

9 September 2020

Jashan Singh
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Jashan

RE Distributed Energy Resources integration – updating regulatory arrangements

TasNetworks welcomes the opportunity to make a submission to the Australian Energy Market Commission (**AEMC**) regarding the three recent rule change requests that all, in their own ways, aim to better facilitate the efficient integration of distributed energy resources (**DER**) into the grid of the future. We agree with the AEMC and the rule change proponents that the role of distribution network service providers (**DNSP**) has changed, with DNSPs increasingly being expected to cater for two-way flows of electricity between consumers, rather than just the traditional one-way flow of electricity from large generators to end-users. In principle, therefore, TasNetworks agrees that the role of hosting DER should be recognised in the National Electricity Rules (**NER**), and that the current prohibition on use of system charges for export services into the distribution network should be removed. To that end, TasNetworks endorses the submission to the AEMC made by Energy Networks Australia in relation to the rule change proposals currently under consideration.

The level of DER in Tasmania is less than in other parts of Australia, meaning that the State's distribution network is not yet facing the challenges being experienced by other DNSPs as they work to integrate much greater levels of DER. However, the take-up of DER nationally is only likely to increase, and the pressing DER integration issues being faced elsewhere within the National Electricity Market (**NEM**) are, in time, likely to spread to most regions of Australia. It is timely, therefore, that the AEMC should now be considering formal recognition of the role of DNSPs in enabling the two-sided electricity market of the future.

If DNSPs are going to be asked by consumers to integrate more DER in the future, such as rooftop solar panels, batteries, electric vehicles and smart appliances, it is essential that this be done in a way that benefits all electricity users. It is also essential that the cost of doing so is recovered equitably from the beneficiaries of the network investment required to service the growing number of customers with DER.

TasNetworks is, therefore, supportive of the intent of the rule change proposal put forward by SA Power Networks (**SAPN**). While recognising that the rule change request made by the Total Environment Centre and Australian Council of Social Services, and the request made by

the St Vincent de Paul Society (Victoria) have merit, we consider that it would be inappropriate to require DNSPs to meet the demand for hosting DER without also enabling them to recover the cost of doing so from the beneficiaries of that DER, and vice versa.

Notwithstanding TasNetworks' support for the rule changes proposed by SAPN, we think that it is imperative that any rule change eventuating from the proposals received by the AEMC does not prevent jurisdictional variations in the service standards that DNSPs are expected to provide to customers with DER. It is also vital that variations in the cost-recovery arrangements applied by individual networks and variations in the timing for the introduction of DER service obligations and export charges are also possible under any rule change.

As one of the first DNSPs that any amended rules resulting from these rule change requests could potentially apply to, TasNetworks does not consider that there is either sufficient time before the start of the 2024-29 regulatory period to plan for the implementation of DER service standards or develop export charges. Nor is there a need – in Tasmania, at least – to introduce DER service obligations and export charges in such a short timeframe. It is likely to be some time before DER levels approach the limit of the Tasmanian distribution network's inherent capacity to host DER, which gives TasNetworks time to work with customers and stakeholders, including the Australian Energy Regulator (**AER**), to develop service standards, incentive schemes and DER charging arrangements which will be acceptable to the AER and to our customers. It is expected that this work will, in fact, consume much of the coming regulatory period, largely due to the amount of data which will need to be gathered and the level of community and stakeholder consultation that will need to be undertaken.

The recognition in the NER of the role DNSPs are playing in facilitating the technology driven and customer led changes that are occurring in the electricity market will provide a clearer framework of DNSPs' obligations and customers' expectations regarding the hosting of DER. And the removal of the prohibition on network use of system charges for the export of energy by customers will ensure that the cost of hosting DER is recovered from customers in an equitable way. Together, these two changes to the regulatory framework for DNSPs will ensure that customers wanting to invest in DER will be able to maximise the value they create from their investment, while minimising the cost of hosting DER on the shared electricity network for customers who do not have access to, cannot afford, or choose not to invest in their own DER.

TasNetworks looks forward to working with the AEMC through the Technical Working Group established to discuss and stress-test the policy solutions that will inform the Commission's determination on the DER Integration rule changes. To discuss the views expressed in this submission, please contact Scott Lancaster, Senior Regulatory Analyst, on (03) 6271 6519 or at scott.lancaster@tasnetworks.com.au.

Yours sincerely



Chantal Hopwood

Leader Regulation