



13 May 2021

The Commissioners
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Sent to: AEMC by online lodgement

Dear Commissioners

**Distributed Energy Resources Integration
Updating Regulatory Arrangements
ERC 0309, ERC 0310, ERC 0311, RRC 0039**

Major Energy Users Inc (MEU) is pleased to provide its thoughts on issues raised in the draft decision relating to the three rule changes related to Distributed Energy Resources (DER) Integration.

As the MEU commented in its 10 September 2020 response to the consultation paper:

“the MEU supports the need to address the issue of who pays for network augmentation to allow DER to be able to export to its full capacity but in its consideration of the issues, the MEU has identified some quite conflicting aspects that it considers must be addressed.”

A standout issue in the draft decision that is incompatible is the decision to remove clause 6.1.4 of the rules to allow distribution networks to introduce tariffs for exporting by end users embedded in their networks. As the same right does not apply to transmission networks, this deletion means that the AEMC has accepted there are in effect two different classes of generation in the NEM – one where a generator is connected to transmission system and another where the generator is connected to the distribution system.

The MEU points out that the draft rule change focuses on the impact small generation (eg residential rooftop PV) has on the distribution network thereby addressing the issue in terms of this impact, the MEU points out that there are many large generators

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(eg the 46 MW Canunda windfarm in South Australia) which are connected to the distribution network and which will also be captured under this draft rule change. The MEU notes that the draft rule does not mandate an export charge, but it does leave it within the purview of the distribution network to decide to whether to implement such a tariff or not, and what its magnitude might be.

The MEU also notes that distribution networks are required to consult widely about tariff reform, and the draft rule particularly requires the networks to consult about this planned export charge, but the MEU reinforces the view that the decision still lies with the distribution network (as the monopoly provider) as to what it will ultimately do. As the development of a suite of tariffs is very complex and includes considerable balancing and allocation decisions, the MEU knows that the oversight by the AER of the proposed tariffs (including this export charge) will, at best, be high level and so the effect of the decisions in the tariff development by the network are ultimately controlled by them.

The MEU also points out that transmission networks do not have the ability to impose export tariffs on generators connected to their networks¹ and this principle has been maintained in recent discussion examining market changes² (most recently the concept of generator TUoS has been discounted for REZ developments) so the MEU questions why distribution networks should be allowed this right, as it creates inconsistency and could lead to less efficient outcomes for connection of new larger generation which might deliver better outcomes to the market and limit potential network congestion if it connected to the distribution network (subject to an export charge under this draft rule) rather than the transmission network (subject to no export charge).

The MEU is of the view that the AEMC has developed a draft rule that has focused too much on what occurs at the residential and small business level without assessing the impacts of its decision more widely, especially with regard to the impact on larger generation that is also connected, or may be connected in the future, to the distribution network.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at davidheadberry@bigpond.com or 0417 397 056.

Yours faithfully



David Headberry
Public Officer

¹ The MEU has long been a supporter of generators paying for the right to use networks to deliver their product to market, but this has been opposed by AEMC over the years on a number of grounds.

² Such as CoGaTI, TAR and REZ charges