



Clean Energy Council submission to the Energy Security Board consultation paper: Governance of DER Technical Standards

The Clean Energy Council (CEC) welcomes the Energy Security Board (ESB) consultation paper on governance of distributed energy resources (DER) technical standards and the opportunity to provide feedback.

The Clean Energy Council is the peak body for the clean energy industry in Australia. We represent and work with Australia's leading renewable energy and energy storage businesses, as well as rooftop solar installers, to further the development of clean energy in Australia. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes and supports the proposal to establish a DER Standards Governance Committee under the National Electricity Rules (NER). We recommend consideration of a hybrid model that combines advisory and determining roles, taking advantages of the strengths of the key institutions. In this model, the DER Standards Governance Committee would recommend technical standards and the Australian Energy Market Commission (AEMC) would make a final determination. The AEMC would not reconsider technical aspects of the proposed standard, only issues of economics, customer impacts and impacts on businesses.

The scope of the DER Standards Governance Committee should include all matters relevant to DER integration. This should include governance of DER technical standards, governance of DNSP regulation and governance of compliance and enforcement more broadly. An important role for the DER Standards Governance Committee will be to ensure that rules and standards are transparent and accessible and that the processes to develop them are transparent and accountable.

There is a need for a holistic review of the compliance and enforcement framework, particularly as it relates to DER installers and product standards, within the next few years. The DER Standards Governance Committee should aim to have in place a new compliance and enforcement framework that is independent of the Small-scale Renewable Energy Scheme (SRES) by no later than 2025.

We would be happy to discuss these issues in further detail with representatives of the ESB.

RESPONSES TO QUESTIONS RAISED BY THE CONSULTATION PAPER

1. Do you support the proposal to establish a DER Standards Governance Committee under the National Electricity Rules?

The CEC welcomes and supports the proposal to establish a DER Standards Governance Committee under the NER. We agree with the findings of the Sapere/CutlerMerz review, that the governance of DER technical standards is fragmented and lacks clarity of roles and coordination. We agree that there are inadequate resources dedicated to the setting of DER standards and consequently the pace of change is slower than is needed given the rapid deployment of DER. The proposed DER Standards Governance Committee would greatly assist with the resourcing and coordination of DER technical standards.

2. Do you support the DER Standards Governance Committee being advisory or determining?

In determining the role for the DER Standards Governance Committee, it will be important to strike a balance between competing objectives, including:

- the need for technical expertise versus the need to take account of broader considerations, such as the long-term interests of consumers, impacts on industry and overall costs, benefits, and risks of proposals, and
- the need for speed versus the need for accountability, good process and appropriate consideration of important issues that might be overlooked by a committee comprised of members selected for their technical expertise.

As a means of balancing the competing objectives, the CEC recommends consideration of a hybrid model that takes advantages of the strengths of the key institutions involved in the proposed structure.

This could involve:

- Low level technical committees (possibly convened by Standards Australia, or by the DER Standards Governance Committee or possibly working independently) to continue the usual work of detailed standards development,
- The DER Standards Governance Committee making recommendations for adoption of a standard, which is referred to the AEMC for a final determination, and
- The AEMC approving (or rejecting) recommendations made by the DER Standards Governance Committee.

Under this model it is proposed that the AEMC would not reject recommendations on technical grounds. The role for the AEMC would be to analyse costs, benefits and risks of proposals, the likely impact on industry and whether the proposal is in the long-term interests of energy consumers.

3. Do you have any feedback on the proposed functions of the DER Standards Governance Committee?

Recently, some policy makers have seemed to assume that 'DER integration' means coming up with new standards for inverters and then thinking about how to enforce them. However, device standards are just one aspect of DER integration. Equally important, is the governance of rules and regulations for distribution network service providers (DNSPs) and governance of compliance and enforcement across devices, DNSPs, installers and across jurisdictions.

In some important matters related to DER integration, regulation of DNSPs is just as fragmented, if not more fragmented, than governance of device standards. For example, the ESB review of voltage management in the low voltage networks found that "even in the absence of solar PV, there is a significant level of high voltage across all DNSPs in all NEM states". Voltage management is a crucial part of DER integration and is the regulatory responsibility of state and territories. We urge the ESB to

explicitly include all matters of importance for DER integration (such as governance of voltage regulation by DNSPs) within the scope of the DER Standards Governance Committee.

An important role for the DER Standards Governance Committee will be to ensure that rules and standards are transparent and accessible and that the processes to develop them are transparent and accountable. A limitation of the Standards Australia process is its reliance on Non-Disclosure Agreements as a standard practice for its committees and procedures. Representatives appointed to the DER Standards Governance Committee must be free to share information with the people they are meant to represent.

