

17 January 2020



Dr Kerry Schott AO
Chair
Energy Security Board

Email: info@esb.org.au

Dear Dr Schott

**Ergon Energy and Energex submission to the Energy Security Board
consultation on Draft Integrated System Plan Rules**

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex), welcome the opportunity to provide comment to the Energy Security Board (ESB) on its Draft Integrated System Plan (draft ISP) Rules Consultation (draft rules).

Ergon Energy and Energex are members of Energy Networks Australia (ENA), the national industry association representing businesses operating Australia's electricity transmission and distribution, and gas distribution networks. The ENA has prepared a response to the ESB's draft rules, and we are supportive of the positions presented in their response as they relate to distribution network service providers (DNSPs).

In consideration of the draft ISP and draft rules, Ergon Energy and Energex would like to highlight that while the ISP is transmission focussed, the National Electricity Objective may in some instances be most economically served by DNSPs as opposed to transmission network service providers (TNSPs) and benefits for a whole of market approach should be considered.

In line with this, we are concerned at the lack of detail in the draft ISP that relates to the longer-term management, policies and responsibilities of DNSP-connected distributed energy resources (DER), especially in light of comments made by the Australian Energy Market Operator (AEMO) in the draft ISP as follows:

...all distributed PV will in time need mandatory feed-in management capability.¹

If the long-term intention is that all DER will need mandatory feed-in management, explorations as to the customer and community impacts, rules, procedures, allocations of costs and responsibilities need to be actioned with appropriate market engagement.

¹ AEMO, *Draft 2020 Integrated System Plan*, 2019, pg.39.

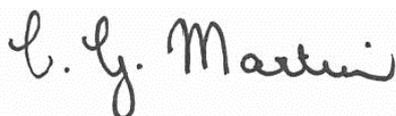
In particular, we note that the draft ISP defines *actionable ISP projects* as either being a transmission asset, or a non-network option. Distribution projects are considered under the ISP as an *ISP development opportunity*. However, the definition of an *ISP development opportunity* in the draft rules specifies that it is a *development that does not involve a transmission asset or non-network option and includes distribution assets, generation, storage projects or demand side developments that are consistent with the efficient development of the power system*. It is unclear why generation, storage and demand side projects are included but non-network options are not, given the definition of a non-network option is *a means by which an identified need can be fully or partly addressed other than by a network option*.

Furthermore, if a distribution-based project is only considered as part of an *ISP development opportunity* but was identified as the optimal solution for implementation of the ISP project, the funding source should be identified. While it is assumed that the funding would come from the TNSP, we suggest flexibility be retained where the solution was market-based, such as through the utilisation of one or more virtual power plants.

Energy Queensland suggests that the definition of *ISP development opportunity* should be clarified in a revised version of the draft rules, and the management of funding sources is clarified either within the rules or in an appropriate guideline.

Should you require additional information or wish to discuss any aspect of this submission, please contact either myself on (07) 3664 4105 or Barbara Neil on (07) 4432 8464.

Yours sincerely



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