



Part of Energy Queensland

17 January 2023

Mark Feather
General Manager
Australian Energy Regulator
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Canberra ACT 2601

AERringfencing@aer.gov.au

Dear Mr Feather

Submission to AER's Initiation Notice – Assessment for a distribution ring-fencing class waiver for projects funded under the Commonwealth Government's Community Batteries for Household Solar Program

Ergon Energy Corporation Limited (Ergon Energy Network) and Energex Limited (Energex), both distribution network service providers (DNSPs) operating in Queensland, welcome the opportunity to provide feedback to the Australian Energy Regulator (AER) in response to its *Initiation Notice – Assessment for a distribution ring-fencing class waiver for projects funded under the Commonwealth Government's Community Batteries for Household Solar Program* (the Notice).

Ergon Energy Network and Energex understand the imperative of establishing a class waiver for this federal program in a timely manner and support the AER in progressing this Notice. We also note various jurisdictions in the National Electricity Market are proactively seeking ways to transform the electricity system in response to meeting net-zero targets. Energy storage is a game changer and DNSPs' role in facilitating this transition is critical to enable the rapid deployment of batteries.

As a result, DNSPs in at least several states and territories will have access to jurisdictional grant schemes designed to accelerate the deployment of storage. For example, the Queensland Energy and Jobs Plan includes the Queensland Government investing \$500 million through the Queensland Renewable Energy and Hydrogen Jobs Fund for the state's publicly owned energy businesses to deliver more large-scale and community batteries, with delivery from now out to 2026¹.

Expanding the coverage of this Notice to also incorporate jurisdictional schemes would provide certainty and efficiency to the AER, DNSPs and third parties to navigate through the upcoming surge in battery deployment. This will reduce the number of times the AER would need to consult on waivers, minimising delays in the roll-out of the additional

¹ www.epw.qld.gov.au/data/assets/pdf_file/0029/32987/queensland-energy-and-jobs-plan.pdf, p. 26.

batteries under the jurisdictional schemes, and bringing forward the value and customer benefits associated with leasing out spare capacity to third parties.

Ergon Energy and Energex understand the AER is open to amending Attachment A of the Notice to provide further clarification on the AER's intended approach to asset allocation where only the network benefits portion is allocated to the regulated asset base. We welcome this further clarification.

Ultimately, cost-allocation arrangements for distribution-connected battery storage with shared capacity should be standardised and streamlined, to maximise its ability to support the broader transformation of the electricity system. While out of scope for this particular class waiver, the AER and DNSPs need a longer-term solution. A review of the AER's Shared Asset Guideline, taking into account increasingly viable technologies such as battery storage, should be pursued to ensure a consistent and efficient approach to DNSPs' allocation of costs and the ability to share back unregulated revenue with customers over the longer term.

Should the AER require additional information or wish to discuss any aspect of this submission, please contact either myself, or Andrew Bozin on [REDACTED]

Yours sincerely

[REDACTED]

Alena Christmas
Acting Manager Regulation

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