There is currently a significant gap regarding the interpretation of standards. Sometimes standards are ambiguous and there can be several valid interpretations. Differences of opinion can arise when electrical inspectors differ in their interpretation. Disputes are often referred to the CEC, but we do not have the authority to make interpretations that would bind an inspector. CEC has occasionally written to the Electrical Regulatory Authorities Council (ERAC) requesting interpretation of standards, but it is not clear that this is or should be the role of ERAC. Recently, the CEC has also approached the Australian Building Codes Board (ABCB) regarding interpretation of standards. The DER Standards Governance Committee should be given responsibility for issuing interpretations of standards where there is ambiguity or differences of opinion among electrical inspectors. Ideally, the interpretation would be binding on electrical inspectors and other regulators. There should also be a process that allows industry or regulators to request clarification regarding interpretation of standards from the DER Technical Standards Governance Committee.

4. Do you have any feedback about the Committee determining standards in a subsidiary instrument under the rules?

Transparency and accessibility of rules and standards is of utmost importance and if the use of a subsidiary instrument makes rules and standards opaque then this approach should be rejected.

For example, the DER Technical Standard rule change proposed by AEMO (and currently under review by the AEMC) proposed a subsidiary instrument that would insert minimum DER technical standards into DNSP connection contracts. This would be a major backward step for transparency and accessibility. The CEC knows from experience the difficulty of understanding grid connection rules based on information available from connection contracts or direct contact with DNSPs. We spent more than a year collecting information from DNSPs to piece together a comprehensive set of advice on power quality requirements for grid connection of inverters. And that is just one of many requirements included in grid connection agreements.

It would be preferable for DER technical standards to be published in the NER because that is the 'gold standard' for transparency and accountability. We understand that changes to the NER can take months, however that should not be an insurmountable barrier given that device manufacturers generally require 12 months for implementation of new technical standards and DNSPs generally require at least a year for new standards.

5. Do you have any feedback on the development of new compliance and enforcement arrangements for DER technical standards?

Much of the regulatory framework for compliance and enforcement of DER technical standards relies on the existence of the SRES for its effectiveness. The SRES is scheduled to be phased out by 2030 and the value of incentives under the scheme is progressively reduced each year. It is anticipated that as 2030 approaches and the value of the rebate is reduced closer to zero, some businesses will cease taking the rebate to avoid the compliance obligations under the SRES. There is a need for a wholistic review of the compliance and enforcement framework, particularly as it relates to DER installers and product standards, within the next few years. The DER Standards Governance Committee should aim to have in place a new compliance and enforcement framework that is independent of the SRES by no later than 2025.

6. Do you support the proposed composition of the membership and nature of chair of the Committee?

Yes. It is appropriate for the committee to be chaired by an independent DER expert.

The consumer expert should be an expert in DER-specific consumer issues. The broader customer experience in respect of the electricity sector is already well protected through existing forums.

The representation of Market Aggregators should not be limited to registered participants. As an example, there is no classification for Virtual Power Plant (VPP) operators and many VPPs operating under the AEMO trial are doing so through the customer retailer. Third party VPP aggregators registered with AEMO through this process are not “registered participants” and so would be excluded from committee membership. This is clearly not the intended outcome as these non-registered VPP operators would have far more relevant experience for the committee.

7. Do you support the proposed terms and selection arrangements?

It will be important to ensure that members of the DER Standards Governance Committee who are appointed as a representative of a group of stakeholders are seen by the stakeholder group as having legitimacy and that they fulfil their representative role. Conflicts of interest (and perception of conflicts of interest) is a risk that needs to be managed. We would also recommend a Code of Conduct (or similar arrangement) for representatives to ensure that expectations are understood and to establish a benchmark for accountability.

The CEC has a deep understanding and extensive experience in matters of representation, consultation and managing real or perceived conflicts of interest. We would be pleased to advise on or more actively assist with the selection of representatives to the DER Standards Governance Committee.

It would be preferable for an industry representative to be supported by at least half of the industry they represent. The one-third benchmark proposed might be better as a ‘fall back’ position if no single candidate is supported by a majority. Crucial to this process will be the criteria for who is eligible to cast a vote.

8. Do you have any feedback on the other elements of the proposed operation of the Committee?

It will be important for the scope of “DER” to include load and generation. Some processes for management of DER have only taken account of generation and storage (e.g. the DER register). However, control of generation is only one part of the challenge. Interoperability must ultimately include both generation and load. This will be crucial for managing the net balance of customer generation and load. We must not lose sight of customers and the way they use electricity.

In the next stage of consultation, we would welcome further clarification of the process of budget allocation to and by the DER Standards Governance Committee. One of the main issues with the current process of standards development is that it relies on volunteers and is inevitably dominated by well-resourced companies and regulated entities.

We would also welcome further elaboration on the proposed consensus decision making process, noting that ‘consensus’ is sometimes interpreted as unanimity and sometimes is taken to mean a vote won by a significant majority. If the DER Standards Governance Committee makes decisions by a majority vote, then we would be concerned that only several of the proposed Committee members would be from the DER industry and representing its interests. However, we would be less concerned about the numerical composition if the Committee is expected and required to seek compromise to reach a unanimous agreement.