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Australian Energy Regulatory Environment - overview

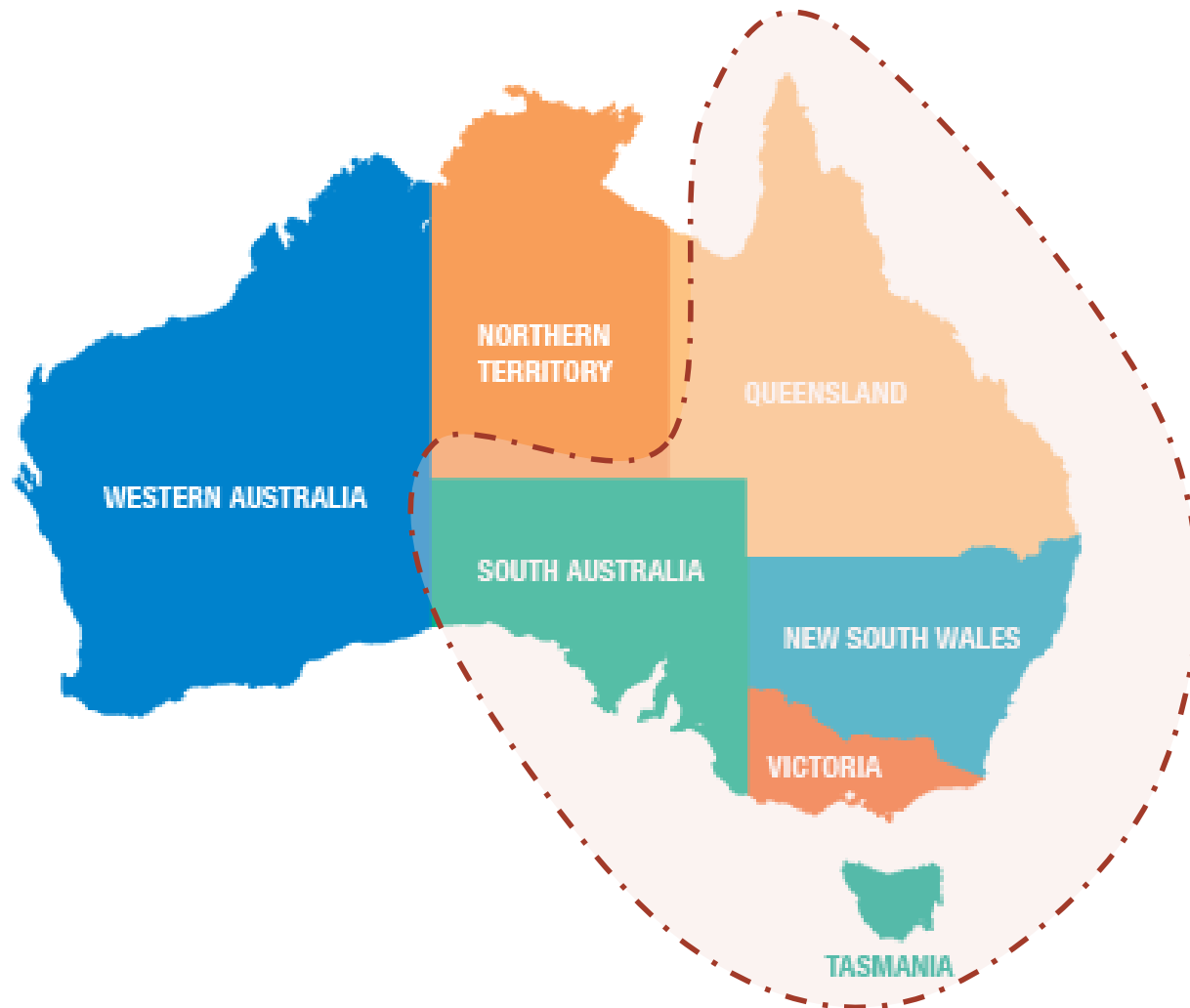
Presentation to AES Briefing
3 June 2016

