13 September 2022

Storm Scarlett
Senior Policy Officer
Australian Energy Regulator
Level 25, 32 Turbot Street
Brisbane QLD 4000

Email: AERringfencing@aer.gov.au>

Dear Storm,

Streamlined ring-fencing waiver application - Tarneit battery project

We refer to your email correspondence dated 19 August 2022 seeking further information from Powercor in respect to our ring-fencing waiver application.

1. **Retailer selection process**

We informally approached three retailers to understand their appetite for the project at the time we were preparing our application for the Neighbourhood Battery Initiative (NBI) funding.

The applications seeking NBI funding from the Department of Environment Land Water and Planning (DELWP) were tight. The NBI was released on 1 March 2021 and applications were initially set to close 11 April 2021, however, an extension was granted to 23 April 2021.

The funding application needed to contain indicative financial costs and benefits. To unlock the full value stack and showcase the battery leveraging frequency control ancillary services (FCAS), the battery needed to be part of a fleet exceeding 1MW. This is because in order to participate in the FCAS markets the Australian Energy Market Operator (AEMO) requires a minimum offer/bid of 1MW. Therefore, identification of the retailer at the NBI application stage was necessary to enable calculation of the costs and benefits.

[Confidential: [redacted]

The third retailer, **[Confidential:** [redacted]], was prepared to partner with us. This retailer also presented us with the opportunity for the community battery to be combined with **[Confidential:** [redacted]] larger storage portfolio thus exceeding the 1MW threshold to leverage FCAS in the wholesale market that would provide a further revenue stream, thereby reducing the overall cost to our customers.

We did not discriminate in favour of any retailer. The initial 6-week (including Easter) timeframe in March/April 2021 to submit NBI applications did not permit the preparation and running of a tender

process to identify a retailer to partner with us on the project. We informally approached three retailers, all unaffiliated, and only one of whom was interested in partnering with us. While we received an extension of time to lodge the application for NBI funding to 23 April, we do not consider that we would have had the ability to run a formal tender process within that further limited window.

2. **Knowledge sharing**

The first stage of NBI, led by the Victorian Government, sponsored 3 actual projects in Victoria and 13 feasibility studies.

We were successful in receiving funding from the Victorian Government's NBI to lead a feasibility study (known as the Electric Avenue Feasibility Study) into community batteries. This study was conducted with 12 council and community energy groups across almost two-thirds of the state.

This study culminated in the publication of our Powerful Neighbours report, a copy of which is attached (and can be found on the CitiPower website).

The benefits of this work are:

- the publication of the Powerful Neighbours report, which provides interested stakeholders with a guide for how to pursue community / neighbourhood batteries in Victoria. The report provides a recommended process and methodology to evaluate locational, environmental, community and distribution network factors when determining a suitable battery location, which can be used by any organisation looking to implement a neighbourhood battery project
- sharing of network constraint data
- we have made enhancements to our internal geo-spatial mapping tool and developed a community portal version which is available to be used by our NBI partners. The tool shares data on levels of solar, potential network load constraints, as well as visibility to network assets and related data in a geospatial format.

We also note that our work on the Tarneit battery project, together with the other work referred to above has led to us publishing a dedicated low-voltage community battery tariff across CitiPower, Powercor and United Energy.

With respect to other examples of knowledge and data sharing we have also worked as a partner with Yarra Energy Foundation (YEF) to develop their battery project in Fitzroy North. We allowed YEF to situate the battery on our zone substation at Fitzroy North and shared extensive insights and data related to our battery projects. The YEF project highlights our support for third party led projects as well as distributor led models.

Finally, all our insights on community batteries are being shared through various industry forums, conference presentations and with the DELWP. For example, we publish regular progress report to DELWP on the Tarneit project, have held an industry forum for our United Energy pole top battery project and have hosted numerous working sessions with our community energy and council partners for the NBI feasibility study.

3. **Network benefit value**

To achieve the greatest network benefits, we initially looked for sites with a load and high levels of solar penetration. Tarneit was selected since at the time it was the highest solar penetration suburb.

Despite this being an ideal site from a network benefit perspective, we were required to suggest 10 different locations to local councils before finding a suitable final site. This highlights there is a

trade-off in that community battery locations may not always be located in an ideal location from a business case perspective.

The two network benefits calculated to the battery related to:

- deferral of augmentation: the installation of the battery will defer the expected upgrade of the distribution transformer
- solar enablement: the battery will enable greater solar exports from customers. We have estimated the number and quantum of exports enabled from new solar connections. We valued these enabled exports using Oakley Greenwood's forecast half-hourly customer export curtailment value (CECV) values for Victoria which were recently published by the AER with its CECV final decision.

Please find attached confidential spreadsheet detailing the calculations underpinning the network benefit for the Tarneit battery.

4. Retail lease value

The retail lease value is an indicative total lease value, based on commercial negotiation that is currently underway ([**Confidential:** [redacted]]).

Please note exact values are still to be determined. This is similar in a $/kW value to the United Energy battery energy storage system licence, however it also takes into consideration the network tariff that is applicable to the Tarneit battery.

Should you have any queries please do not hesitate to contact Trent Gibson on 0498 318 036 or trgibson@powercor.com.au.

Yours sincerely,

Elizabeth Carlile
Manager Regulatory Projects
CitiPower, Powercor and United Energy