10 September 2020

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

Dear Ms York

Australian Energy Market Commission: Consultation Paper - *DER integration - updating regulatory arrangements*

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) in response to the AEMC Consultation Paper - *DER integration - updating regulatory arrangements* (Consultation).

Energy Queensland provides this submission, on behalf of its related entities, including:

- Distribution network service providers (DNSPs), Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy Network);
- Retailer, Ergon Energy Queensland Pty Ltd (Ergon Energy Retail); and
- Affiliated contestable energy services business, Yurika Pty Ltd.

It is Energy Queensland's view that while not explicitly provided for in the current regulatory frameworks, export services and the enabling of customers' distributed energy resources (DER) is already provided for in a Queensland setting.

Under the current Rules, Energy Queensland's network business are supporting a country-leading rate of DER adoption including:

- connection of approximately 1,200 medium to large-scale DER connected (with more than 700MW of total capacity), 4 committed large-scale projects in construction (with 205MW of total capacity) and a further 91 large-scale projects in various stages of the application process (with a total of 3.95GW estimated capacity); and
- In small-scale residential and commercial-sized DER, Energex and Ergon Energy Network have connected more than 625,000 photo-voltaic (PV) systems with a total capacity of around 3,800MW.

In our recent 2020-25 DNSP Regulatory Determination process, customers voiced clear expectations that Energex and Ergon Energy Network should effectively manage prices while enabling and connecting DER. As such, Energy Queensland would welcome recognition that export services are part of our service obligations to customers. Additionally, we support reforms that promote efficient investment in and operation of the network by DNSPs, fair and equitable allocation of costs and efficient use of the network by customers.

Energy Queensland suggests that, while the presented incentive arrangements for export services may be appropriate it is difficult to support with the current lack of detail. Given this, we would not support any prescriptive incentives in the rules without further clarification as to how enablement of export services can be effectively measured.

In addition to any proposed incentive mechanisms, a clear methodology for enabling export services is required to ensure prudent and efficient expenditure such that our investment plans can align to the Australian Energy Regulator's (AER's) expectations. Specifically, recognition of export as a service; as a standard control service to be recognised in business cases for regulatory proposals to allow efficient investment in infrastructure to support DER.

To this point, Energy Queensland requests clarification of how the AER's pending consultation *Assessing DER Integration Expenditure* is related to the AEMC's consultation. We note the AER is seeking to advance network investment guidelines to support growth in DER and to specifically guide related network investments. It seems unclear how the proposed rule changes would work with the yet to be announced AER guidelines.

Energy Queensland suggests further consideration will need to be given to the treatment of export services when customers are covered by supporting regulatory frameworks or transition from one framework to another. For example, it is unclear if the recognition of export services extends to embedded networks, nor how customers can access export services within these environments.

Additionally, Energy Queensland seeks greater clarity regarding how export services are to be applied when a customer may be transitioned from grid connection to a DNSP provided Stand-Alone Power System (SAPS). We note, there can be increased technical limitations on SAPS whereby transitioning a customer from one to the other may impact export services. Additionally, greater detail is warranted regarding the frameworks expected to apply to third-party SAPS which will largely be regulated at the jurisdictional level.

Should you require additional information or wish to discuss any aspect of this submission, please call Laura Males on 0429 954 346 or myself on 0467 782 350.

Yours sincerely

Trudy Fraser
Manager Regulation

Telephone: 0467 782 350
Email: trudy.fraser@energyq.com.au