26 May 2021

Jashan Singh
Australian Energy Market Commission

Submitted electronically.

Dear Jashan Singh,

Access and pricing rule changes draft determination

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft determination on access and pricing rule change proposals.

PIAC welcomes steps to better integrate Distributed Energy Resources (DER) into the energy system. Bringing more DER into the grid will hasten the transition to a zero-emissions energy system and enable a range of other consumer benefits. We also welcome steps to ensure the costs and benefits of DER are shared equitably, noting low income households, renters and other marginalised energy consumers often have very limited or no access to DER and their benefits.

We commend the rule change proponents for taking steps to increase the scope and equity of DER integration, and the AEMC for its thoroughness and care in assessing the rule change proposals and making a more preferable rule.

We consider DER integration should begin with accurately pricing the costs of consumption on the distribution network through cost-reflective network pricing. Cost-reflective pricing of energy from the grid rewards people for making investments and behavioural decisions that increase self-consumption of the energy they generate, reducing the need for the grid to handle export.

Under cost reflective consumption pricing, households can be incentivised to shift load to coincide with solar generation, orient solar panels to coincide better with energy consumption, and to store excess solar generation for use during times of higher demand. This would help limit the export impact of DER on networks and open up more network capacity for exporting DER in a more deliberate and efficient way for the benefit of all consumers.

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PIAC recommends any major reforms to pricing of export or generation capacity should follow, not precede, the full implementation of cost-reflective pricing of consumption.

Aspects of the draft determination:

- We support changing the rules to acknowledge export services form part of distribution services. This will allow better network planning, investment and cost-recovery as more DER connect to the grid.

- PIAC has a number of concerns with extending the Service Target Performance Incentive Scheme (STPIS) for export services. Most importantly, a STPIS is subject to public and political interests that don't necessarily reflect efficient levels of supply, or consumer preferences/benefits. As such it is at risk of leading to overinvestment in export reliability.

  We are also concerned the STPIS may result in non-solar consumers paying for export reliability they do not benefit from if the costs of the scheme are recovered from the entire DNSP customer base. PIAC considers any incentive scheme costs should be recovered on a beneficiary-pays basis, with particular concern not to charge non-solar customers for export reliability they do not benefit from.

  PIAC does not consider a sufficient case has been made for extending the STPIS, or introducing another incentive scheme for export services. As noted by a number of stakeholders, measuring a baseline export service performance level, and performance generally, is complex and no obvious metric currently exists. Until this situation changes, consumers should not be required to incentivise performance they may not want or understand.

  Rather than the STPIS, PIAC supports allowing Guaranteed Service Level payments to individual exporters when certain levels of service are not met. We also support the AER conducting a review to determine whether it is practically feasible for the STPIS to be adapted for exports.

- We support establishing a measure for the value customers place on export service reliability to inform investment, planning and regulatory decisions. Any measure should reflect the value customers who pay for the service place on the service. If the costs of export reliability are recovered from all DNSP customers, the approach should reflect the value all customers place on export reliability, rather than just the customers who have PV.

- We support DNSPs offering minimum levels of export capacity – for example 5kW at the inverter – above which consumers could pay for greater access to the grid. We do not support a zero-export default. Zero export limits can unfairly penalise efficient energy users whose efficient practices mean they have surplus energy to export even at low levels of production. Export limits should be based on the measurement at the inverter, not at the meter, as this is fairer and easier to measure.

- We support arrangements to allow DNSPs to design more advanced network tariffs targeting retailers and intermediaries on the basis they have greatest ability to understand and respond to network pricing signals. We consider this can encourage more efficient use of the network and fairer cost allocation.

- PIAC has concerns with broadening the reference to cost drivers to cover minimum demand-related network constraints as proposed by the AER. The proposed wording change, from 'relevant part of the distribution network' to 'relevant service' may create costs for consumers who do not benefit from them. Times of highest generation export to the grid may not coincide with the most impact occurring on the grid. For example, minimum demand may be caused by oversupply of generation, or it may be a result of extremely low demand and regular amounts of generation. Changing to 'relevant service' can align the charge with maximum generation output, rather than the maximum impact on the network, meaning costs will be attributed to generation export even if it is not responsible for minimum demand issues.

We welcome the opportunity to discuss these matters further with AEMC.

Yours sincerely

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