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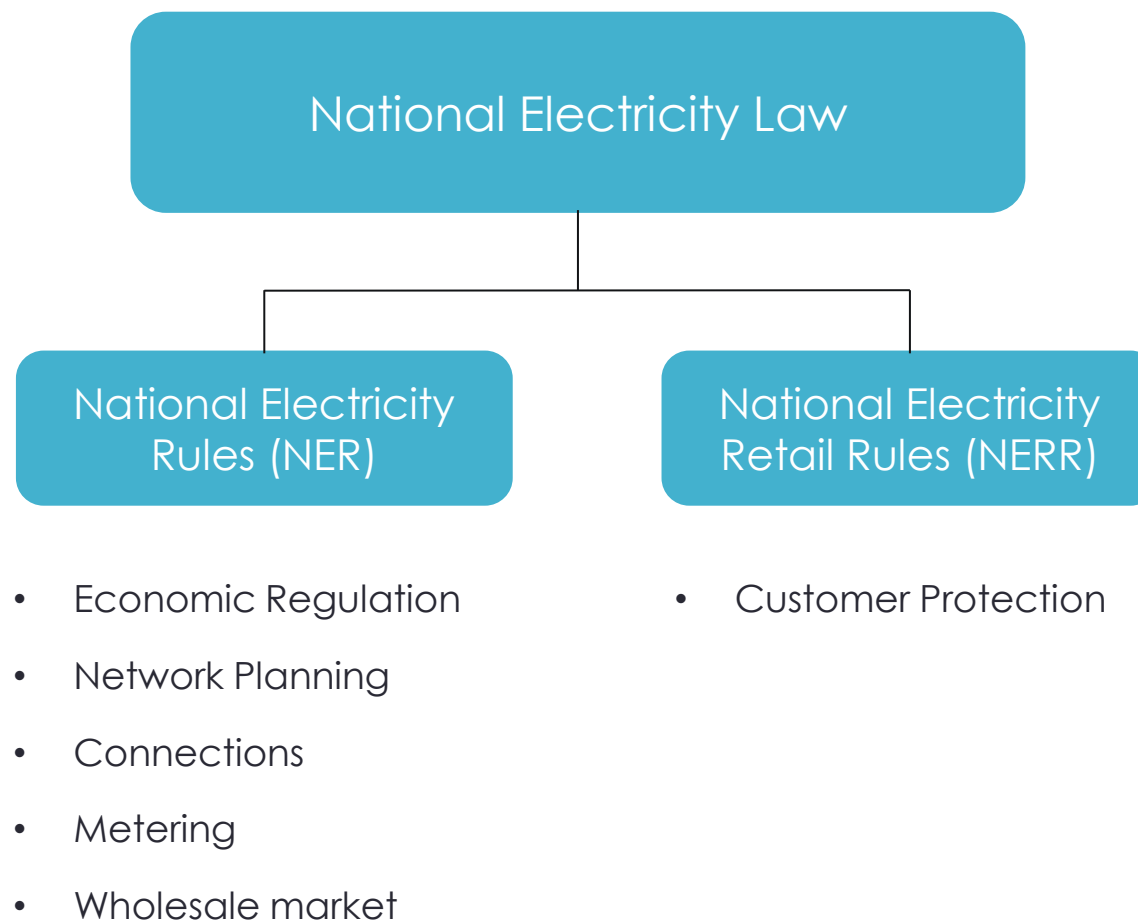


Legal framework and institutions

National Electricity Market (NEM)



Legal architecture



National Electricity Objective ('the NEO')

“to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

– price, quality, safety, reliability, and security of supply of electricity; and

- the reliability, safety and security of the national electricity system.”

Key institutions



- Policy setting and strategic direction



- Economic regulation and enforcement
- Develops guidelines under National Electricity Rules



- Modifies National Electricity Rules
- Reviews and advice (on the request of COAG Energy Council)

