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Tuesday, 28 July 2020

Energy Security Board
Department of Industry, Science, Energy and Resources
GPO Box 2013
Canberra ACT 2601

By email: info@esb.org.au

RE: Energy Security Board Governance of DER technical standards

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to respond to the Energy Security Board's (ESB's) consultation paper on governance of Distributed Energy Resources (DER) technical standards.

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fuelled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load¹. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<http://www.ermpower.com.au>

<https://www.shell.com.au/business-customers/shell-energy-australia.html>

General comments

ERM Power supports the development and implementation of minimum technical standards for DER to ensure the ongoing secure operation of the power systems. However, we are keen to avoid excessive or heavy-handed requirements that will add unnecessary cost and complexity to projects, thereby inhibiting the uptake of DER among large energy users, to the detriment of energy productivity, decarbonisation, and the cost-effective management of local network areas. While we agree that technical standards for DER have the scope to more efficiently manage the supply-demand balance across the NEM, which could ultimately lower energy costs for all consumers, these standards should be adopted via a proportionate approach, and should be measured by reference to the capability and information required to effectively and securely operate the power systems and integrate with National Electricity Market (NEM) market operation.

We endorse the ESB's observation that DER technical standards are needed to support electrical system security, distribution network management, and affordability for consumers. To ensure that these considerations are addressed, particularly that energy supply and DER technology remains affordable for consumers, it is essential that any new coordinating governance structure is designed in such a way as to embed a strong consumer perspective within its decision making. Absent consumer support, DER uptake will be low and the potential benefits arising from DER will not be realised.

¹ Based on ERM Power analysis of latest published information.



In addition, it is important that this new governance structure avoids undue influence from vested interests that may encourage the imposition of unduly burdensome technical standards which could undermine energy affordability and consumer interests.

Legal framework for a new coordinating governance structure

It is proposed that a DER Standards Governance Committee is established to provide a governance structure that will allow for national coordination of technical standards for DER. The ESB has proposed that, given the broad objectives involved in setting technical standards for DER and the location of DER in the distribution network, the Australian Energy Market Commission (AEMC) is best placed as the over-arching rule maker in the NEM to convene the Committee.

We support the establishment of such a Governance Committee under the National Electricity Rules to be convened by the AEMC and consider that the appropriateness of functions and powers vested in this Governance Committee will be determined by its composition, particularly its scope to represent consumer interests, as we elaborate below. This proximity to consumer interests through the participation of consumer representatives will, in our view, be most conducive to devising efficient and effective processes for compliance and enforcement of DER technical standards.

In addition, we note the importance of ongoing consultation with industry to ensure that both governance framework and substantive technical standards are developed to best meet the needs of a well-functioning network as well as the market operations of the NEM that minimises overall energy costs for consumers.

Functions of the DER Standards Governance Committee

The ESB has questioned if the proposed body should be an advisory or determining body. We believe the proposed body should perform the same functions as the Reliability Panel, in that the proposed Committee would prepare information and consult with interested stakeholders and following this prepare a final report recommending rule changes to the AEMC. The AEMC would then conduct a normal rule change process to implement any proposed rule changes.

We believe that the technical standards for DER should be contained within the National Electricity Rules (NER). This would be consistent with technical standards for all connection arrangements for load and generation. We do not support the development of a subsidiary instrument as the location for DER technical standards as set out in the ESB's consultation paper.

With regards to the development of a compliance with technical standards, we agree that proposed Committee should have a role in coordinating the various processes already established and providing advice about how to modify these if needed, as well as in identifying gaps and developing new processes to fill them. With regards to any enforcement action, we believe that the Australian Energy Regulator (AER) is best placed to consider, consult on and develop any proposed rule changes in the area, this would provide consistency with the AER's existing NER enforcement functions.

The nature and structure of the DER Standards Governance Committee

The ESB has proposed that the Governance Committee would be funded from the budget of the AEMC as the convening body, including research and publication costs, and it is proposed that the Governance Committee is comprised of the following membership:

- An independent DER expert chair
- An AEMC Commissioner
- The Chief Executive Officer or delegate of AEMO



- The Chief Executive Officer or delegate of the Australian Energy Regulator (AER)
- Two members that represent Registered Participants separately:
 - Market Aggregators
 - Distribution Network Service Providers (DNSPs)
- A person representing the interests of consumers
- A representative of Standards Australia
- A representative for DER Original Equipment Manufacturers (OEMs)
- A representative from non-NEM jurisdiction with DER expertise
- A representative of jurisdictional regulators

We observe that just one of the proposed eleven Governance Committee members represents the interest of consumers who are the party that will incur any increased costs associated with the implementation of this proposed change and also the party that will have the most influence on the successful uptake, or otherwise, of DER. Absent consumers' willingness to participate in the provision of DER, the overall uptake of DER will remain lower than that which would be an efficient outcome.

In this context, we do not see how the Governance Committee will possibly be able to achieve lowest cost outcomes, as it will lack adequate perspective of the factors impacting DER uptake. We recommend, instead, that the Governance Committee reflect balanced representation of demand-side and supply-side perspectives. In addition, we consider it important for demand-side representatives to fully cover a broad range of consumers, including both large and small energy users noting that for large energy users there is scope for significant DER uptake. We consider that, at minimum, the Governance Committee should include:

- Two members that represent consumers
 - One representative for large consumers (< 100 MWh)
 - One representative for small consumers (> 100 MWh)

Whilst the consultation paper refers to Market Aggregators as a representative of registered participants, we recommend that this be amended to;

- Demand Response Service Provider or Market Small Generator Aggregator or Market Customer,
- to more adequately reflect the range of market participants that will potentially be involved in the development of DER in the NEM.

If you would like to discuss this submission further, please contact Sarah Paparo on 0421 230 198 or spaparo@ermpower.com.au.

Yours sincerely,

[signed]

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