



Clean Energy Council submission to the Australian Energy Market Commission Approach Paper:

2019 Economic Regulatory Framework Review

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the Australian Energy Market Commission (AEMC) Approach Paper on the 2019 Economic Regulatory Framework Review.

The CEC is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, hydro, bioenergy, marine and geothermal energy, energy storage and energy efficiency along with more than 6,000 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC supports the proposal for the AEMC to consider in its review:

- Alternative approaches to network incentives, in the context of the Commission's previous finding that in certain circumstances, a strong capex bias exists,
- Key trends and market developments, and
- Advice on regulatory sandboxes.

The different treatment of operating and capital expenditure will be impractical and counter-productive in a future with high penetration of distributed solar and energy storage. The CEC supports moves toward assessment of total expenditure.

The CEC also supports the proposal for regulatory sandbox arrangements to support proof-of-concept trials.

In addition to these priority areas, it would be helpful and timely for the Commission to review the question of who should be responsible for overseeing the framework that determines which grid services should be subject to remuneration and which might be reasonable to demand as a condition of grid connection.

In July 2018 the Commission noted that¹,

The technical requirements imposed through DNSPs' connection arrangements and Australian Standard (AS) 47774 do not appear to value or incentivise the provision of system security services by distributed energy resources, and some of them may actually impede it.

At that time the Commission expressed its support for the work being undertaken by Energy Networks Australia (ENA) to establish a set of nationally-consistent grid connection guidelines for distributed

¹ AEMC, Frequency control frameworks review, Final report, 26 July 2018.

energy resources (DER) and encouraged stakeholders to input into the development of these guidelines. It recommended that the ENA should explicitly consider:

- what capability is reasonable to require from distributed energy resources as a condition of connection in order to address the impact of that connection
- the extent to which any mandated services would detract from the ability for distributed energy resources to offer system security services or participate in other energy markets.
- the circumstances in which it is appropriate to limit the size of the connection, why it might be appropriate to limit the size of the connection and how this applies to hybrid systems
- the technical justification for any mandated services
- the expected application of AS 4777 to different connection types and sizes

Since the publication of the Commission's recommendations the CEC has engaged with the ENA on its National Connection Guidelines for Basic and Low Voltage Embedded Generation connections. We have been informed by the ENA that the AEMC has been separately consulted on the draft guidelines.

As noted in our submission to the National Connection Guidelines (attached) the ENA has not addressed the role for government in deciding which types of network services can be mandated as a requirement of grid connection and which should be remunerated. It does not address the extent to which any mandated services would detract from the ability for DER to offer system security services or participate in other energy markets. It does not explain why it might be appropriate to limit the size of the connection if the system is already export-limited. It does not provide the technical justification for any mandated services.

The issue of remuneration for grid services will become increasingly important as we move from the current generation of inverters with autonomous response to a future system of inverters capable of dynamic control. Dynamic control would enable networks or third parties to remotely control DER to provide grid services, when and where they are needed for network management.

Decisions about whether and how to remunerate these services should not be left with distribution networks or their industry association. This is an appropriate role for government. The 2019 Economic Regulatory Framework Review is a timely opportunity for the Commission to provide advice in this important area of policy development.

We would be very happy to discuss these issues in further detail with the AEMC. We look forward to contributing further to this review.