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Mr Warwick Anderson
General Manager, Network Pricing
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email: warwick.anderson@aer.gov.au

Energy Consumers Australia submission to the Australian Energy Regulator Issues Paper on Static zero limits for micro embedded generators

Dear Warwick,

As the national voice for Australian residential and small business energy consumers, Energy Consumers Australia appreciates the opportunity to provide our views on the Issues Paper static zero limits for micro embedded generators. The issues presented have significant potential impacts for all consumers, especially those wanting to invest in CER, and we believe their voices must be central to any decisions made.

We support the AER's statement that 'the imposition of a static zero limit should be a rare event that happens in exceptional circumstances only.'

Our submission emphasises the following.

- Consumers see the growth of rooftop solar in Australia as a positive, not a problem¹.
- The Australian Energy Market Commission's (AEMC) rule change made clear that consumers have the right to access a basic export service and networks have an obligation to provide one².
- Networks should be required to regularly communicate the status of their hosting capacity (and the calculations, methodologies and data used to determine their hosting capacity) to the communities they operate in and the broader industry to provide the most effective investment signals.
- In the rare and specific circumstances where the network is not able to deliver a basic export service to a consumer or community, they must be required to directly communicate the reasons for this (including their calculations, methodologies and data used to determine these reasons) to the consumer, and their agents such as solar retailers and installers.
- These actions will help increase transparency into how networks determine hosting capacity. This transparency is essential for building trust within communities and ensuring existing infrastructure is being used as efficiently as possible.

¹ <https://energyconsumersaustralia.com.au/wp-content/uploads/Report-on-Community-Attitudes-to-Rooftop-Solar-and-the-AEMC-Proposed-Reforms..pdf>

² <https://www.aemc.gov.au/sites/default/files/2021-08/Final%20determination%20-%20Access%2C%20pricing%20and%20incentive%20arrangements%20for%20DER.pdf>

The Access and Pricing rule change states that Distribution Network Service Provider's (DNSP's) must offer a basic export service to a customer for a 10-year period³.

Our research shows that the majority of consumers feel positive about the growth of rooftop solar and have strong support for a 'guaranteed export' limit. There are examples internationally of this right, including for example a right to a basic export service has been protected in legislation in Nevada in the United States by the Renewable Energy Bill of Rights. Assembly Bill 405 declares that the residents of the state have the right to '*generate, consume and export renewable energy and reduce his or her use of electricity that is obtained from the grid*'⁴. For Australian distribution networks to deny what the AEMC's Access and Pricing Rule Change clearly intend to provide and what is considered a legal right in other jurisdictions, the circumstances must be extraordinary.

Open, transparent, and clear communication requirements for networks who apply static zero export limits are essential for building back the community trust and confidence that has decreased dramatically in recent months.

Currently our research demonstrates consumers have very little awareness of the issues surrounding managing hosting capacity and solar exports that networks are facing today⁵. When the challenges were explained, export limits were the least preferred solution. Instead, our research found that 71% of consumers felt positive about upgrading the network to accommodate more solar energy. This suggests the majority of consumers do not support the implementation of a static zero export level, unless the reasons for doing so are explained to them. With consumers' confidence dropping at the steepest rate recorded since 2016⁶, increasing transparency and open communications are a direct step which networks should be taking to build back this trust, especially in the case of limiting consumers ability to export the solar energy they are generating.

Capturing the low emissions, low cost, renewable energy that is generated on nearly 1 in 4 Australian rooftops is a massive opportunity for Australia's energy transition⁷. The investments which consumers have made to benefit themselves and their community have resulted in direct emissions reductions. In 2021 rooftop solar reduced emissions by over 17.7 million tonnes⁸. The Australian Energy Market Operator's 2022 Integrated System Plan assumes that all consumer energy can be exported from the consumer premise onto the distribution network. While this assumption may be simplifying and ambitious, the Australian Energy Regulator should not be enabling or encouraging networks to commonly practice disabling exports. It would be against the spirit of the Access and Pricing Rule Change and contradict the direction identified in long-range system plans.

