

10 September 2020

Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2000

Reference: ERC0311

Vector Limited  
101 Carlton Gore Rd  
PO BOX 99882  
Auckland 1149  
New Zealand  
+64 9 978 7788 / vector.co.nz

## Submission on Distributed Energy Resources Integration – Updating Regulatory Arrangements

### Introduction

1. This is Vector Limited's (Vector)<sup>1</sup> submission on the Australian Energy Market Commission's (AEMC) consultation paper, *Distributed Energy Resources Integration – Updating Regulatory Arrangements*, dated 30 July 2020.
2. As a leading technology solutions company, Vector broadly supports the transition to new technologies that promote energy efficiency and the use of renewable energy. We therefore support greater integration of distributed energy resources (DER) such as solar PV, batteries, and electric vehicles into the grid that would enable the timely delivery of new and innovative services to consumers.
3. This submission focuses on the proposals set out in section 5 of the consultation paper on "providing incentives for efficient network expenditure". We generally support reforms that incentivise the efficient integration of DER and optimise the value of DER to networks and their customers.

### Comments on efficiency incentives

#### QUESTION 5: EFFICIENCY INCENTIVES

3. If the STPIS or a new incentive scheme is to apply to export services:
  - c. Are there any additional factors the AER should be required to take into account (eg, under NER clause 6.6.2 relating to the STPIS)?
4. In setting incentives for distribution network service providers (DNSPs) under the Service Target Performance Incentive Scheme (STPIS) that will apply to "export services", the Australian Energy Regulator (AER) should provide incentives for DNSPs to assess the least-cost options of meeting customer demand for these services, e.g. by considering 'non-network solutions'. This requirement should be applied to any other new incentive

<sup>1</sup> Vector's Australian and New Zealand advanced metering business – Vector Metering – is an accredited Metering Provider and Metering Data Provider, and a registered Metering Coordinator, in Australia's National Electricity Market and the equivalent in New Zealand. Vector Metering provides a cost-effective end-to-end suite of energy metering and control services to energy retailers, distributors and consumers.

Vector is one of New Zealand's largest listed companies and provides energy and technology services across the country, with a vision of *creating a new energy future*. We are the largest provider of electricity and gas distribution network services in New Zealand, and the country's leading provider of smart metering solutions. We also provide fibre network services, solar PV, energy storage, home energy management solutions, and electric vehicle recharging services.

schemes, and DER-related services more generally, that are intended to facilitate the efficient integration of DER to the grid.

5. Vector's submission to the AER on the assessment of DER integration expenditure, dated 20 January 2020, identified factors the AER should consider in developing guidance on what DNSPs should take into account to demonstrate the prudence and efficiency of their proposed DER integration expenditures.<sup>2</sup> We reiterate those factors below for the AEMC's consideration in this consultation.

- a. Unlocks innovation

In the electricity sector, we see tremendous opportunity for unlocking efficiencies and innovation where DNSPs are not fully utilising data already generated and held by Metering Data Providers.

- b. Avoids the duplication of infrastructure or systems

We agree with the observation in the AER's consultation paper that "[t]here is opportunity for DNSPs to purchase information from metering or DER data providers rather than building their own assets and systems".<sup>3</sup> The unnecessary costs of duplicating infrastructure or building new information systems will ultimately be borne by customers.

Incentive schemes for DER integration should incentivise DNSPs to use data already available from existing metering investments, for example, from Metering Data Providers. Smart technologies, enabled by advanced metering data, can help make networks become 'asset light' and avoid costly new network investment or expansion.

In our view, service providers with a track record of efficiently and effectively delivering new and innovative products and services, or enabling their delivery, in the energy or related sectors should be given preference.

- c. Facilitates optimal timing for the DNSP's initiative

Technology solution providers that do not need to invest in new infrastructure or create costly new systems (e.g. accredited Metering Data Providers) are well placed to deliver the required service or the same outcome within a shorter period.

- d. Minimises, if not avoids, risks associated with stranded assets

We agree with the AER that "the investment timeframe is key because a short investment recovery timeframe may be less risky than a long investment timeframe (e.g. 50 years or more) due to...stranding risk uncertainty".<sup>4</sup>

- e. Is flexible and able to be adapted to changing consumer expectations

The preferred option should be capable of being 'dialled up or down' to reflect consumer demand and expectations in the context of rapidly evolving technologies and markets.

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<sup>2</sup> <http://vectorams.com.au/documents/597574/1796959/Vector+Submission+Assessing+DER+Integration+Expenditure/e5dfa4ad-4cca-4555-aeb6-16b5a95f2c45>

<sup>3</sup> <https://www.aer.gov.au/system/files/AER%20Assessing%20Distributed%20Energy%20Resources%20%28DER%29%20Integration%20Expenditure%20consultation%20paper%20-%2028%20November%202019.pdf>, page "6-18"

<sup>4</sup> *Ibid.*, page "5-15"

- f. Ensures that customers only pay for the services or features they use or require
- g. Provides certainty not only to DNSPs but to all stakeholders, including potential service providers, on how distribution expenditure programmes will be assessed

We further agree with the AER that "...uncertainties present a risk to consumers if investments are made that may prove unnecessary".<sup>5</sup>

- h. Does not result in customers being charged more than once for the same service
- i. Does not compromise network safety, reliability and resilience

This supports key aspects of the National Electricity Objective.

- j. Does not impede the entry of other service providers in, and potential entrants to, the market

This can be ensured through regular reviews by the relevant DNSP and/or the AER of the preferred service provider's performance in the delivery of the solution.

- k. Is delivered by a service provider or providers selected through a transparent and contestable process.

This would enable greater competition in, and incentivise entry to, the market for these services.

- 6. We believe consideration of the above factors would help enable the efficient delivery of "export services" and other DER services in a timely manner without imposing onerous costs on customers.

### Concluding comments

- 7. We are happy to provide further information to support this submission or discuss any aspects of it with the AEMC. Please contact Paul Greenwood (Industry Development Australia - Vector Metering) at [Paul.Greenwood@vectorams.com.au](mailto:Paul.Greenwood@vectorams.com.au) or tel: 0404 046 613.
- 8. No part of this submission is confidential, and we are happy for the AEMC to publish it in its entirety.

Yours sincerely



**Mitch Webster**  
General Manager – Commercial and Service Development  
Vector Metering

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<sup>5</sup> <https://www.aer.gov.au/system/files/AER%20Assessing%20Distributed%20Energy%20Resources%20%28%20DER%29%20Integration%20Expenditure%20consultation%20paper%20-%2028%20November%202019.pdf>, page "5-15"