



13 January 2022

Mr Warwick Anderson
General Manager, Network Pricing
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Lodged via the AER website

Dear Mr Anderson,

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in renewable energy and energy storage along with more than 7,000 solar and battery installers. We are committed to accelerating the decarbonisation of Australia's energy system as rapidly as possible, while maintaining a secure and reliable supply of electricity for customers.

In particular, we are focussed on developing regulatory frameworks to support efficient investment in the large number of new energy storage projects that are needed to deliver secure, reliable and zero emissions energy for consumers.

The CEC welcomes the opportunity to make a submission to the AER's recent draft decision on AEMO's proposed pricing methodology for the period 2022-2027. While we acknowledge the range of issues covered in the AER's draft decision, this submission is focussed on the issue of allocation of network charges for storage.

The CEC is disappointed in the AER's decision to reject AEMO's proposal to not calculate a charge in respect of connection points where energy storage systems are directly connected. Alongside the AEMC's decision to reject AEMO's proposal to exempt storage from TUOS in the *Integrating energy storage systems into the NEM* (IES) rule change, we consider this runs contrary to delivering a secure, reliable and efficient decarbonisation of the NEM.

We have already set out in detail our reasoning against these decisions in our submission to the AEMC's draft determination of the IES rule change; the logic set out in that submission applies equally here. In general, the failure to recognise the specific qualities and significant value of storage will result in material uncertainty for investors. Given the central role that storage will play in enabling the rollout of renewable generation, particularly in state REZ developments, any such uncertainty will only translate to increased costs for consumers.

Given the IES final rule, and AEMO's revised pricing proposal, the CEC recognises that the AER's draft position on storage TUOS pricing in Victoria is unlikely to change.

On that basis, we are asking the AER to help reduce the significant uncertainty that is still faced by storage investors in regards to the payment of TUOS. In particular, the AER can provide guidance and set clear expectations that new connecting storage projects should be treated equivalently and face the same (or lower) negotiated TUOS charges as existing storage.

While this is a second best to a straight exemption, providing certainty to new connecting storage that they will be treated in the same way as incumbents, will nevertheless help to reduce the material uncertainty these projects face.

This is consistent with the policy set out by the AEMC in its IES rule change final determination. The AEMC specifically noted that:¹

New transmission-connected storage participants will be able to negotiate arrangements with TNSPs in the same way existing storage participants have. The Commission expects that, in accordance with the NER, TNSPs will negotiate price and service levels that are consistent with those that have been negotiated for existing storage participants.

The AEMC then refers to clause S5.11(5) of the NER, which states that:

The price for a *negotiated transmission service* must be the same for all *Transmission Network Users* unless there is a material difference in the costs of providing the *negotiated transmission service* to different *Transmission Network Users* or classes of *Transmission Network Users*.

Our members have advised that significant uncertainty remains as to how this clause will be applied by TNSPs, when negotiating transmission charges for new connecting storage projects.

This reflects the reality of the negotiating environment in which storage proponents find themselves seeking connection to transmission networks. Storage investors consider there is insufficient guidance for all parties as to how these clauses should be interpreted and applied, to ensure outcomes that are consistent with the policy intent of the AEMC's decision.

For the avoidance of doubt, the CEC is not suggesting TNSPs are not applying these clauses in a manner consistent with good practice. Nevertheless, there is a real perception risk around their potential application that could be problematic.

This is likely to translate into increased risk premiums applied to investments in new storage. Regardless of the actual case by case application of the clause by TNSPs, the *perception* of increased risk is likely to lead increased debt or equity costs in funding these critical projects. These increased investment costs will then flow through to customers.

To help ameliorate this uncertainty, we are asking the AER to provide further guidance as to how this specific NER clause S5.11(5) should be applied to new connecting storage, given

¹ AEMC, *Integrating Energy Storage into the NEM*, final determination, p.53

