



Our Ref: CTS No. 11701/21

Department of
Energy and Public Works

3 June 2021

Ms Anna Collyer
Chair, AEMC
GPO Box 2603
Sydney NSW 2001

Dear Ms Collyer

Draft rule determination – National electricity amendment (access, pricing and incentive arrangements for distributed energy resources) rule 2021, and National energy retail amendment (access, pricing and incentive arrangements for distributed energy resources) rule 2021

Thank you for the opportunity to provide comment on the Australian Energy Market Commission's (AEMC) *Draft rule determination – National electricity amendment (access, pricing and incentive arrangements for distributed energy resources) rule 2021, and National energy retail amendment (access, pricing and incentive arrangements for distributed energy resources) rule 2021*.

Queensland's vision for Distributed Energy Resources

The Queensland Government is committed to a target of 50 per cent renewable energy by 2030 and to ensuring that all Queenslanders can enjoy the benefits of clean, renewable power. All customers should be rewarded for their flexible demand. We aim for a future where Queenslanders can access greater value from the energy system and from their own investments and a future where customers have choice, can do their part for the environment, and save money.

As we move to a more decentralised and decarbonised energy system, the future of distributed energy resources (DER) will be more integrated to maintain the careful balance of supply and demand for electricity. As such, the Department of Energy and Public Works (the department) supports a regulatory framework that allows efficient and sustainable integration of DER into the electricity grid, and promotes the benefits of DER for all electricity customers.

Queensland has amongst the highest rates of rooftop solar PV uptake in the world, which provides cheap power for over 673,000 households and businesses and employs 2,500 Queenslanders. In addition, there are now over 7,700 batteries storage systems installed and more than 5,100 people own an electric vehicle, and these numbers continue to grow. In 2020, almost 720 megawatts (MW) of rooftop solar PV was installed across the state compared with ~460 MW in 2019 and ~290 MW in 2018.

The Queensland Government has and will continue to implement approaches that support the continued uptake of renewables across the state. For example, Queensland's network voltage limits were amended in 2018 to align with national and international best practice standards. This has given distribution networks greater flexibility to manage reverse power flows and increased network hosting capacity by around 960MW. The Queensland Government is also exploring and investing in storage options that can help strengthen the grid by capturing

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excess energy during the day. As part of this work, Energy Queensland will be installing five network-connected batteries in Hervey Bay, Bundaberg, Townsville, Yeppoon and Toowoomba which will be able to collectively store up to 40MWh.

Given the existing level of uptake in Queensland, the department would like to see flexibility in the proposal. This would allow jurisdictions to respond to the different network circumstances and customer issues associated with the connection of DER in their respective states and territories. The department also requests that the AEMC consider how the draft rule might apply to existing DER customers. In particular, those who may not be able to respond to flexible pricing and/or may need to invest in additional DER in order to respond effectively. Specifically, we request that consideration is given to transitional, opt-in or grandfathering arrangements in the final rule to support these customers.

Recognising energy export services

The department supports the recognition of energy export as a service provided by distribution networks. This reflects a change that has already occurred in Queensland i.e. that Queensland's government owned distribution networks – Energex and Ergon Energy – effectively provide export services to customers. Clarifying this role within the national regulatory framework is a practical amendment.

As greater numbers of DER are installed across the state, our distribution networks will face the increasingly challenging task of balancing their integration into the grid with the safe and reliable supply of electricity to all customers. By recognising this role, the draft rule lays the foundation for networks to transparently invest in enabling the ongoing connection of DER in line with government and customer expectations.

Promoting incentives to efficiently invest in, operate and use export services

The department also supports reforms that incentivise distribution networks to provide quality export services for the benefit of customers. More efficient network investment by distribution businesses will support the ongoing uptake of DER in Queensland by allowing more customers to install the systems they want, particularly in constrained areas. This will also lay the foundation for existing DER customers to transition from playing a largely passive role, to an active one that drives innovation, system value and system wide benefits.

The Australian Energy Regulator (AER) will play a critical role in ensuring that the Service Target Performance Incentive Scheme (as it relates to export services), and the methods for calculating the value of DER, are developed in the interests of customers and ensure that network investment is prudent, fair and does not drive up network prices. The department encourages close consultation by the AER with our network businesses as well as industry and consumer advocates in the development of these arrangements.

Enabling two-way pricing for export services and flexible pricing solutions

Customers who invest in DER are contributing to a global effort to reduce the impacts of climate change and should continue to be appropriately rewarded for providing this service. The department notes the proposal does not mandate the introduction of export pricing by network operators and that the intent of this rule is to remove barriers to distributors offering products that reward customers for using and exporting power in a way that supports the electricity grid.

However, customers must be engaged enough, and able to, respond to price signals in order to maximise their system value. The department does not see export pricing as being justified

at this time. In addition, further justification is required on how flexible pricing offers will provide fair access to allocation of export capacity to customers.

In summary, the department supports moving toward an electricity grid of the future that enables and encourages the efficient integration and ongoing uptake of DER, and gives customers the ability to derive value from DER while providing benefits to the broader electricity system. This will result in the benefits flowing through to all electricity customers.

Thank you for the opportunity to contribute to this rule change process. Should you have any questions about this submission, please contact Andrew Burnett, Director, Transition to Lower Carbon by telephone 0429 800 612 or by email at Andrew.Burnett@dnrme.qld.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Jolly'.

Stephanie Jolly
Deputy Director-General