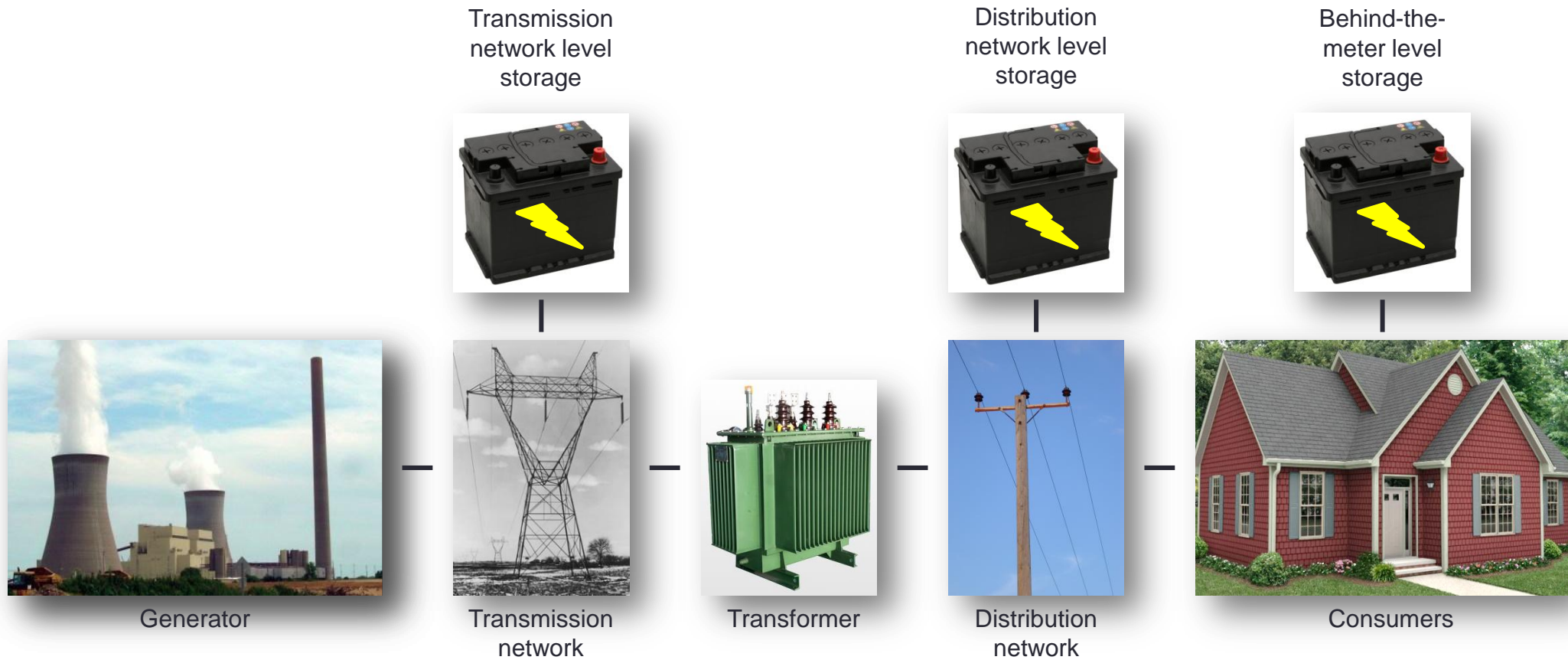


- System and Market operations

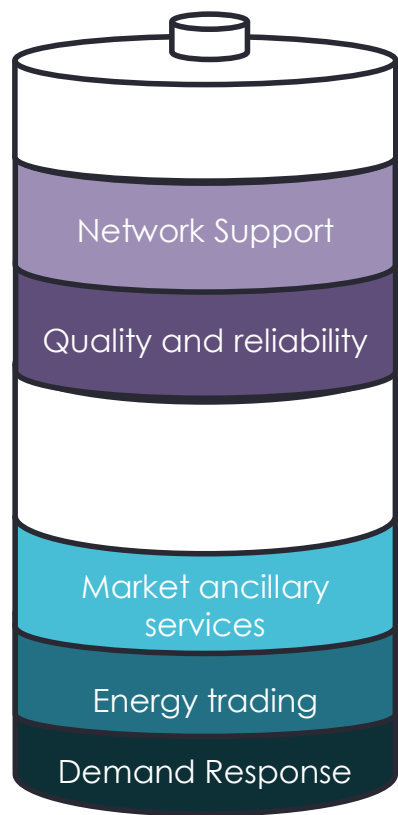


How is storage treated?

