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**Energy Consumers Australia’s submission to the AER’s initiation notice for a ring-fencing class waiver for community batteries**

Dear Gillian,

Energy Consumers Australia, the national voice for residential and small business energy consumers, appreciates the opportunity to provide comments on the AER’s assessment for a distribution ring-fencing class waiver for projects funded under the Commonwealth Government’s Community Batteries for Household Solar Program (hereafter, the Program).

Achieving a decarbonised and decentralised grid in Australia requires substantial deployment of dispatchable storage to balance the daily and seasonal variations in renewable generation. If properly supported, Australian households and small businesses can contribute immensely to that goal.

With this in mind, we welcome the Program as a key opportunity for the Commonwealth to boost market development for large-scale deployment and trial of different community battery business models to lower consumers’ bills, cut emissions and reduce pressure on the electricity grid by increasing network hosting capacity. We also consider the Program to be an important conduit towards consumer empowerment, as community battery programs engage local community members in supply solutions that can benefit the whole energy system.

In our view, however, without the proper considerations, a class waiver could give Distribution Network Service Providers (DNSPs) another advantage over third party storage developers, which potentially enables DNSPs to corner the market and reduce third party developers to the status of “bit players”, which would decrease competition in the market and increase costs to consumers. It is essential that the Program and the AER class waiver enable other potential actors to enter the market, contribute to removing existing barriers to broader uptake, and promote innovation and competition in the sector. Cooperation, consistency, transparency and information sharing can enable a least-cost system that meets consumer needs, values and expectations.

Therefore, while we support the AER’s class waiver proposal in principle as a short-to-medium-term regulatory measure, the basic criteria outlined in the initiation notice are not sufficient to actually enable a long-term transformation of the distributed storage market that benefits all consumers. For the class waiver to genuinely support the Program’s success, we strongly recommend that the AER



adopts the following waiver conditions, which are aligned with our broader position on the topic and detailed elsewhere in this submission:

1. DNSPs should be required to disclose information about network hosting capacity, constraints, and rooftop PV penetration throughout its service area annually to provide evidence about the best network locations for community batteries;
2. DNSPs should allocate any Program funding they receive to reduce the Regulated Asset Base (RAB);
3. All DNSPs should be required to support non-DNSP owned community battery projects and offer the same tariff structures for all community battery projects in their service area; and
4. DNSPs should be required to prioritise the batteries' potential to promote greater rooftop PV (and other consumer energy resources) penetration, and present robust evidence of local community engagement for each community battery proposal.

*DNSPs should be required to disclose information about network hosting capacity, constraints, and rooftop PV penetration throughout its service area annually to provide evidence about the best network locations for community batteries*

As a segment of the energy sector in its early stages of development, with a variety of technical, commercial, social licence and regulatory barriers to overcome, it makes sense to consider how DNSPs can play a valuable role in the short term<sup>1</sup> to help further expand the distributed storage market. Given the advantages DNSPs offer – including suitable land, low interest finance, information around emerging grid constraints, and skilled operations and maintenance staff – it is sensible to provide a reasonable pathway for DNSPs to own and operate batteries and access the full suite of potential market revenues while waiting for the market to further develop, as long as networks are transparent and provide more accurate information about the potential for storage throughout their service area.

Currently, it is difficult for other parties to identify the best locations to install community batteries, which then impacts on their ability to monetise their full potential value. Detailed network constraint data is typically not publicly available or accessible except where remedial action is planned as part of the annual Distribution Annual Planning Report (DAPR). On this matter, please see below an excerpt of our latest submission to the AER on battery waivers for transmission network service providers.

*It is unclear which are the best places within the network – either transmission or distribution – for a storage device to be located. [...] At present, it appears that only NSPs have an*

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<sup>1</sup> It is uncertain, however, if DNSPs will be among the best placed actors in the long-term to develop, own, and operate batteries and other storage devices. With time and as the storage market evolves, we'll have more evidence either to challenge or to confirm this hypothesis. In the meantime, we should ensure a level playing field wherein all market participants have similar opportunities.



