ERM Power Limited
Level 3, 90 Collins Street
Melbourne VIC 3000

ABN 28 122 259 223

+61 3 9214 9333
ermpower.com.au

Wednesday, 22 July 2020

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Lodged via: www.aemc.gov.au

RE: Technical standards for distributed energy resources

ERM Power Retail Pty Ltd (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC's) consultation paper in relation to technical standards for distributed energy resources (DER).

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 load[1]. 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 standards for DER to ensure well-functioning network. However, we are keen to avoid 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 produce a smoother supply-demand balance across the NEM, which could ultimately lower energy costs for consumers, these standards should be adopted via a proportionate approach, and should be measured by reference to the capability and information required to effectively operate the network.

Setting an initial minimum technical standard

The proposed rule change would establish an obligation for the Australian Energy Market Operator (AEMO) to make, publish, and, if necessary, amend DER minimum technical standards through a new subordinate instrument to the National Electricity Rules (NER), and establish a high-level definition of DER.

[1] Based on ERM Power analysis of latest published information.

We agree with AEMO that creating a subordinate instrument, as opposed to including minimum technical standards in the NER itself, will enable such standards to be promptly set and updated to respond to technological and operational necessities of DER.

We also agree that it is sensible to include DER minimum technical standards into the minimum content requirements of connection contracts, negotiated frameworks and model standing offers, and into the model standing terms under Chapter 5 and 5A of the NER. However, we are concerned that these minimum technical standards do not exceed what is required to achieve the objectives of minimal technical requirements. In this regard we endorse AEMO's nominated key principles of uniformity, adaptivity, and complementarity.

We consider it important the initial DER technical standards have the benefit of broad stakeholder input, and that its scope is tailored to the minimum required to ensure safe and efficient network operation. In this regard, we think that the standard's application and any DER definition to be included in the NER can be settled via a consultative process.

Scope of the initial standard

The rule change request does not propose a governance framework for the initial standard other than that AEMO will set the initial standard in accordance with the rules' consultation procedures. We consider that, in view of the ESB's anticipated governance review outcomes, it makes sense for the role of AEMO in setting the DER minimum technical standards to be limited in time. In any case, accounting for evolving technological capabilities and business models, we consider any technical standards implemented should be periodically reviewed and amended as appropriate.

Implementation and compliance monitoring

We acknowledge that AEMO is undertaking its own consultation on the initial technical standard, and it is possible that the individual requirements of the initial minimum standard could have different implementation dates. Here we note the importance of certainty across industry and the allowance of appropriate lead times for the introduction of new standards.

We support a balanced and proportionate approach to compliance and consider that, to the extent that new technical standards apply to new or replacement DER, it will likely be possible to enforce compliance via connection arrangements with network operators.

Considering the costs and benefits of the initial standard

As acknowledged by the AEMC, setting minimum technical standards is not a costless exercise; there may be costs associated with upgrading technology on physical assets, improving infrastructure necessary to implement the standard, and compliance and monitoring costs. AEMO and industry participants will also incur some costs in creating the initial DER minimum standard as well as in maintaining and amending those standards into the future.

In terms of benefits, visibility and control of DER has the scope to address some of the challenges emerging within the operation of distribution networks. However, it is important to acknowledge that daytime duck-curve generation profiles are not exclusively caused by DER; utility scale solar plays a significant role in this generation profile. Equally, challenges associated with network operation are in many cases attributable to high voltages overnight that are entirely independent of DER that result from setting network voltage to levels capable of meeting evening load peaks.

In this context, we urge restraint in the imposition of overreaching DER technical standards that may inhibit DER uptake, to the detriment of network efficiency and decarbonization, while failing to address the ongoing challenges of utility scale solar and evening load peaks. Optimum distribution network operation is a worthy goal, but it will not be achieved through technical standards that only impact DER.

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]

Libby Hawker
Senior Manager – Regulatory Affairs
03 9214 9324 - LHawker@ermpower.com.au