Our view is that industry and government should continue to encourage and support Australians purchasing Consumer Energy Resources (CER), with a focus on storage investment as a solution to system constraints, instead of a focus on preventing exports. Static export limits should only be considered a rarely used, short-term fix and should not become a common tool in the energy transition.

³ <https://www.aemc.gov.au/sites/default/files/2021-08/Final%20determination%20-%20Access%2C%20pricing%20and%20incentive%20arrangements%20for%20DER.pdf>

⁴ https://puc.nv.gov/Renewable_Energy/Renewable_Energy_Bill_of_Rights/

⁵ <https://energyconsumersaustralia.com.au/wp-content/uploads/Report-on-Community-Attitudes-to-Rooftop-Solar-and-the-AEMC-Proposed-Reforms..pdf>

⁶ <https://ecss.energyconsumersaustralia.com.au/sentiment-survey-june-2022/pulse-surveys-june-to-august-22/>

⁷ <https://www.minister.industry.gov.au/ministers/taylor/media-releases/record-3-million-rooftop-solar-energy-installations#:~:text=This%20year%2C%20rooftop%20solar%20will,into%20our%20national%20electricity%20grid.>

⁸ <https://www.minister.industry.gov.au/ministers/taylor/media-releases/record-3-million-rooftop-solar-energy-installations#:~:text=This%20year%2C%20rooftop%20solar%20will,into%20our%20national%20electricity%20grid.>

Please see Attachment A for answers to the specific consultation questions in the Issues Paper.

Thank you again for the opportunity to provide a submission on the Issues Paper static zero limits for micro embedded generators. We look forward to continuing to work with the AER on their review of the Connection Charge Guidelines. Should you have any questions or require clarification, please contact Marie Harrowell at marie.harrowell@energyconsumersaustralia.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lynne Gallagher', written in a cursive style.

Lynne Gallagher
Chief Executive Officer

Attachment A - Responses to consultation questions

Question 1 Under what limited circumstances should distributors be able to impose static zero limits?

As the Issues Paper states, circumstances where distributors are able to impose static zero export limits, should be in extremely 'exceptional circumstances. Energy Consumers Australia believes that in these exceptional circumstances if a network decides to impose a static zero export limit, the network must be able to demonstrate that all alternative options have been exhausted before imposing this limit. This information should be made available to the consumers impacted, solar retailers and installers and the broader public to increase transparency and community engagement on these issues.

Question 2 Under what circumstances should we take into account equity issues when considering the application of static zero limits?

We believe it is up to consumers to decide what is considered a 'fair' or 'just' approach to export service offerings, in terms of who pays and what a fair allocation of network capacity is. This should involve both solar and non-solar customers, as the grid is a shared asset which all consumers pay for, but some may benefit from more than others. DNSP's should use insights from consumer research and community engagement to determine how to best take equity into account when determining export offer levels.

Question 3a and 3 b What are your views on networks using a 'standard approach' to decide on whether to impose a zero export constraint for each individual application? If you consider a 'standard approach' to be inappropriate, what depth of analysis or study should networks be required to do in the limited circumstance where a static zero limit may need to be imposed? What would be the likely costs of this level of study? Should the costs of the study be charged on a requester or treated as a general network administration cost?

We require further detail on what the AER is referring to in terms of a 'standard approach', however, overall believe it is the responsibility of the DNSP to carry out a detailed investigation and analysis as to why there is no available capacity to offer a new connection applicant. The cost of this study or analysis should be paid for by the network, as it is their responsibility to manage the safety, reliability, and efficiency of the system on behalf of the consumer. There could be some very rare circumstances where the analysis undertaken is unique to only the requesting customer and then it may be reasonable for the customer to fund some small cost, but the rule should be the network pays.

