



Ref: MC:CB20200721

21 July 2020

Australian Energy Market Commission
By online submission – ERC0301

Essential Energy submission to the AEMCs consultation paper on Technical standards for distributed energy resources

Essential Energy welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on their consultation paper regarding technical standards for distributed energy resources (DER). Essential Energy is supportive of the Energy Networks Australia (ENA) submission, but we also wish to address some additional areas of particular interest to our network.

Minimum technical standards for DER are increasingly vital given the current and forecast levels of DER penetration. These standards are important for the operation of the wholesale market at higher levels of DER penetration but at lower levels should also result in a more stable network system and better performance for all customers. It is important therefore that if the Australian Energy Market Operator (AEMO) is to be responsible for the initial standard setting that it does so in close consultation with networks and users of the electricity network. The setting of standards for use in the electricity industry is usually governed by Standards Australia – at which utilities and retailers are represented. Any setting of standards requires significant consultation with stakeholders - without this, there is a risk of unforeseen implications and higher costs than necessary. A related issue is the definition of DER (size, type) that the minimum standards would apply to. Any definition of DER needs to be broad enough to be fit for purpose in a rapidly changing sector. Consultation in the initial process will be vital and the proposed governance framework for standard setting beyond requires careful consideration.

National harmonization in standards will bring benefits but, as mentioned above, while managing the wholesale system is important, local network physical limits need to be maintained in the first instance to avoid unintentional system security issues arising. Further, any action requested at the bulk system level is best directed and/or actioned by the distribution network service provider (DNSP) at the local distribution level. This is until such time as operating envelopes are operational and accessible by each DER with generation shedding capability controlled by a third party.

The responsibility for ensuring compliance with the minimum technical standards has been directed at DNSPs through connection agreements. While this sounds sensible, the details of how this gets implemented needs further consideration. Essential Energy currently randomly checks a limited number of DER installations, due to the costs of this process. The scale of the work required to ensure compliance cannot be underestimated, particularly in a network like Essential Energy's.

Essential Energy is supportive of initiatives such as the setting of minimum technical standards. In considering the standard setting process however, it is important to consider the broad range of implications beyond just AEMO's role in maintaining system security. Effective DER integration is of fundamental importance to distribution networks, but it must be paced to meet the circumstances prevailing in each individual network (including differences in the level of penetration of DER and the level of digital maturity) and taking account of the cost of change to customers.

If you have any questions regarding this submission, please contact Natalie Lindsay, Head of Regulatory Affairs on 02 6589 8419 or natalie.lindsay@essentialenergy.com.au.

Yours sincerely

A handwritten signature in black ink that reads "Chantelle Bramley". The signature is written in a cursive, flowing style.

Chantelle Bramley
General Manager Strategy, Regulation and Corporate Affairs

Responses to questions posed in the AEMC consultation paper

QUESTION 1: ASSESSMENT FRAMEWORK

Do you agree with the proposed assessment framework? Should the assessment framework include any additional considerations, and if so, what are they and why?

Essential Energy agrees with the proposed assessment framework and confirm our support for consideration of the cost impact on consumers.

QUESTION 2: SETTING THE INITIAL STANDARD AND DEFINITION OF DER

1. Should the initial DER technical standard be set by AEMO?

Essential Energy suggests that the development of these standards could be set by AEMO but effective consultation will be vital to ensure network issues are properly understood and considered, as well as the perspectives of retailers and other DER installers.

2. Should the minimum standards be inserted into the minimum content requirements of connection contracts, negotiation frameworks and model standing offers or terms?

Yes.

3. What should the standard apply to and is a DER definition needed in the NER?

No response.

4. Do stakeholders agree that the standard should only apply to new and replacement devices? Will this meet the objectives of the desired policy outcome of this rule change request?

Yes, retrospective applications of standards is likely to be an impossible task. It should apply not just to new and replacement devices but also to DER extensions. We believe that the objectives will be achieved over time – potentially a 3-5 year lag.

QUESTION 3: CONTENT AND DURATION OF THE INITIAL MINIMUM TECHNICAL STANDARD

1. Should the scope of the initial technical standard be limited by the NER?

No, but the need for AEMO to undertake effective consultation with stakeholders must be articulated.

2. If so, should there be arrangements to allow for a review of the scope at a future date?

No response.

3. Should the role of AEMO in setting DER minimum technical standards (the subordinate instrument) be limited in time, with the ESB's governance review outcomes to be introduced into the framework at a later date?

AEMO's role should be limited to a one-off introduction of the minimum technical standards, and then be subject to the governance arrangements as determined through the ESB's review.

QUESTION 4: APPLYING THE STANDARD AND MONITORING COMPLIANCE

1. How can the proposed solution be applied in Western Australia, Victoria and the Northern Territory?

No response.

2. Is it sufficient to specify a commencement date for the DER minimum technical standard only and have the implementation dates for the individual standard components set out in the standard itself?

Yes. Once the standard is set, an implementation date for compliance can be confirmed.

3. What level of compliance monitoring is needed?

Compliance monitoring needs to be carefully considered given the potential cost involved. It is unlikely that a one size fits all approach will be effective. Essential Energy would suggest that a risk or impact based approach is utilised, for example based on the size of DER penetration.

4. Who should monitor compliance with the technical standards? How can compliance be enforced?

Essential Energy recommends that a multi staged approach to compliance is necessary – metering co-ordinators, retailers, DNSP and jurisdictional regulatory bodies could all be involved. Extensive consultation is required due to the costs involved in compliance monitoring and enforcement, and the different types of compliance requirements.

QUESTION 5: COST OF THE INITIAL STANDARD

1. Considering AEMO's proposed initial standard in section 5.2, Box 1, what are the expected costs and benefits of implementing the initial standard for consumers, other affected parties and DNSPs?

Essential Energy expects initial costs for installing DER to increase due to the introduction of the initial standards. Costs are also expected to be incurred for compliance as noted above.