*understanding of which parts of their network are most suitable and would most benefit from a battery – though, this is an assumption that has not been proven. Presumably, a NSP would only nominate a given location for a battery because it offers an ability to maximise the services and revenue from the technology relative to its costs. But networks have not clearly shown why a particular location is more preferred than others. If a given part of a network offers unique opportunity to storage to provide network services, shouldn't all potential market players have such information so that they too might be able to develop storage projects?*

*This information asymmetry hinders other market participants from competing fairly in the provision of storage services. The AER can correct this market failure by requiring this type of information to become publicly available through the battery waiver conditions and requiring mandatory disclosure about all parts of the network that would benefit from a battery.*

We therefore recommend the adoption of the following condition in the class waiver: the provision of accurate, consistent, timely and methodologically demonstrated evidence on viable locations for community batteries throughout a DNSP's service area (i.e., including, but not limited to the location of the proposed storage investment) in ways that add value for all consumers and potentially defer or avoid other network expenditure. Further, as a condition on the waiver being granted, DNSPs should agree to update this information annually in their DAPRs for the regulated and/or financial life of the storage asset.

More specifically, DNSPs should provide plain English and visual evidence (maps and lists) of network hosting capacity (load and export), existing and impending constraints, and current rooftop PV penetration at each of the locations (i.e., suburbs or towns) for its entire service area. At a minimum, DNSPs must provide such information for any area within their service area for which Program funding is sought by a community organisation. DNSPs should consult with other market participants and customers on the data and format that would be most useful for them.

We realise that such analysis represents a new cost for networks. We deem this cost acceptable from a consumer perspective for two reasons. First, providing such information will enable the energy storage market to expand beyond DNSPs and drive further cost reductions in the provision of network services in the future. Secondly, the detailed analysis that is required to determine the best storage opportunities has many additional benefits to networks and the broader industry. It would identify opportunities for other non-network solutions and would require an improvement in hosting capacity analysis, which is an urgent need in the sector. In other words, increasing a network's skills and capabilities in this type of analysis is likely to offer benefits beyond the immediate one of levelling the storage playing field.



*DNSPs should allocate any Program funding they receive to reduce the RAB*

The AER notes that it is still unclear whether the Program will provide funding to offset the regulated or unregulated costs associated with the batteries. We suggest that, for regulatory purposes, the Program funding should be allocated towards offsetting regulated costs related with the provision of direct control services. This will reduce allocation of residual costs to the network's RAB, and therefore the amount to be recovered by consumers, where the DNSP is the Project Lead. This will also ensure that the DNSP does not allocate the funds to the non-RAB proportion of the battery and thereby maximise their unregulated profit at the expense of customers.

*All DNSPs should be required to support non-DNSP owned community battery projects and offer the same tariff structures for all community battery projects in their service area*

Besides requiring information sharing, the class waiver should include a provision requiring each DNSP to commit to supporting at least an equal number of other projects funded through the Program in its service area for which it is *not* the principal proponent. This support should take the form of promptly providing the evidence set out in the [Program guidelines](#) from the Commonwealth's Business Grants Hub (7.1)—i.e., “conditional or in-principle agreement of the relevant DNSP that a suitable network connection point can be identified or provided in your chosen location, and that the proposed operation of the community battery will not adversely impact the local network.”

Additionally, DNSPs should be required to offer similar community battery, local use of system and bidirectional tariffs for projects for which they are not the main proponent. That is, any battery tariffs that apply to the customers<sup>2</sup> of DNSP-owned batteries should also be available to non-DNSP battery projects (i.e., DNSPs shouldn't be able to provide a favourable tariff for their own batteries and not for others). These tariffs should dynamically reflect the network services required and incurred costs in the specific location of the network and reward customers for maximising the local use of system (i.e., the local voltage area where the community battery and its users are located). Moreover, these tariffs should be designed—and updated no less than annually—as a result of information from the annual DAPR analysis about the community batteries actual operation.

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<sup>2</sup> Customers here not only refer to end-use consumers but also to the retailers, as primary recipients of network price signals, that may lease the extra capacity of the DNSP-owned and operated battery. In this case, if the DNSP offers a community battery tariff to a potential retailer partner, this tariff should also be available to other retailers or commercial proponents in the service area.



