

13 April 2018

Mr Peter Adams
General Manager, Wholesale Markets
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3000

By email: RIT@aer.gov.au

Dear Mr Adams,

RE: Issues Paper – Review of the application guidelines for the regulatory investment tests

GreenSync is pleased to be able to provide comments on the RIT issues paper.

GreenSync is an Australian energy technology company that is pushing the boundaries towards more flexible and decentralised grids – keeping grids stable and efficient whilst absorbing more renewable energy. The electrical system in Australia is shifting from one that delivers electricity long distances from a few large centralised generators, to one where millions of small, local generation sources supply customers directly and provide localised energy services.

Driven by major trends towards decarbonisation, decentralisation and lower cost (or higher value) options, the owners of grid connected assets are now in the many millions, with new installation records being set on a regular basis. This shift presents clear challenges, as well as opportunities, for the future of the energy market and the investments which the AER directs through the RIT-T and RIT-D.

As a proponent in the only non-network option major approved under the RIT-D to date (with United Energy on the Mornington Peninsula), GreenSync considers that there are likely to be many more non-network options that could be identified and encouraged through the RIT-D (and at sub-RIT levels). This will drive lower network costs overall and this should be enabled and encouraged.

Overarching comments

Australia's world-leading levels of distributed energy resources (DER) put us on the global frontier of new energy services and heighten the imperative of a transition that will enable flexibility and dispatchability to develop in step with projected increases in DER penetration *and* support a high renewables future.

We recognise that networks and investment settings that encourage new assets that to support increased renewables and DER should become part of our critical infrastructure. Our decentralised energy exchange (deX) is being developed in close partnership with distribution businesses because we believe network operators have a major, continuing, role in managing network physics and looking after reliability and security of supply to, and from, consumers in their regions.

We fundamentally believe deX can assist network businesses (as well as retail and other third-party businesses) to provide better services to consumers of all sizes and types. deX is a platform that enables smart DER to connect, communicate with and be visible and contractable – in aggregate – for networks, retailers and others.

We consider that deX can enable many non-network options at RIT-D level and below, with much more streamlined contracting arrangements. Importantly, deX can also enable more iterative options than are possible through the RIT-D. We look forward to providing additional detail to the AER over the course of 2018 on deX developments and capabilities.

Our comments in response to a select few of the Review's key questions are below:

AER Question	GreenSync response
1. Do you agree that the RITs promote the long-term interest of consumers by promoting competitive neutrality and investment efficacy? Are there any other factors we should consider?	While the RITs intend to promote the long-term interests of consumers, there are questions over its outcomes. These can be improved on. Competitive neutrality outcomes can be improved by simplifying the ability for networks to contract many, not just single, non-network proponents to contribute to resolution of the network's issue.
4. What specific guidance would help distribution businesses better use their non-network options reports and non-network screening requirements to engage with non-network service providers? Are there specific ways we should complement this guidance with greater oversight over distribution businesses' non-network engagement activities?	We believe that there is an opportunity for the AER to provide guidance and share learnings around the assessment of non-network options. We would support the introduction of such an approach across industry.

<p>8. Is there any specific guidance you would like us to provide in clarifying how RIT proponents should calculate option value, make forecasts and test different states of the world? Are there particular examples where a worked example would be helpful in providing this guidance?</p>	<p>We support the position to include further guidance and provide more clarity on Option Value.</p>
<p>10. Do you agree that the RIT is a market-wide cost-benefit analysis? Do you agree that, as a consequence funds move between parties within the market should not affect the final net-benefit, but funds that come from outside the market to party within the market should increase the final net benefit?</p>	<p>If we take a consumer centric view it would be fair to consider that:</p> <ol style="list-style-type: none"> 1 – Network solutions are ultimately paid for by consumers and therefore represent a burden on them; 2 – Non-network options where payments or capital expenditure are deployed with consumers represent a positive outcome therefore contribute to an increase the net benefits. 3 – Assets often exist, or are bought for other reasons.
<p>12. What additional guidance would stakeholders find useful in regarding the treatment of environmental policies in the RIT-T application guidelines?</p>	<p>The present status of the energy market, especially in relation to distributed energy, suggests that network should be encouraged – by various sources – to take consumer and investor choices into account. These choices <i>and</i> the policy settings are important inputs. While the specific elements of the National Energy Guarantee are not yet confirmed as a legally binding policy, the fact that renewable energy will grow across all states should definitely be taken into account. This would also align more with AEMO's Integrated System Plan.</p>
<p>13. Do you support our proposal to expand out RIT application guidelines to specify that, as a default, RIT proponents should use the same discount rate when comparing different credible options?</p>	<p>Yes.</p>
<p>14. What kind of additional guidance, if any, would you like the RIT application guidelines to provide on selecting an appropriate VCR?</p>	<p>The VCR selected is the single largest determinant of whether a project is viable and the timing of that project. Without standardisation it is conceivable that a network could vary the methodology used on a project by project basis to align with a specific set of motivations or drivers. There should be a standardised approach defined and enforced to ensure that the AEMO standard is applied in detail to each specific project (not a generic network wide VCR).</p>

Other issues:

While we appreciate that the RIT-D structure is (currently) quite prescriptive and inflexible with regard to innovative approaches to non-network solutions from DNSPs, the rate of progress in technology and innovation suggests that both the AER and networks should work together to improve the structure.


We cite the multiple occasions where networks have issued a non-network options report without consulting their registered non-network service providers. We question that a network is able to unilaterally declare there is zero possibility for a non-network solution. This is also likely to be at odds with the long-term interests of consumers. Non-network options must be a strong part of our future energy infrastructure.

In conclusion:

The Australian energy landscape is changing on a scale that hasn't been seen since the deregulation of the market and creation of the NEM. Australia's levels of DER put us on the global frontier of new energy services and heighten the imperative of a transition pathway that enables flexibility and dispatchability to develop in step with increases in DER.

Consumers must be at the heart of the energy market reforms we embark on going forward and the RIT-D can play an important role in supporting emerging and new technology if there is more emphasis on innovation and non-network options being considered and encouraged.

Yours sincerely,


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Doug Cook
A/g Chief Strategy and New Business Officer