



8 July 2021

Mr Mark Feather
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne, Victoria, 3001

By email: AERInquiry@aer.gov.au

Dear Mark

Re: Draft electricity distribution ring-fencing guideline

CitiPower, Powercor and United Energy (CPPALUE) and Yarra Energy Foundation (YEF) welcome the opportunity to respond to the Australian Energy Regulator's (AER) draft electricity distribution ring-fencing guideline (guideline).

CPPALUE are together the largest group of distributors in Victoria, with more than 1.7 million customers. CPPALUE support the growth of Distributed Energy Resources (DERs) in its networks and see that community batteries can play an important role in the integration of DER.

YEF is a not-for-profit organisation core-funded by the City of Yarra, with a lead role on the execution of the Yarra Climate Emergency Plan. YEF's charter includes all activities that accelerate the reduction of emissions and the uptake of renewable energy in the City of Yarra, and beyond. YEF see community batteries as a breakthrough technology for communities to shift their consumption to a greater renewable energy content.

CPPALUE and YEF are partnering on a project for community batteries in the CitiPower network, which also includes the Australian National University (ANU) as a lead in research and major contributor to the technical development of the project. It consists of an investigation into a network of up to 200 community batteries over seven years. When rolled-out in early 2022, a first instance and trial system will be available to approximately 200 residential customers who will be able to subscribe to the battery to store energy from solar panels in the neighbourhood and be supplied at night.

The trial battery will be owned and operated by a consortium led by YEF, which plans to roll-out batteries across multiple locations in the CitiPower network. Under this arrangement, CitiPower would purchase network services from the battery when that is the least costly solution to manage a network constraint. CitiPower is also trialling a local use of system (LUOS) tariff for subscribing customers, which is the first trial of this tariff in Australia.

Our partnership demonstrates an operational model whereby community groups such as YEF can work closely with distributors to work on a solution that facilitates the growth of renewable DERs in the network whilst minimising overall network costs.

Different operational models for energy storage will stimulate innovation and market development

Rapid deployment of innovative and R&D projects in energy storage will be key to better understanding the different use cases of energy storage and unlocking the full value of this relatively new technology in Australia. It is important we enable as many innovative trials and project in this space as soon as possible, as energy storage will play a critical role in the future of Australia's energy system—both to support large scale generation and to support growing DER.

Distributors, local communities and other third parties will all play an integral part in making large-scale deployment of community batteries a reality. Blocking any of the potential market participants will slow down innovation, result in missed opportunities for learnings and technology development, and will ultimately result in poorer customer outcomes and a slower transition to renewables.

Removing barriers for community batteries and providing competitive neutrality for all market participants

To enable a rapid roll-out of energy storage systems throughout communities, and to accelerate access to renewable energy, we consider it paramount all parties are allowed to participate in the market with appropriate competition and customer protections safeguards in place.

We agree with AER's views that distributors are best placed to understand the nature and severity of constraints in their networks, which is likely to result in a natural advantage when choosing the location of the battery; and that further improvements should be made to the visibility of the constraint data to all interested third parties, which will better foster competition in the long-term. However, we disagree that distributors should be prohibited from making contributions to the deployment at scale of community batteries because of this natural advantage.

For distributor-led solutions this means continuing to apply the existing ring-fencing guideline safeguards but streamlining the waiver process for community battery projects, particularly in cases where the distributor can demonstrate strong support, or demand for partnerships, from community groups, and that this would be the lowest cost solution for electricity customers across their network.

Providing cost neutrality for all battery storage suppliers

For other participants, the key to unlocking more energy storage on the distribution network will be for the AER to introduce competitive neutrality between storage connected at the distribution and the transmission network. At present, energy storage providing market services connected at the transmission network is not charged transmission use of system (TUOS) while energy storage providing market services connected at the distribution network is charged network use of system (NUOS).

We consider it of urgency the AER reconsider their approach to NUOS for energy storage providing market services. Should the AER continue to require energy storage providers to pay for NUOS while waiving the TUOS charge, customers relying on community batteries may never receive the same value from storage as the commercial parties that own and operate larger batteries. This will be detrimental to the case for localised energy solutions, and is likely to dwarf opportunities for community involvement in Australia's energy transition.

Should you have any queries about this submission please do not hesitate to contact Sonja Lekovic on 0418 166 169 or slekovic@powercor.com.au, or Chris Wallin on 0413-00-22-08 or chris.wallin@yef.org.au.

Yours sincerely,



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