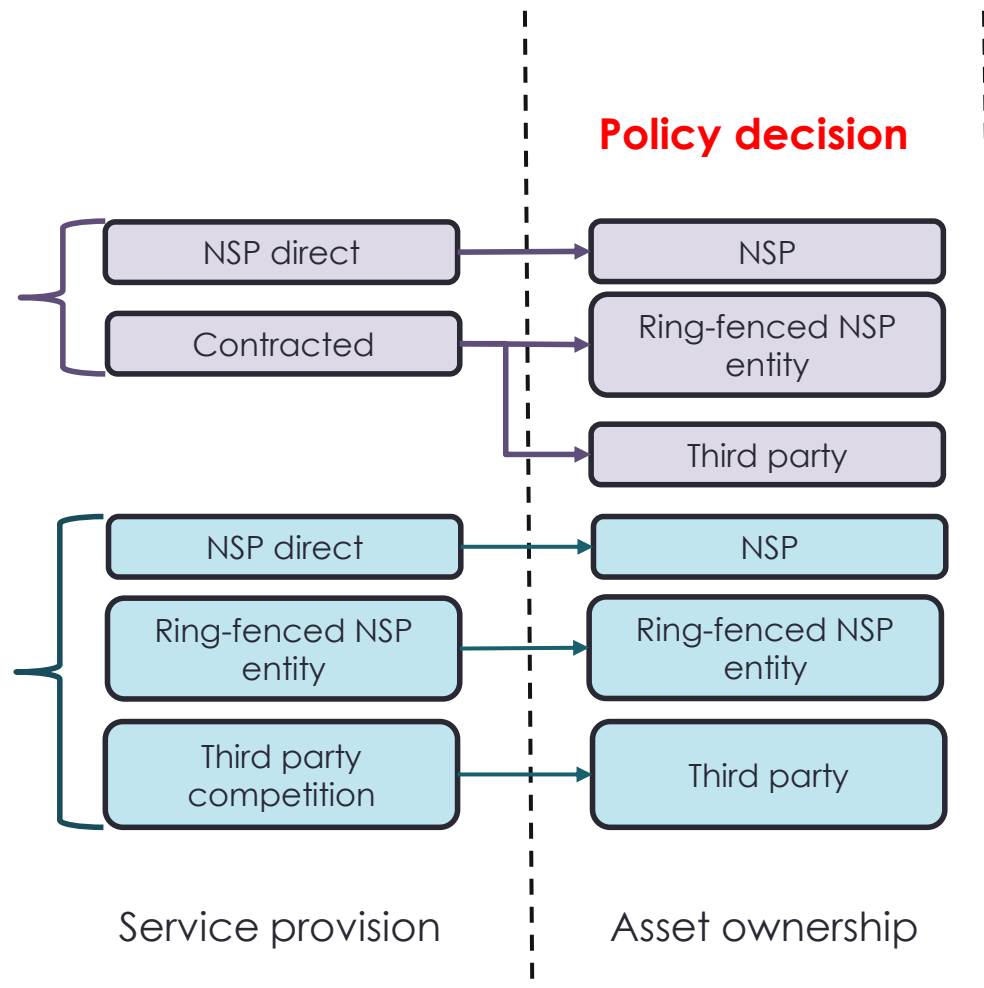
Storage can enter the supply chain at several points

