AUSTRALIAN
ENERGY
COUNCIL

Department of Energy and Mining
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Consultation on Regulatory Changes for Smarter Homes

The Australian Energy Council welcomes the opportunity to make a submission to the Department of Energy and Mining consultation papers.

The Australian Energy Council (AEC) is the industry body representing 23 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The AEC recognizes that changes in technology are impacting electricity distribution and electricity markets. New energy products for smarter homes are facilitating greater and different forms of consumer engagement and participation in the energy market. This is also encouraging the growth and sophistication businesses to providing related products and services.

The AEC would prefer to see an emphasis on outcome based regulation; placing commercial incentives on retailers to get the customer experience and metering outcome right.

Our response to the papers follows.

Consultation on proposed tariffs to incentivise energy use in low demand periods in South Australia

The AEC submits that the benefits of this rule change to system security are minimal and outweighed by the costs it will impose on customers.

System security benefits likely to be small

While the AEC supports the objective of this rule change, specifically to help manage the variability of renewable generation by incentivising energy use in low demand periods, requiring retailers to provide SAPN's tariff structure in its standing offers does not align with this objective. This is because customers on standing offers are usually disengaged from the market and less likely to respond to tariff incentives.

Furthermore, approximately only 20 percent of residential customers in South Australia have interval meters. A majority of this 20 percent would be on market offers while not all standing offer customers with interval meters will take advantage of the tariff incentives. There is considerable doubt then as to the customer reach of this rule change and its subsequent impact on demand.

Additional cost to customers

The likely minimal impact on system security should be weighed against the additional costs it will impose on customers. Retailers will face compliance costs to adjust their standing offers to incorporate the new tariff structure while ensuring their standing offers remain below the ceiling set by the DMO. The AEC already has some concerns that the DMO for 2020-2021 is not fully indicative of retailer costs, which have increased due to COVID-19 and the associated rise in bad debt and hardship. We note the AEMC has commenced a rule change to improve retailer cash flow due to concerns the current circumstances could force some retailers to no longer be viable.[1] This rule change will only make it more difficult for retailers to manage risk.

These circumstances make it likely that any additional compliance costs will need to be passed down onto customers. This means a rule change that benefits only a small percentage of residential customers will have its cost spread out across all customers. Even if the costs of this rule change are small, customers are going to be particularly sensitive to any price increase in the current environment where COVID-19 has caused financial strain. In this regard, the AEC notes that the proposed commencement date of September is when government welfare support is projected to be phased out and levels of bad debt and hardship are expected to markedly increase. A September commencement date will therefore take place at a time when retailers are seeking to prioritise continued financial support to their customers.

Under these circumstances, the AEC encourages the Department to pause the commencement of this rule change so retailers can focus on addressing pandemic-related issues. In this period, we would support the Department providing signals to retailers about the need to begin incorporating these tariff structures into their offers. Depending on the level of tariff uptake by retailers, the Department could then consider the need for a mandatory obligation later down the track.

Consultation on the proposed smart meter minimum technical standards in South Australia.

The AEC is concerned that the proposed smart meter technical standards will expose South Australian customers to additional costs without concomitant benefits and outcomes.

Additional costs to customers

A mandated two element meter will attract an ongoing increased metering cost of an estimated $10-$15 per annum, it is not simply a one off cost. This cost would also be inefficient, applying to every meter installed regardless of local generation. There may, depending on the wiring requirements,be other one-off costs not specifically related to the meter. For example, in NSW it is now a requirement that a special main switch be installed to ensure islanding of the inverter under similar arrangements, adding an estimated additional $100 to the costs of installation.

The proposal as it is currently drafted will lead to a wide range of properties being installed for smart meter functionality they do not require, which will inevitably increase the overall cost to retailers and therefore consumers. It should be noted here also that two element meters are generally larger and costs to remedy a lack of electrical panel space can also be expected.

Consumer benefits likely to be small

The AEC is also concerned with the papers apparent assumptions that if a two element meter is installed to 'future proof' the metering then no additional metering costs will be incurred if the customer decides to install local generation at a future time. An additional visit may still be required.

If the required outcome is to measure and control customer's generation separately from a customer's consumption, then this should not be mandated where this is not required. For example, apartment blocks will be unlikely to have multiple DER installations and therefore to impose the proposed specification will lead to increased costs without corresponding benefit. The AEC believe that an emphasis in regulatory approaches to competitive metering that ensures incentives to meet customer needs is the preferred approach.

The AEC would support greater emphasis on the required outcomes than the adoption of specific technical solutions that may impede future requirements or innovation. A requirement that local generation must be able to be switched via the meter rather than specifying number of elements and number of contactors could be a credible and cheaper alternate approach.

Consultation on the proposed new low voltage ride-through requirements for smart inverters in South Australia.

Proposed time line.

The new requirement is proposed to commence in September 2020 to have immediate effect, meaning a low voltage inverter which forms part of a solar generating plant which does not meet the technical standard must not be installed after the commencement date. The AEC expects that manufacturers and suppliers will provide the Department with advice as to the inventory of potentially non-compliant inverters that would be redundant after the commencement date. Ideally, a less abrupt path to compliance would be considered.

Consumer detriment

There is a real problem with "grand fathering" where proposals are to impose requirements on new and replacement installations but not existing ones. Whilst appealing as a "causer pays" approach, the practical effect is to shift the costs accrued by previous connections onto new ones, which raises questions of fairness.

Whilst the Department is seeking to address the issue of voltage before the 2020/21 Summer period, the AEC is concerned that other distribution led methods to manage voltage in keeping with their obligations are not being considered. Regulators should seek to prevent networks from acting as proxy regulators, which is already leading to consumer detriment. Networks are already using connection agreements and their own discrete technical standards to lock in their own redundant technologies (such as their failure to address voltage control in even its most primitive form such as tap changes) or to lock out the development of new energy products and potential network support services (by insisting that network support services are provided "free" in return for a connection agreement)[1]. Thereby they are circumventing the opportunity for market-based solutions to the optimization challenge that would deliver more efficient outcomes. The AEC would like to see a comparable emphasis on other distribution led methods to address voltage concerns in SA as part of the solution.

Any questions about our submission should be addressed to David Markham by email to david.markham@energycouncil.com.au or by telephone on (03) 9205 3107.

Yours sincerely,

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[1] [1] *SA Power Networks Distribution Annual Planning Report 2019/20 – 2023/24* .Page 28. SAPN proposes to include modification of the connection standard to require new generation to utilise the capability of their inverters to assist negating the impact of their solar generator on the local voltage.