



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



23 July 2020

Ms Merryn York
Acting Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Ms York,

Re: National Electricity Amendment (Technical Standards for Distributed Energy Resources) Rule Consultation Paper

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to the Australian Energy Market Commission (the Commission) on the Consultation Paper: National Electricity Amendment (Technical Standards for Distributed Energy Resources) Rule Change (the consultation paper).

Red and Lumo support development of a uniform set of technical standards for the Distributed Energy Resources (DER) as it will provide a range of benefits. However, we have concerns about the potential of increased costs for consumers regarding implementation alongside the definition of DER proposed by the Australian Energy Market Operator (AEMO). The definition of DER must be balanced to ensure that the benefits of implementing a technical standard outweigh the costs associated with its initial and ongoing implementation.

Definition of DER

Red and Lumo support placing a definition of DER in the National Electricity Rules (NER) that provides scope for the standards that AEMO can create and maintain. However, the draft proposed in the consultation paper is too broad and provides too much scope for expansion of what is supposed to be a minimum standard. Additionally, the drafting using terminology (such as) and the use of examples is inconsistent with the current definitions in the NER.

The definition of DER must clearly articulate that these minimum standards only apply to controllable, small and medium scale systems connected behind the meter at residential or small business premises. It must also place clear limitations on the minimum standards, as it must not include stand alone generation sites connected directly to the network or transmission system.

Ongoing compliance

Red and Lumo do not support the proposal in the consultation paper to “require DNSPs to ensure compliance of "connected DER" with the standards on an *ongoing basis*.”¹ We agree that consistent with the current arrangements, the Distribution Network Service Provider (DNSP) is best positioned to ensure DER compliance at the time connection to the network. However, once connected, their role of maintaining DER compliance is limited. They currently do not have systems or processes in place to check systems after connection, nor should they.

Other than a connection contract with the distributor, electricity consumers do not have a direct customer relationship with their DNSP. While there is a desire to ensure ongoing compliance and monitoring takes place it is unclear how the DNSP will deliver this. Especially as DER is located behind a customer’s metering installation. The consultation paper need to provide a clear indication of:

- How will the DNSP be responsible for this or how they will manage this extra responsibility?
- Will this form part standard control services or will it be user pays?
- Will all customers of the network be required to fund the additional functions bestowed on the DNSP as a part of this change?

In the vast majority of cases, once a compliant DER system (with the new minimum standards from AEMO) has been given permission to connect by the DNSP, very few amendments are made to that system. Consumers must engage a licenced electrical contractor to undertake work in order to amend the installation, in the unlikely scenario they wish to make it non-compliant, the likelihood of this occurring would be extremely low. On that basis, we propose that the rule is amended to place only an obligation on the distribution network to ensure compliance of "connected DER" with the standards at the point of connection. This would allow the DNSP to leverage existing approval and connection processes to meet the new obligations which would assist in minimising the costs associated with the change.

Consumer impact

Consumers will inevitably bear the cost of the proposed changes (through increased costs for their solar systems and potentially increased network charges owing to new responsibilities for managing ongoing compliance with the standards). Regulation must therefore be fit for purpose and pass an adequate cost benefit analysis to ensure that consumers do not face unnecessary increased costs. Red and Lumo call on AEMO to clearly publish how much it expects the proposed changes to impact the cost of DER for consumers. Further we recommend the Commission request information or undertake some modelling to understand the cost impact on networks and their tariff charges, as well as potentially costs for other participants (at a minimum through meeting any new AEMO requirements).

¹ Australian Energy Market Commission, National Electricity Amendment (Technical Standards for Distributed Energy Resources) Rule, Consultation paper, June 2020, p13 - (emphasis added)

Furthermore, once the rule is established for transparency, ongoing costs for managing the technical standards should be published annually. This information will ensure that the benefits are realised and costs impacts are minimised. It is important to remember that these changes create potential impairments to consumers installing DER through delays or increased costs. The Commission must consider all costs and consumer impacts when assessing the proposed changes, to ensure benefits of the change are realised.

Conflicting standards

The proposed rule change has not given any clear indication on how AEMO would manage conflict with existing or potential alternative standards related to DER. The South Australian Government for example has recently proposed a range of new technical standards covering DER as part of their consultation on 'Regulatory Changes for Smarter Homes'. There are also Australian and New Zealand standards published by Standards Australia covering the minimum technical requirements for inverters and solar panel systems as well as component requirements published by the Clean Energy Council (CEC). Both of these standards provide a minimum technical specification on what systems can be installed to meet the requirements under the Small-Scale Technology Certificates (STCs) program.

While the decision to develop minimum technical standards may address a range of the potential conflicts, it is crucial for AEMO to clearly articulate and demonstrate how it will manage any potential conflict with existing standards for DER, especially from state derogations. Without this, manufacturers face a potential situation of having to be compliant with multiple standards across multiple jurisdictions which may be in conflict with one another. This outcome is likely to lead to increased uncertainty and lead to negative consequences for consumers.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales, Queensland and South Australia and electricity in the ACT to over 1 million customers.

Red and Lumo thank the Commission for the opportunity to respond to its consultation paper. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Stephen White, Regulatory Manager on 0404 819 143.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ramy Soussou". The signature is stylized with loops and a long horizontal stroke at the end.

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd