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SUBMISSION ON THE NATIONAL ELECTRICITY AMENDMENT (GOVERNANCE OF DISTRIBUTED ENERGY RESOURCES TECHNICAL STANDARDS) RULE 2022 AND THE NATIONAL ENERGY RETAIL AMENDMENT (GOVERNANCE OF DISTRIBUTED ENERGY RESOURCES TECHNICAL STANDARDS) RULE 2022

Dear Andrew,

We appreciate the opportunity to comment on the Australian Energy Market Commission's (AEMC*) Governance of Distributed Energy Resources Technical Standards,* Draft Determination Paper.

Energy Consumers Australia is the national voice for residential and small business energy consumers. Established by the then Council of Australian Governments Energy Council in 2015, our objective is to promote the long-term interests of energy consumers with respect to price, quality, reliability, safety, and security of supply. We advocate for a future Australian energy system that works for, and benefits, the households and small businesses who use it.

In our view the current governance process in which Distributed Energy Resources (DER) Technical Standards are created and implemented, lacks an overarching policy framework. Our previous submissions[1] on this issue have highlighted the need to focus on consumer outcomes, as the framing for the development of technical standards. Appropriate standards are a key input to giving consumers confidence that they have choice and control over their generation, storage assets and appliances in their homes and small business premises, and by guiding manufacturers and installers to ensure a safe and effective product. Technical experts have an important role to play in developing such standards, however, we believe that better consumer outcomes can be achieved when such standards are set within a clear policy framework.

A clear policy framework would recognise the inter-relationship between consumers and the use and control over their assets and appliances and the effective operation of both the energy system and related markets. While integration of these "consumer energy resources" means developing capabilities that allow the various technologies to communicate with each other and the system, this must be done in the context of consumer and society outcomes and social licence.

[1] Submission-to-the-National-Electricity-Amendment-Technical-Standards-for-Distributed-Energy-Resources-Rule-2020..pdf
Submission-to-the-draft-determination-for-National-Electricity-Amendment-Technical-Standards-for-Distributed-Energy-Resources-Rule-2020..pdf
Submission-to-the-ESB-Governance-of-DER-Technical-Standards-Consultation-Paper.pdf
Submission-to-AEMO-DER-Minimum-Technical-Standards-Issues-Paper.pdf
Submission-to-the-AEMC-on-the-Governance-of-Distributed-Energy-Resources-Technical-Standards-Consultation-Paper..pdf

Consumer participation in the energy system and markets

In a context of a transition that includes the electrification of both transport and heating, consumers access to electricity and energy remains essential.

Households and small businesses who rely on power to meet their needs, do not have the choice to go without. It is this context in which we should consider consumer decision making, and potential participation in the energy system and markets, as different to other commodities, products or services.[2] Further, models for the allocation of access to the limited capacity of the electricity (distribution) network are being developed, such as limits on exports and congestion pricing for exports. The question of how these models of pricing and control (constraining consumer choice) will be engaged with by consumers – and the capability and information requirements – is yet to be framed and explored.

Consumers have different motivations for purchasing and using consumer energy resources, that spans rooftop solar, storage and smart appliances and energy management technologies. Opportunities for taking up rooftop solar and storage in the home or business heavily favour those who can afford these new technologies and who own their own premises, and those who can optimise their use of the grid. For vulnerable customers, renters, and apartment dwellers, new models of owning and benefitting from generation, storage, load management and demand response are needed so that everyone can benefit from new technological capabilities.

The National Electricity Objective (NEO) and the related Australian Energy Market Agreement (AEMA) provide market bodies with an overarching framework to "promote efficient investment in, and efficient operation and use of our energy systems" in the long-term interests of consumers. With new technological capabilities consumers will potentially participate in markets and systems in a variety of different ways and ultimately *shape* the market in a variety of different ways. The various models of consumer participation (including choice and control), affordability and equity of outcomes need to be fully recognised, alongside considerations of safety, reliability and security.

Recognising the participation of consumers in the energy system means that the NEO can only be achieved if the rules and subordinate instruments support consumer investments and behaviours. This relies on moving away from how consumers have traditionally been considered in the market, with particular emphasis on outcomes relating to consumers *exporting* energy as well as *consuming* energy.

There is a gap between the framing of the problem of integration of consumer energy resources from a consumer outcomes perspective and the design of technical standards. Our concern is that if this gap continues, along with failure to recognise consumers' capability to shape market outcomes, the result could be both market and consumer losses at worst and sub optimal market and consumer benefits at best.

Disconnect between consumer outcomes, system objectives and the standard setting process

The governance model proposed in the rule change provided an opportunity to set a clear policy framework. The Draft Determination as it stands risks continuing the disconnect between consumer and community outcomes, market and system design, and the related regulatory frameworks, and the role of technical experts, such as Standards Australia, in creating and implementing standards. We believe a separate standing governance body, overseen by the AEMC, could have filled this gap and

[2] Professor Ron Ben-David's submission to the Energy Security Board's consultation on two -sided markets explores the implications of power as an essential service, and can be accessed at https://www.energy.gov.au/government-priorities/energy-ministers/energy-ministers-publications/two-sided-markets

connected the policy direction with the technical requirements through contextualising both the market and consumer outcomes related to the standard in question. This would incorporate a broader consideration of costs, benefits, and impact on both consumers, the reliability and security of the system and effective markets from the perspective of policy, implementation, and regulation.

In a rapidly changing environment such as the current energy market, a standard setting process should provide assurance, confidence, and transparency to consumers and market participants. Energy Consumers Australia does not have the capability or resourcing to participate in standard setting processes, but we do have a mandate to ensure that the design and regulation of the system is in the long-term interests of consumers. The outcomes for consumers can be constrained, or advanced, through elements of standards that impose system controls over consumer energy resources, that determine access to markets and that relate to accuracy of measurement and speed of response at the customer level in providing system support when requested. In recent consideration of technical standards for example AS 4777.2 and the Market Ancillary Service Specification review it is not evident that consumer outcomes were appropriately considered and used to inform the development of the technical standards.

There are two related questions, that also go to the framing of standards from a consumer outcomes perspective. Consumers would have greater confidence in the standard setting process, if there is a clear rationale for why a standard that is already in place in more mature markets is not suitable for Australian conditions, and specifically what is the gap to be addressed. It is often argued that Australia is at the frontier of developing system controls over distributed generation and storage behind the meter, but the same cannot be said for demand response and flexibility services. In addition, where there are standards already in place for “front of the meter” generation and storage assets, or for demand response from large scale customers, there needs to be a clear rationale for when different standards are proposed to be applied to residential or small business consumers with “behind the meter” assets.

Having an overarching governing body with the capacity to holistically investigate and review the intent of a technical standard from a consumer outcomes and consumer energy resources perspective requires knowledge and insights from many different stakeholders including: industry, consumer organisations, technical experts, technology providers and manufacturers, OEMs, jurisdictional governments, networks and retailers. As it currently stands, there is no body with this diverse representation. While the role of Distributed Energy Integration Program (DEIP), led by the Australian Renewable Energy Agency (ARENA), provides important input, we still see a broader need for coordination of a separate standing governance arrangement and would advise against relying on DEIP solely. Firstly, because the group is not representative of all stakeholders that may need to be involved in the decision-making process, and secondly, the longevity of DEIP is not guaranteed and we are concerned about the future implications on relying on an externally funded group.

A way forward

What we are proposing is a standing governance body, overseen by the AEMC, that includes diverse stakeholders, empowers a consideration of consumer outcomes and holds space for initial discussions on the purpose, intent, policy, implementation, and regulation related to DER Technical Standards. This aligns in many ways with the approach being taken through the Energy Security Board's DER Implementation Plan, and evident in the policy advice developed for the application of the proposed technical standard for interoperability of inverters.[3] Ideally, this policy advice would have considered consumer outcomes and interoperability from the broadest perspective and have been developed with a range of stakeholders, prior to the FTI report being commissioned.

Under a governance model which we propose would be led by the AEMC, consideration of consumer outcomes could also reference principles of human centred design as well best practice regulation. A feature of this approach, that is, governing based on overarching higher principles and leaving the details to the technical experts, is that this separates discussion on the purpose and intent of the proposed standard from the granular detail in the making of the standard.

It is important to note that we acknowledge the AEMC's concerns of duplication or overlap and are not suggesting that DER Governance body take ownership of existing processes but rather act as an overarching coordination of the development of the policy framework. This is particularly important given the fragmentation across jurisdictions. This is the gap we currently see that must be addressed moving forward. A lack of coordination exacerbates response time, hinders timely commentary and consultations on ongoing reforms and initiatives, increases the likelihood of duplication and could also potentially lead to consumer losses.

Once again, thank you for the opportunity to provide our feedback on the Australian Energy Market Commission's (AEMC*) Governance of Distributed Energy Resources Technical Standards,* Draft Determination Paper. If you have any questions about our comments in this submission, or require further detail, please contact Jacqueline Crawshaw, Director Policy, Energy Services and Markets, by email at jacqueline.crawshaw@energyconsumersaustralia.com.au.

Yours sincerely,

Lynne Gallagher
Chief Executive Officer

[3] The Consultation Paper is available at https://www.energy.gov.au/government-priorities/energy-ministers/priorities/national-electricity-market-reforms/post-2025-market-design/der-implementation-plan-interoperability-policy-framework