

9 September 2020

Ms Merryn York
Acting Chair
Australian Energy Market Commission
Level 6, 201 Elizabeth Street,
Sydney NSW 2000

AEMC Reference - ERC0309, ERC0310, ERC0311, RRC0039

Submitted online: www.aemc.gov.au/contact-us/lodge-submission

Dear Ms. York

AEMC Rule Change Consultation - Distributed Energy Resources (DER) Integration - Updating Regulatory Arrangements

Thank you for the opportunity to provide a submission in response to the Australian Energy Market Commission's (AEMC) rule change consultation paper covering the DER Integration – Updating Regulatory Arrangements (the Consultation Paper).

Momentum Energy Pty Ltd (Momentum) is an energy retailer owned and operated within Australia. Momentum is owned by Hydro Tasmania; Australia's largest producer of renewable energy. We pride ourselves on providing competitive pricing, innovation and outstanding customer service in Victoria, New South Wales, South Australia, Queensland the ACT and on the Bass Strait Islands. We offer competitive rates to both residential and business customers, a range of innovative energy products and services including the retail of natural gas in Victoria.

1. General Support for the Rule Change

Momentum is supportive of the proposed change to the regulatory framework which will ensure that the rapid increase of DER can be suitably accommodated in the energy market. The unprecedented growth in residential and small business solar installations will increasingly place stress on network assets that were primarily designed for the flow of electricity in only a single direction. The Australian Energy Market Operator recently reported that South Australia and Victoria's uptake of solar generation had been so successful that the minimal demand during mild days in spring is now very close to zero.¹ The rules clearly need to be amended to allow efficient investment in network assets that

¹ ABC news 28 Aug 2020 Nick Harmsmen

can manage the two-way flow of electricity ensuring that all electricity users can share in the opportunities this delivers.

2. Amendment to National Electricity Rule (NER) Clause 6.1.4

We agree with two of the rule change proponents (South Australia Power Networks (SAPN) and St Vincent de Paul Society (SVDP)) that NER Clause 6.1.4, which prohibits distribution networks from charging for electricity export services, needs to be amended in order to provide signals for network expenditure and to better allocate the costs of this expenditure to the relevant end users. The current approach of zero export charging has supported the industry development of DER and contributed to reducing their pay back periods. Moreover it has also assisted in achieving confidence in renewable energy technologies and our transition to a lower carbon environment.

However, with the capital and installation costs of DER (in particular solar) significantly reducing over the past few years there is no continuing need for this cross subsidy to exist. The current approach of not charging for exporting electricity by networks imposes a cross subsidy of network costs from consumers without DER to consumers with DER. Momentum supports a user pays approach that would encourage investment in improvements to the network that would directly improve its capacity to manage increased DER exports. We believe that this investment should largely be funded by the additional revenue stream from DER exporters and not funded by all network users. Charging for exporting to the network will also support investment decisions in battery and new technologies that can better control the electricity generated by DER.

3. Network Pricing Options

The Consultation Paper identifies various pricing options that could be considered to send efficient signals for networks to invest in efficient export capability. These options include:

- Direct consumer charges or tariffs for export services;
- Supplementary export capacity customer connection agreements that would drive additional revenues for networks from customers seeking to export electricity; and
- The development of firm export rights for all consumers.

Momentum believes that the pricing option selected will largely be dependent on the mechanism used to determine the existing export capacity across the network and how improved capacity can be suitably measured and offered to DER exporters equitably. SAPN's proposal to adapt the current Service Target Performance Incentive Scheme (STPIS) is an example of how a distribution network export service may be measured. We believe that this issue needs further consideration by the Australian Energy Regulator (AER) and stakeholders to ensure it delivers the correct incentives and outcomes for both the networks and consumers.

4. Transitional Arrangement for Existing DER Customers

There are over 2.46 million² existing residential and small medium business solar systems already installed in Australia. These customers invested in DER based on the existing rules which prohibit networks from charging for export services. Changing these rules would appear unfair and have a commercial impact on most of these past investment decisions. Any transitional or grandfathering arrangement for these consumers will impose additional network costs on new and pending DER consumers. Most residential solar consumers assumed a reasonable payback period for their investment which will differ based on its system size and geographic location, hence we believe that it would be reasonable that any transitional arrangement should be structured around these parameters.

Consumers will seek certainty and transparency on any new arrangements in the market and therefore we suggest that any transitional rules need to be prescribed in jurisdictional regulations or the NER rather than managed by the AER and distribution networks via the tariff structure statement process.

5. Summary

Presently the allocation of DER export capacity to consumers by networks is largely based on a first in, first served basis. With the continued growth and benefits derived by DER installations this is no longer suitable or equitable. Networks require a clear framework to efficiently manage and invest in DER export capability so that it is available for all end users that require it. Any additional costs, allocated via rights or charges should be funded by DER consumers seeking export services rather than spreading this across all users of the network.

Should you require any further information with regard to this submission, please don't hesitate to contact me on 0478 401 097 or email randall.brown@momentum.com.au

Yours sincerely

[Signed]
Randall Brown
Regulatory Manager

² Clean Energy Regulator's latest Small-Scale Renewable Energy Scheme data. AEC Solar Report Quarter 2020