



**ENERGY
CONSUMERS
AUSTRALIA**

A Suite 2, Level 20, 570 George Street
Sydney NSW 2000
PO Box A989
Sydney South NSW 1235
T 02 9220 5500
W energyconsumersaustralia.com.au
Twitter @energyvoiceau
in /energyconsumersaustralia
f /energyconsumersaustralia

ABN 96 603 931 326

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The Hon. Lily D'Ambrosio MP
Minister for Climate Action, Energy and Resources
Level 16, 8 Nicholson Street
East Melbourne VIC 3002

By email: DER.Victoria@delwp.vic.gov.au

Submission on Victoria's Emergency Backstop Mechanism Consultation Paper

Dear Minister,

Energy Consumers Australia appreciates the opportunity to provide comment on the Victorian Department of Energy, Environment and Climate Change (DEECA) Consultation Paper on Victoria's Emergency Backstop Mechanism.

Energy Consumers Australia is the national voice for residential and small business energy consumers. While Energy Consumers Australia appreciates the short term need to respond to the system security risks of the transitioning energy system, we would strongly encourage the Victorian Government to look to longer-term solutions for system constraints that will deliver an overall more reliable, affordable, and clean energy system.

Consumers tell us they are concerned that the transition will impact the reliability of their electricity supply. In June 2023 we asked consumers in our Energy Consumer Sentiment Survey (ECSS) how they thought the transition to renewable energy will impact their electricity supply over the next 3 years. 61% of households and 53% of small businesses thought electricity would become less reliable or were unsure¹.

We appreciate the system security risks the Australian Energy Market Operator (AEMO) has identified in Victoria, however, we would strongly encourage the Victorian Government to look at a longer-term strategy for managing system constraints which benefits consumers by:

1. Building community trust by ensuring consumers and their agents receive accessible, clear communications on how both the mechanism and the transition more broadly will impact them.
2. Providing consumers with the tools and information to benefit from the energy transition.
3. Ensuring a broader policy framework, applied by a separate governance body accompany the technical standards used to implement the emergency backstop mechanism.

1. Clear, accessible communication is required to build trust.

This proposal for an emergency backstop mechanism is being developed at a time when many Victorians are unsure or concerned about whether the energy market is working in their long-term interests². Our most recent ECSS results from June 2023 found only 33% of Victorians felt positive about the energy market working in the long-term interests of consumers and that 74% of Victorians were concerned the energy system in Australia will fail to keep up with the way in which energy is being used. Our survey also found consumers who felt they had received clear communication about the transition were more likely to think the transition would have positive impacts on affordability and reliability³. These results highlight how critical clear communication is for building the consumer trust and confidence required for community acceptance of a backstop mechanism.

¹ <https://ecss.energyconsumersaustralia.com.au/sentiment-survey-june-2023/featured-content-household-sentiment-june-2023/>

² <https://ecss.energyconsumersaustralia.com.au/sentiment-survey-june-2023/confidence-household-sentiment-june-2023/>

³ <https://ecss.energyconsumersaustralia.com.au/sentiment-survey-june-2023/confidence-household-sentiment-june-2023/>

As the emergency backstop mechanism will only apply to new or replacement connections different communication may be required for affected consumers relative to existing solar customers. If you are a new solar customer you will want to understand why your neighbour who has had solar for 5 years isn't subject to the emergency backstop mechanism.

Any type of control over Consumer Energy Resources (CER) requires social licence and trust. To establish and maintain this social licence consumers need to understand and recognise how an emergency backstop mechanism would benefit themselves and their broader community⁴. We appreciate the challenges rooftop solar uptake has had for those who manage and operate the system but the vast majority of consumers feel positive about the growth of rooftop solar and the impacts it has had.⁵ Consumers have a limited understanding of the challenges rooftop solar presents to the grid. Communicating why a backstop mechanism is needed and how it would benefit the Victorian community will be an important part of building community acceptance and trust.

The Consultation Paper also suggests that the emergency backstop mechanism will become part of the connection agreement between the customer and the distribution network. Consumers are unlikely to know what their connection agreement is or what information it contains. It is likely that consumers will rely on their solar installer or retailer to provide them with all the necessary information about the operation of their system. It is essential that these organisations have access to the information needed to provide to consumers. While we understand the expectation is for the backstop mechanism to be used in rare circumstances it is important to be transparent to consumers.

