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By email: AERringfencing@aer.gov.au

UPDATING THE RING-FENCING GUIDELINES FOR STAND-ALONE POWER SYSTEMS AND ENERGY STORAGE DEVICES ISSUES PAPER

Dear Mark

We appreciate the opportunity to comment on the Australian Energy Regulator's (AER) *Updating the Ring-fencing Guidelines for Stand Alone Power Systems and Energy Storage Devices Issues 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.

Like the AER we see the potential for emerging technologies and new business models to deliver better outcomes for consumers – at significant lower cost – in a very different energy system in the future than we have today. In this context Stand Alone Power Systems (SAPS) and Energy Storage Devices (ESD) are important innovations that in the future will operate at a range of scales, and in the case of ESD both in front of and behind the meter.

This creates challenges for the design of economic regulation, which is intended to address the potential for exercise of market power by monopoly electricity distribution businesses but could inhibit the very development of the market that is needed to take advantage of new opportunities and address old inequities in poor reliability and service in hard to serve/high cost to serve communities. It is also evident that the need for resilience in the face of the increased likelihood of extreme weather events, makes the need for SAPS and EDS to be deployed even greater than in the past.

We have explored these issues in the attached paper which we have developed jointly with Strategen, which has been informed by discussions with some but not all key stakeholders. At this stage, we have not had sufficient time since the publication of the Issues Paper in November 2020 to frame answers to many of the specific questions raised by the AER. We hope to be able to do so in our subsequent engagement with the AER in the period leading up to the publication of a Draft Guideline in March 2021.

While we understand statutory requirements and timetables, it is unfortunate that the need to respond to the Issues Paper has coincided with significant engagement by consumer organisations, including Energy Consumers Australia on the Energy Security Board's Post 2025 Market Design Consultation Paper and the work leading into the Directions Paper to be released in early January 2021. This raises a real prospect that the potential for a revised Guideline to deliver on substantially better consumer outcomes, may not be as fully explored or articulated at this time. The proponents of the status quo however can rely on the long-standing principles within current regulatory frameworks, to make the case for incremental or no change even though the future energy system will be fundamentally different from the past.



For this reason, we focused our consideration of the issues on exploring a principles-based approach to ring-fencing that could be adopted that is both future-informed and customer-centric. This is important because SAPS and ESD services will emerge in a diverse range of applications over an extended period of time, during which the quality and completeness of knowledge will expand and mature.

Ultimately a principles-based, rather than a prescriptive, approach to ring-fencing will provide a means for emerging technologies to be properly evaluated as they mature and experience is gained across diverse applications. This flexibility will provide a mechanism that does not unnecessarily preclude promising solutions due to inflexible or administratively burdensome requirements. In so doing, in our view it will also support the more timely formation of competitive markets for SAPS and ESD solutions.

We look forward to our further engagement with the AER on this important issue for consumers. If you have any questions about this submission, please contact me directly or Jacqueline Crawshaw at Jacqueline.crawshaw@energyconsumersaustralia.com.au

Yours sincerely,

Lynne Gallagher
Chief Executive Officer