

31 August 2021



Kris Funston
Executive General Manager
Australian Energy Regulator

Submitted via email to AERinquiry@aer.gov.au

Dear Dr Funston

Draft Distributed Energy Resources Integration Expenditure Guidance

The Public Interest Advocacy Centre (PIAC) is a leading social justice law and policy centre that works with people and communities who are marginalised and facing disadvantage. PIAC builds a fairer, stronger society by helping to change laws, policies and practices that cause injustice and inequality. The Energy and Water Consumers' Advocacy Program (EWCAP) represents the interests of low-income and other residential consumers of electricity, gas and water in NSW. The program develops policy and advocates in the interests of low-income and other residential consumers in the NSW energy and water markets.

PIAC welcomes the opportunity to respond to the Australian Energy Regulator's (AER) consultation on its Draft Distributed Energy Resources (DER) Integration Expenditure Guidance (the Draft Guidance) for Distribution Network Service Providers (DNSP).

Integrating DER into the energy system is critically important. Proper integration of DER benefits all consumers through lower network and wholesale costs, improved reliability and lower emissions. It helps individual consumers better manage their energy costs and is necessary for the energy system to become zero-emission, flexible, and decentralised.

PIAC broadly supports the Draft Guidance. We consider it is likely to facilitate transparency and comparability of DNSPs' DER integration expenditure and encourage efficient network planning and investment. However, we have some concerns around the proposed approach to costs and benefits for the Value of DER (VaDER) calculation, which we discuss below.

DER benefits

PIAC supports the AER's proposed categories of benefits and costs except for 'change in DER investment'. We consider this category will be hard to accurately measure and is not sufficiently linked to changes in network hosting capacity.

While PIAC appreciates the argument for extending consideration of benefits and costs to investment behind-the-meter as it is designed to put DER and non-DER generation on equal footing, we do not consider the two are similar enough to be treated equally. Individual consumers and commercial generators do not

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have the same motivations or face the same trade-offs when making investment decisions. It is generally understood that return on investment (ROI) has little bearing in the rate of distributed PV uptake. Household PV purchasing behaviour is more heavily driven by up-front cost than the payback period for investment in solar. This will likely be true for other DER such as batteries, as they become more popular. Non-financial drivers of uptake, such as emissions reduction, resilience, independence, and reliability also feature heavily in household DER investment decisions.

As noted in the 'Value of Distributed Energy Resources: Methodology Study', DER forecasts used today by AEMO in the ISP do not consider any impacts from network constraints, and networks might struggle to credibly identify such forecasts.

Given the tenuous link between network investment and DER investment we do not consider it appropriate, at this stage, to include change in DER investment as a quantified cost or benefit.

We support the exclusion of environmental benefits from the Value of DER calculation under the conditions proposed by the AER. While environmental benefits are extremely important aspects of DER integration, they largely accrue to the broader community, and therefore their associated costs should not be recovered from consumers.

PIAC welcomes the opportunity discuss these matters further with the AER.

Yours sincerely,

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