER exports) 	<ul style="list-style-type: none"> ○ While the issue of retailers spreading network costs unfairly across all consumers is something we contend with already, guidance for retailers and transparency from retailers is needed. If costs are not recovered via government revenue, then as a minimum, this should occur through the daily charge, and not occur via the variable charge, as it recovers greater costs from those without DER.
	Unknown options	<ul style="list-style-type: none"> • While this rule change offers flexibility and potentially innovation in network and retail offerings, there is a risk that DER households may not be able to change their behaviours in response to price signals. 	<ul style="list-style-type: none"> • Include a monitoring and evaluation program for retailer offers. • Include analysis of these options in regulatory sand box and tariff trials. •
Community Energy			
	Community scale batteries	<ul style="list-style-type: none"> • If the rule change leads to more use of BTM batteries, will this reduce the incentives for community scale batteries, which offer greater network benefits and opportunities for non-DER households. • Will export charging reduce incentives to export to community scale batteries. 	<ul style="list-style-type: none"> • Investigate export charge exemptions when there are front of meter options in the local network. • Networks work with and support community energy groups and other third parties to develop community scale batteries.
Other impacts			
	Grandfathering	<ul style="list-style-type: none"> • customers who have already made investments and installed solar with the 	<ul style="list-style-type: none"> • Networks should be encouraged to propose grandfathering for low-income households, for a period of

		<p>expectation of selling export solar as part of their financial decision making may now have that completely removed.</p> <ul style="list-style-type: none"> • As grandfathering is up to networks, there may be some inequities between regions. • There will also be inequity between early adopters and new DER households • Households will be losing their premium FiT in 2018 and as such won't this interfere with their investment assumptions. 	<p>time and/or when inverter upgrades occur, or system size limits when system size greatly exceeds household needs, especially if intrinsic holding capacity is reached.</p> <ul style="list-style-type: none"> • For other households, networks should also be encouraged to consider impact on household investment decisions and expectations, such as allowing for minimum export capacity if not grandfathering the whole system.
	<p>Metering and Technology access</p>	<ul style="list-style-type: none"> • Energy management software and hardware are needed for export or any other improvements on demand side. • Qld consumers lack smart meters in most places, and will still be without by the next regulatory period. • This will likely exacerbate the gap between prosumers and non-DER households. 	<ul style="list-style-type: none"> • Have a smart metering and home energy roll out program for low-income households and renters (out of scope for rule change, but nonetheless worth flagging)