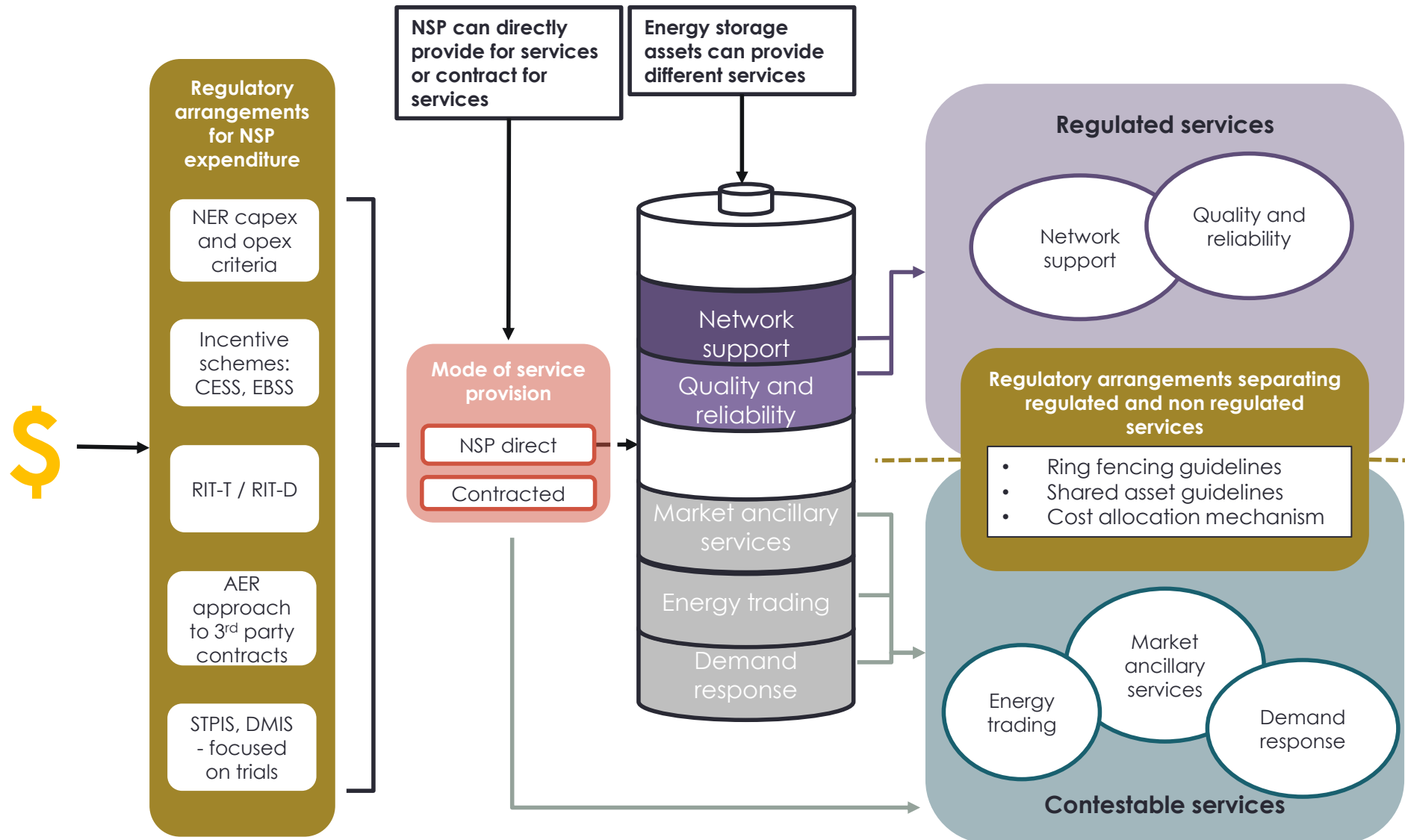


Storage can provide different services



Services from energy storage







Policy developments

COAG Energy Council work program

- Have been a number of working groups
- December 2015 agreed to a consolidated work program to examine:
 - › Services that require economic regulation and those that should be open to competition
 - › Effectiveness of existing NER in driving efficient network investment and operational decisions (including demand-side response)
 - › Appropriateness of existing customer protections
 - › Adequacy of existing arrangements for power system security
 - › Regulation of stand-alone and non-interconnected systems
- Officials to report back at next meeting – mid-2016

AEMC 2015 Review of Storage

- AEMC initiated its own review (in collaboration with CSIRO).
- Focus on understanding the regulatory impact of integration of storage into the NEM.
- Findings:
 - › Services behind the meter should be treated as contestable services (only provided through contestable business)
 - › Need for effective ring-fencing
 - › Review incentives for DNSPs to substitute opex for capex
 - › Review technical requirements for connection for smaller generators to ensure suitable for storage
 - › Clarify requirements for aggregators to offer ancillary services
- Recommendations would need to be adopted by COAG Energy Council and submitted as Rule change

Current AER review of distribution ring-fencing provisions

- AER required to complete review by 1 December 2016; DNSPs must comply by 1 December 2017
- April 2016 position paper, proposes that all contestable services:
 - › must be in a separate legal entity to the DNSP;
 - › separate physical location and staff;
 - › establish and maintain separate accounts
 - › ensure there is no cross subsidy;
 - › protect customer information, and ensure that information provided to a ring-fenced entity is also available to third parties on an equal basis; and
 - › ensure information obtained by the DNSP is not disclosed to any party without the informed approval of the customer.
- AER can apply waivers, where costs > benefits

Relevant recent Rule changes/proposals

- Embedded networks – December 2015
 - › Rules relating to private networks connected to the distribution network
- Metering contestability Rule change – December 2015
 - › Provides for a contestable roll-out of smart meters
 - › Retailers to appoint ‘metering co-ordinators’ – which can be any registered party
 - › Arrangements to start in December 2017.
- Demand Response Mechanism and Ancillary Services unbundling rule change – ongoing
 - › proposal to create a demand response mechanism in the spot market, and allow third-party provision of market ancillary services to AEMO.
 - › Draft rule now expected end-July 2016



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