The distribution network accounts for more than a third of residential consumers electricity bills – putting aside the recent increase in wholesale costs – it is historically among the highest if not the single highest component of the electricity supply chain. The best way to mitigate the costs of the distribution network is to get most out of the infrastructure that already exists. Getting the most out of that infrastructure requires careful, detailed planning that to date has largely been conducted by distribution networks in black boxes outside the careful review that overall network regulation places on costs. These engineering decisions involve judgements, and several recent studies suggest that the ways in which distribution network businesses manage voltage is inconsistent and incomplete.

In the context of today's digital economy, distribution networks remain tied to traditional approaches of planning and operating their infrastructure. More transparent planning and decision making by network businesses will shed light on the ways in which they are making their judgments and enable consumers and others to analyse the judgments they are making to see if they are reasonable.

Question 4a What information should the distributor provide the connection applicant when a distributor proposes a static zero limit and how should that information be provided?

Communication to consumers is an essential part of providing an export service, especially if there is a potential, that they will receive a static zero export limit. While we support the AER's suggested information requirements for a proposed static zero export limit of:

- a clear explanation of the methodology, data, and calculations used to determine that the best technical, economic, and social outcome was for a static zero limit to apply in a specific part of the network;
- access to independent technical expertise to review the distributor's analysis and the connection offer; and
- how to access dispute resolution processes.

We require more information on:

1. the cost of the independent technical advisor and how accessible this would be to all consumers; and
2. the dispute resolution processes. While we are unsure which specific dispute resolution the AER are referring to, we would propose that this tool be a more collaborative than historical dispute resolution mechanisms. The name dispute resolution implies a decision has been made on behalf of the consumer that they have to argue or contest. Instead, we would like to see this as more of a collaborative dialogue between consumers and the network in terms of their export service offering. Consumers should feel they have some agency in influencing or determining the outcome of their solar exports.

In addition to the information requirements suggested by the AER, we would also encourage the connection applicant receive information on:

- information about the costs of equipment consumers could purchase to enable them to continue to benefit from their excess solar generation;
- information on the right to access a basic export level enabled as part of the AEMC's rule change, an explanation of how other consumers of the network experience that right, and an explanation of why the right has been denied to the consumer in this instance; and
- when the customers' export service offering is due to be reviewed.

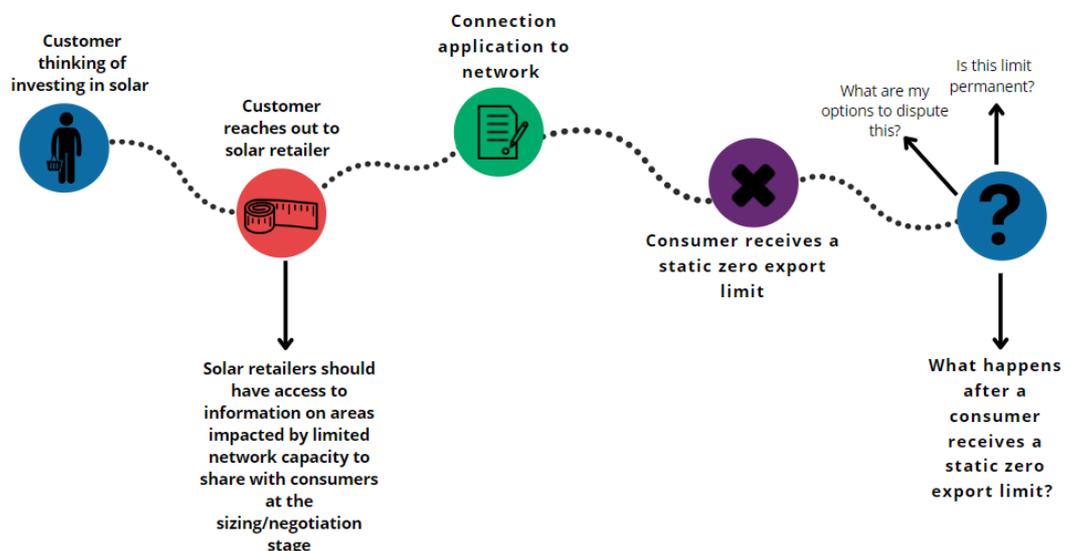
We also believe that this communication requirement should go beyond only the specific applicant but to the broader community. For those thinking about investing in solar in the local area, this information is crucial. Networks should be required to share the above information with local councils and community groups. There should also be a public notice posted on the AER's website.