2. We need to provide consumers with the tools, services, and information they need to benefit from a system increasingly characterised by periods of scarcity and abundance.

Curtailment should only be an emergency solution. A long-term solution needs to look at how the system can benefit consumers by helping to encourage those who can take advantage of the periods of abundant energy during the day and reduce consumption during periods of scarcity or high demand.

The demand side of our energy system has not always been given equal weight in policy and market design as the supply side. By investing more in our demand side by providing the tools, incentives, and information consumers need to increase their flexibility we can help to mitigate system security risks whilst delivering benefits to consumers. For example, demand response programs in the United States have been able to reduce peak demand by 10% and in some jurisdictions over 20%⁶.

Developing the tools, services, and rewards needed to enable flexibility will require understanding the diversity of Australian households and small businesses motivations, opportunities, and ability. Our submission⁷ to the National Energy Performance Strategy goes into further detail on why achieving an affordable and reliable energy transition will require investing in the demand side.

3. An efficient and effective implementation of an emergency backstop mechanism for households and small businesses requires a technical standards governance framework.

Without an overarching policy framework for technical standards, overseen by a separate governance body, we are concerned standards such as CSIP-Aus won't deliver an effective or efficient emergency backstop mechanism. In terms of effectiveness, we understand that in jurisdictions outside Victoria that currently have an emergency backstop mechanism in place, there are still issues around inverter compliance to standards used to implement the mechanism. In a recent random audit of inverters

⁴ <https://energyconsumersaustralia.com.au/wp-content/uploads/Social-License-for-DER-Control.pdf>

⁵ <https://energyconsumersaustralia.com.au/publications/community-attitudes-to-rooftop-solar-and-the-aemcs-proposed-reforms>

⁶ <https://www.aceee.org/blog/2017/02/demand-response-programs-can-reduce>

⁷ <https://energyconsumersaustralia.com.au/publications/submission-to-the-national-energy-performance-strategy-consultation-paper>

installed over the past 12 months (which included Victoria) only 28% of inverters were confirmed to comply with current technical standards rules⁸.

In terms of efficiency, without consistent and transparent assessment criteria for all technical standards in the energy market, such as CSIP-Aus in the energy market it is difficult to determine the most efficient solution. In previous submissions^{9 10} made to the Australian Energy Market Commission, we have called for an overarching policy framework for technical standards that can *'connect consumer outcomes, market and system design and objectives, and the standard setting process'*. We have also suggested this framework should be applied by an independent governance body that can enforce a governance process.

Technical standards for CER should enable consumer choice and flexibility. To realise these outcomes standards, such as CSIP-Aus, need to be mandated in a way that supports open non-proprietary communication channels. Locking consumers into a system where consumers energy resources don't talk to each other could lead to poor consumer experience and financial outcomes. Consumers should be able to switch between service providers, share data across their devices and use energy in a flexible way that suits their lifestyles despite previous purchasing decisions. As the consultation paper mentioned, CSIP-Aus is being used to provide consumers with a flexible export option. If consumers choose to adopt a flexible export option, it is essential that devices can be coordinated and optimised to be able to realise the full potential benefit of flexible export limit. We are concerned that if CSIP-Aus is implemented without mandating open non-proprietary communications channels consumers will not see the full potential benefits from their CER.

Consumers are leading the way in the Australian energy transition and we need a system that supports and benefits them. If you have any questions about our comments in this submission, or require further detail, please contact Marie Harrowell marie.harrowell@energyconsumersaustralia.com.au.

Yours sincerely



Jacqueline Crawshaw
Interim Chief Executive Officer

⁸ <https://onestepoffthegrid.com.au/most-inverters-for-solar-battery-and-ev-chargers-wrongly-installed-audit-finds/>

⁹ <https://energyconsumersaustralia.com.au/publications/submission-to-the-aemcs-draft-report-review-into-consumer-energy-resources-technical-standards>

¹⁰ <https://energyconsumersaustralia.com.au/publications/submission-to-the-esbs-interopability-directions-paper-and-the-aemcs-review-into-consumer-energy-resources-technical-standards-consultation-paper>