

10 July 2020

Department of Energy and Mining
Level 4, 11 Waymouth Street
Adelaide, South Australia, 5000



EnergyAustralia
LIGHT THE WAY

Lodged electronically: ETRConsultations@sa.gov.au

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Consultation on Regulatory Changes for Smarter Homes – June 2020

EnergyAustralia is one of Australia's largest energy companies with around 2.5 million electricity and gas accounts across eastern Australia.

We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation capacity.

We support measures to improve customer choice and encourage market-based solutions to delivering and operating distributed energy resources, supported by measures to ensure the energy system is able to be operated in a secure manner.

Recent media reporting¹ highlights likely customer concerns with measures to control or materially alter their ability to export, including in the context of underlying distrust of energy providers and institutions. The Government's proposal forms part of several changes that mark a shift away from encouraging rooftop PV deployment (in some cases with large subsidies) to a stance where PV impacts are being viewed in terms of the costs they impose on other customers through network and system impacts.

There is likely to be a strong case for enabling an 'emergency' disconnection power. Whether this is used sparingly, or otherwise in a way that delivers tangible benefits for affected consumers, will depend on the development of market solutions involving pricing and access arrangements with the customer's consent. The Government's consultation paper envisages agents coming to some sort of commercial arrangement where customers get paid for being disconnected, but it is not clear how this would be funded in the case of any AEMO or Ministerial emergency direction.

These issues may not be important to resolve now as the proposals are to simply enable remote capabilities. However, the prospects of customers not being compensated for loss of export (even if for a short time) needs to form part of a fulsome and appropriate set of customer expectations, such that support for further interventions can be obtained to unlock the full benefits of DER integration. As the proposals are to impose requirements on new and replaced installations but not existing ones, customer perceptions of fairness will need to be managed as all PV installations contribute to minimum load issues. The case of mandating meter elements also needs to be carefully managed, as the costs for the customer (even if relatively small) may not be accompanied by apparent benefits where the customer does not yet have distributed energy.

¹ <https://www.abc.net.au/7.30/energy-regulator-could-force-you-to-switch-off/12269258>

It may be useful to provide customers and other stakeholders a clear pathway to how distributed energy will be managed and ultimately deliver long-term customer benefits. This might include some consideration of the scope of minimum technical standards in other jurisdictions that AEMO intends to eventually develop² given the changes proposed to be introduced in South Australia this year.

The proposal to mandate standing offer retail tariffs also needs to be considered further in terms of customer experience and on a cost/ benefit basis.

Customers may react negatively to being forced onto cost reflective tariffs, with an associated need for education around tariff structures and consideration of the customer's ability to respond. It may be the case that customers on standing offer tariffs are unresponsive to price signals or will transition to market offers. There are also likely to be a small amount of customers on standing offers and with interval meters. Taken together this suggests that this particular intervention may be ineffective in addressing issues associated with minimum load.

At the same time, the proposal will potentially generate compliance costs for retailers and disruption for affected customers by requiring price changes in September, following changes that may have just taken place from 1 July in line with the AER's DMO determination. Further, we have in-principle concerns that the Government's proposal indicates a willingness to override the AER's and SAPN's considerations on network tariffs, in particular the decision to delay certain changes given cost of living pressures associated with COVID-19. Ideally, considerations of how network prices affect system planning and operation should form part of the AER's processes and we expect this to be given closer scrutiny when approving prices in the future.

Finally, as with the AER's DMO determinations, the Government should ensure that regulated retail tariff structures match the underlying network tariff structure. Any misalignment will increase price risk for retailers in not recovering appropriate costs for these customers, resulting in potential cross subsidies across customer classes.

If you would like to discuss this submission, please contact me on 03 8628 1655 or Lawrence.irlam@energyaustralia.com.au.

Regards

Lawrence Irlam
Industry Regulation Lead

² <https://www.aemc.gov.au/news-centre/media-releases/have-your-say-technical-standards-distributed-energy-resources-rooftop>