



## **Ausgrid Submission**

Issues Paper – DER Orchestration Roles and Responsibilities  
September 2020

25 September 2020



Stephen Edwell  
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Submitted by email: [energytransformation@energy.wa.gov.au](mailto:energytransformation@energy.wa.gov.au)

Dear Stephen,

Ausgrid welcomes the opportunity to comment on the Energy Transformation Taskforce's Issues Paper (the Issues Paper) on Distributed Energy Resources (DER) Orchestration Roles and Responsibilities in the South West Interconnected System (SWIS), published on 14 August 2020.

Ausgrid owns and operates a shared distribution grid that stretches from southern Sydney to the Upper Hunter Valley, including the Sydney CBD. Our network supports over 20 percent of the national gross domestic product and over 4 million people who live or work within our network area.

We support the efficient evolution of the energy market in a way that reduces costs across the supply chain, while at the same time providing customers more choice and control. Like the SWIS, the National Electricity Market (NEM) is undergoing a significant transition, and insights from the Issues Paper and lessons from the DER Orchestration Pilot (the Pilot) will provide valuable insights to developments in the NEM. We acknowledge and appreciate the significant effort that has gone in to provide transparency and clarity on your current views on DER Orchestration Roles and Responsibilities.

The rationale for any changes to electricity market designs need to be well considered and tested to provide confidence to stakeholders and reduce perceived investment risks. Although the Issues Paper acknowledges that ideally the Pilot would inform the Roles and Responsibilities if time permitted, we still have some concerns with a design being locked in before being tested. We recommend maintaining flexibility within the framework for lessons to be incorporated and for the roles and responsibilities to continue to evolve over time.

Please find attached responses to a selection of the consultation questions posed in the Issues Paper. If you have any queries in respect of this submission, please contact Alida Jansen van Vuuren on 0411 436 108 or [alida.jansenvanvuuren@ausgrid.com.au](mailto:alida.jansenvanvuuren@ausgrid.com.au).

Regards,

A handwritten signature in black ink, appearing to read "Alex McPherson", written in a cursive style.

Alex McPherson  
Head of Regulation

## Response to consultation questions

### **Question D2: Should different ‘use of system’ charges apply for DER customers? If so, how should the costs and benefits of DER be accounted for?**

We recommend the Energy Transformation Taskforce considers a two-way tariff framework that could include negative tariffs to reward customers for network services their DER provides (e.g. rewards for exports during peak load times). We note that this can also be done through network support payments and that flexibility should be retained to allow both options, particularly for situations where DER is enrolled to provide network support in a specific location. Export specific tariffs should signal the long run marginal cost for consumption and exports (within their own peak periods). Locational prices for exports could be considered, to promote efficient investment in DER and its spatial integration in the network.

In a two-way tariff framework, tariffs could also reflect the depth of the network utilisation: local use of system charges can be developed for the flows that are exchanged and traded within the local distribution area. With the symmetry of consumption and export charges, export tariffs can reward behaviour that defers or avoids network investment.

Export tariffs complement cost-reflective consumption tariff structures with the effect of reducing the need for future network augmentation costs and placing downward pressure on network prices for all customers. It does so by leveraging behavioural response by customers or encouraging measures by retailers or aggregators in response to price signals.

### **Question G6: Who should be responsible for the dispatch of DER owned by Western Power to address network support needs?**

It is important that the Roles and Responsibilities framework allows Western Power and AEMO to work collaboratively to address the increasingly complex challenge of balancing supply and demand. As explained in the ESB’s Post 2025 Consultation Paper<sup>1</sup>, system strength services do not naturally lend themselves to being procured through a spot price market mechanism and that structured procurement arrangements should be considered.

AEMO should be able to enter into bilateral contracts with Western Power to provide system strength services. This could include Western Power utilising assets owned by them to provide this service and may be a more transparent outcome for customers as this would be subject to regulatory oversight. In addition, dispatch operations will need to be mindful of day-to-day operational conditions (for example the exact switched state of the network) which further necessitates the need from Western Power and AEMO to collaborate.

Further to this, responses from smaller scale DER might be more cost effectively implemented through responses to local conditions (for example, through monitoring and autonomously responding to frequency changes) rather than being dispatched by any one party. The Pilot would be a good opportunity to test different dispatch protocols.

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<sup>1</sup> Refer to Figure 22 (p 70) in ESB Post 2025 Market Design Consultation Paper available at <https://esb-post2025-market-design.aemc.gov.au/32572/1599383248-p2025-market-design-consultation-paper-final.pdf>

A scenic landscape at sunset. A paved road curves through a wooded area. Large trees are silhouetted against the bright orange and yellow sky. A utility pole with power lines stands on the right side of the road. The overall mood is peaceful and serene.

**Thank you**