Question 4b What’s the best way to communicate the steps to inform customers’ investment decisions? For example: What type of information should customers be provided with, when should it be provided, and by whom? Who is best placed to provide effective customer education before a customer makes an investment decision?

Solar retailers and installers are best placed to provide information on solar export services. Solar retailers are often the first point of contact for consumers in their solar journey and could help them make decisions on their investment as early as possible in their journey. Solar retailers are taking on an increasingly complex and critical role in consumers journeys as new energy technologies and services becoming increasingly diverse. The New Energy Tech Consumer Code⁹, which was put together by industry and consumer bodies to address these changes in energy services, outlines a set of good practice standards for providing consumers with new energy technologies, products, systems, and services. Solar retailers who sign up to the code will be bound by commitments that aim to raise the standard of consumer protections and confidence in new energy technologies such as solar or batteries.

Understanding the consumer journey can help determine the touch points or stages information is required, and where there are gaps in the roles and responsibilities. Below is an example of consumer journey mapping processes for a consumer who has received a static zero export limit. While only an example, this type of processes can help understand the consumer experience and information requirements.

Export service customer journey for a new solar customer who receives a zero static export limit



⁹ <https://www.cleanenergycouncil.org.au/industry/new-energy-tech-consumer-code>

Networks have a responsibility to communicate with solar retailers as they are often the messenger for the customer. Poor communication between networks and retailers can result in poor export service offerings for customers. In research conducted as part of SAPN's Flexible Export Trial, one of the key barriers for consumers choosing the flexible offering was that solar retailers weren't aware of it or weren't passing on this information¹⁰ Communication is also important for the installation process, so technology such as when the inverter settings for complies with agreed upon export limits. An audit of inverters in Carnarvon conducted by Horizon Power revealed that less than 5% of audited inverters complied with the required Australian standards¹¹.

Question 5 Are there exceptional circumstances where it would be appropriate for a distributor to impose a static zero limit where it has already been funded under revenue determinations to augment the network?

We are not aware of such circumstances and if they did exist, as explained above, networks should be required to provide in-depth information and communications on the issue to the public.

Question 6a What conditions must be met in the limited circumstance that a static zero limit is applied? Do you consider the above controls adequate?

Please see answer to question 4.

Question 6b In the limited circumstance that they are imposed, should static zero limits be subject to regular review? If so, what should the length of the period be?

Yes, customers static zero export limit should be reviewed annually in the Distribution Annual Planning Report and reassessed every 5 years in the revenue resets processes. Customers export services should also be reviewed following any significant network augmentation that will likely impact network capacity.

Question 7 At locations where it is not prudent nor efficient to augment the local network to increase the rooftop solar hosting capacity, should customers bear the cost for network augmentation if they wish to avoid export limitation?

No, the cost should be shared proportionally among all consumers and solar customers, depending on whom benefits the most. All solar customers, even existing ones, should bear the cost. There is also a critical temporal aspect to this. Making an individual consumer pay for a network upgrade that might in 10 years, when EV uptake increases, for example, becomes necessary anyway.

Question 8 Do you consider that the above charging practice is reasonable? If not, what do you consider is a reasonable charging practice?

No, please see above.

¹⁰ <https://arena.gov.au/assets/2022/06/flexible-exports-lessons-learnt-report-4.pdf>

¹¹ <https://www.horizonpower.com.au/globalassets/media/documents/policies/our-obligations/2021-energy-charter-disclosure-report.pdf?v=49376f>