*DNSPs should be required to prioritise the batteries' potential to promote greater rooftop PV (and other consumer energy resources) penetration, and present robust evidence of local community engagement for each community battery proposal*

We expect direct consumer benefits to be realised through each battery's operational model and the services it provides, in accordance with the National Electricity Objective (NEO): improving quality, reliability and security of supply, lowering prices and keeping everyone safe. As the Community Batteries Program has a distinct focus on community benefits, the likely direct and indirect benefits to local and other consumers should be evident. While we note that batteries deployed to provide valuable network services should provide downward pressure on network costs for all electricity consumers, we recommend that the AER prioritise, as a class waiver condition, the batteries' potential to integrate greater PV penetration in the community and accelerate the adoption of other consumer energy resources to lower bills and enable consumer empowerment.

Additionally, there should be clear evidence from DNSP-led projects of community consultation and deep engagement processes. Engaging with the community is crucial not only to realise the local expectations about the project, but also to manage public concerns such as noise, public safety, local amenity impacts, and security associated with a storage project. Local issues and concerns must be discussed on an ongoing basis to maintain community support. This engagement should involve more than information sharing, and if possible, should include a substantial ongoing collaborative role for local community input into the operation and performance of community batteries. On this matter, we have recommended to ARENA that community organisations be as least secondary partners in *all* project applications, to ensure strong consumer participation and perspectives on what communities want to achieve from any given project.

The AER class waiver can specify minimum conditions for DNSPs to conduct local community consultation in decisions around the size, location, appearance and operational model of DNSP-owned and operated batteries. This should be complemented by a guaranteed level of transparency around the ongoing performance of the battery and annual feedback to the AER and the local community about what has worked and what has not. Where the latter is the case, DNSPs should provide evidence of the problem and how it and the other proponents intend to deal with any battery's under-performance. We would appreciate having a dialogue with the AER to design the details of this aspect of the class waiver, if implemented.

In relation to environmental benefits, we note that consumers have repeatedly expressed their interest in using batteries of all scales to support renewable energy generation and the energy transition. Especially in view of the impending change to the NEO to recognise the urgent need to decarbonise the system, it is important that DNSPs can show the potential for emissions reduction and other environmental benefits for all projects for which they are the principal proponent.



Lastly, having in mind that the class waiver is proposed to run until 2038, it would be reasonable for the AER to require DNSPs to discuss with communities and indicate potential pathways for decommissioning community batteries that have reached their service life or have failed to produce their anticipated network, environmental and/or community benefits (e.g., by making them relatively portable, and/or for the batteries to be reusable or recyclable).

### *Final considerations*

Thank you again for the opportunity to provide comments on the AER's initiation notice for a ring-fencing class waiver for community batteries. A strong and coordinated effort to encourage the market development of distributed storage is needed to enable the greater penetration of distributed generation from Australians' homes and businesses, and the AER has the unique opportunity to set the rules by which DNSPs can contribute to that development.

For the market to truly expand beyond DNSPs, networks should be required to adopt transparent, deliberate, and proven processes to assess where batteries could be of significant value to the grid and be required to publicly disclose such information. As a contestable electricity service, there needs to be sufficient regulatory protection for other market participants to provide energy storage services through batteries in a level playing field.

The four suggestions in this submission aim to guide the AER in developing class waiver conditions that maximise consumer benefits, reduce network costs for consumers, address key barriers to further deployment of distributed storage, increase knowledge sharing and ensure community engagement is at the heart of the class waiver. All of these can enable a least-cost system that meets consumer needs, values and expectations.

As a final consideration, we advise that final class waiver conditions be reviewed at least biannually, so that learnings from funded projects can be properly addressed. The management and operation of community batteries are uncharted territories to be further explored, and we will inevitably deal with and learn from unanticipated missteps. An AER biannual review of the class waiver will enable these overlooked issues to be critically examined, mitigated, or appropriately dealt with.

If you have any questions about our position, please feel free to reach out to myself and Mark Byrne, Contract Team Member, at [byrne.mark@me.com](mailto:byrne.mark@me.com).

**Caroline Valente**

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