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Dear Ms Gardner

## **SUBMISSION ON ERA'S DRAFT FRAMEWORK AND APPROACH**

Energy Policy WA welcomes the opportunity to comment on the Economic Regulation Authority's (ERA) 's Issues Paper on the Framework and Approach for the review of Western Power's Fifth Access Arrangement.

Energy Policy WA is interested, in particular, in those elements of the Framework and Approach that relate to key actions arising from the State Government's Energy Transformation Strategy. Specifically, those elements include the design of network reference services and the implementation timeframe for Advanced Metering Infrastructure (AMI).

The accelerating uptake of rooftop solar photovoltaic (PV) systems is resulting in emerging risks to power system security. Analysis by the Australian Energy Market Operator and Western Power indicates that, in the absence of changes to regulation and power system operation, the security of the power system could be compromised as early as 2023.

The Energy Transformation Taskforce, supported by Energy Policy WA, is responsible for implementing the Energy Transformation Strategy, a critical body of work designed to address these risks as the penetration of new technologies such as intermittent output from wind generation and PV systems accelerates and new technologies such as battery storage provide opportunities to more efficiently manage the energy transition.

Released in April 2020, the Distributed Energy Resources (DER) Roadmap was the first major deliverable of the Energy Transformation Taskforce. The DER Roadmap identifies the short- and medium-term actions required to efficiently and safely integrate DER (such as rooftop PV and battery storage systems) within the power system.

Specific initiatives being undertaken under the DER Roadmap include a DER orchestration trial (referred to as Project Symphony), multi-function battery storage in Western Power's distribution network, the accelerated adoption of new standards for DER (such as those covering inverter systems), and tariff pilots for residential customers. These measures are designed to place downward pressure on overall power system costs while maintaining it in a secure and reliable operating state as DER become increasingly prevalent. Critically, the actions within the DER Roadmap will, over time, enable DER to transition from being passive devices that contribute to risks in power system operation to being active devices that support its efficient and secure operation.

The DER Roadmap actions will enable small customers' DER to be grouped or aggregated into dispatchable Virtual Power Plants (VPPs) able to provide a range of services to the power system, including participation in the Wholesale Electricity Market. It is anticipated that battery storage systems, including those in electric vehicles, will form an important component of VPPs and assist in managing the current misalignment between the bulk of energy generated by rooftop solar PV systems in the middle of the day and peak demand for electricity, which is usually in the evening when solar PV systems are no longer generating.

In addition to the important role to be played by DER in the operation of the power system, the DER Roadmap also identified the current flat structure of retail electricity tariffs as being inconsistent with a high-DER future and recommended the piloting of alternative residential electricity tariff structures that encourage system-efficient use and investment. In particular, it will be critical to send signals for managing low load and for the efficient charging of electric vehicles prior to their mass adoption. Network tariffs that reflect the current and longer-term costs of providing network services and signal customer behaviours that support the efficient operation of the power system are an essential foundation for the development of retail tariffs (including tariffs for customers with electric vehicles) consistent with a high DER future.

AMI and access to the associated communications technology is a fundamental enabler to many of the actions under the DER Roadmap, including both distribution network visibility and improved tariff offerings. The full benefit of many of the actions under the DER Roadmap, including those required to support power system security and reliability, will only be realised when AMI coverage is universal. Energy Policy WA understands that universal coverage of AMI in Western Power's service area is currently anticipated to be achieved by 2032, but considers that this timeframe must be accelerated to enable visibility, aggregation and access to a greater variety of pricing products that benefit both the customer and the power system.

Energy Policy WA also considers that revenue uncertainty resulting from the rapid changes in the energy sector (such as those to customer demand and DER uptake) have the potential to result in a preference for more conservative network pricing structures that prioritise the management of nearer-term revenue risk over the provision of price signals that will reduce future costs. If adopted, more conservative pricing structures (characterised by higher fixed charges and flat per kilowatt hour rates) will reduce retailers' ability to offer tariffs that signal consumption behaviour and investment decisions (such as for energy storage) that support the efficient operation of the power system and will place downward pressure on its overall cost. As such, Energy Policy WA supports methods of price control that provide a basis for offering tariffs that support the transition of the power system to a high renewable energy (including high DER) future.

In summary, in the context of the ERA's decision on the Framework and Approach for Western Power's Fifth Access Arrangement, Energy Policy WA supports the inclusion of two important elements:

1. acceleration of Western Power's AMI implementation schedule (prioritising customers with existing DER) to support actions under the Government's DER Roadmap, such as DER aggregation and improved tariffs; and
2. network tariff structures (reflected in reference services) that reward efficient use of the power system, provide forward-looking price signals to reduce power system costs over time, and support the adoption and use of technologies such as distributed energy storage and electric vehicles in an efficient manner.

If you have any questions regarding the content of this letter, please contact Mr Jai Thomas, Program Director Energy Transformation on (08) 6551 4616 or at [jai.thomas@energy.wa.gov.au](mailto:jai.thomas@energy.wa.gov.au).

Yours sincerely

KATE RYAN  
**COORDINATOR OF ENERGY**

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