



AGL Energy Limited

T 02 9921 2999

F 02 9921 2552

agl.com.au

ABN: 74 115 061 375

Level 24, 200 George St

Sydney NSW 2000

Locked Bag 1837

St Leonards NSW 2065

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Energy Queensland

PO Box 1090

Townsville, QLD 4810

Sent via email: emergencybackstop@energyq.com.au

Queensland Emergency Backstop Mechanism

AGL Energy (AGL) welcomes the opportunity to respond to the Queensland Emergency Backstop Mechanism Consultation Paper.

AGL is one of Australia's largest energy-led multi-service retailers, providing over 4.2 million electricity, gas and telco services to residential, small, and large businesses, and wholesale customers, including over 400,000 customers in Queensland. We operate Australia's largest electricity generation portfolio, with an operated generation capacity of over 11GW, which accounts for approximately 20% of the total generation capacity within Australia's National Electricity Market. AGL is also a market leader in the development of innovative products and services that enables our customers to make informed decision on how and when to use their consumer energy resource (CER) assets to optimise their energy load profile and better manage their energy costs.

While we understand the rationale for the proposed emergency backstop mechanism and do not object in principle to its introduction in Queensland, we encourage the Australian Energy Market Operator (AEMO), Powerlink and Energy Queensland to give additional consideration as to how risks of adverse or unintended customer outcomes can be further mitigated. We note AEMO's forecast for Queensland's future minimum demand conditions, which underscores the risk of increasing penetration of distributed solar PV to system security. In the near future, AGL believes that dynamic operating envelopes for solar PV will be one of the leading solutions to declining minimum demand conditions caused by the rapid proliferation of CER assets in Queensland. Until Queensland's backend infrastructure can enable dynamic operating envelopes, it is important that the interim backstop mechanism includes appropriate safeguards to maintain consumer confidence in the future role of CER in the NEM while minimising the impact on investment certainty, consumer uptake, and the value of CER assets. In our submission we discuss a number of opportunities to improve outcomes, such as:

- Incorporating the policy intention that the emergency backstop mechanism be used only as a measure of last resort into the regulatory framework;
- Explicitly excluding battery storage assets from the backstop mechanism and requirement to install a Generation Signalling Device (GSD);
- Introducing a requirement for DNSPs to notify impacted customers of the curtailment of their solar;
- Waive any demand charge reset accumulated by customers during the curtailment period; and
- Revise the implementation timeframe from November 2022 to 1 January 2023.



Measure of Last Resort

To create a social licence and acceptance for the use of the emergency backstop mechanism, consumers need to have confidence that their distributed solar PV will be constrained only in rare and extenuating circumstances and that this response is proportionate to the crisis it seeks to avert. Accordingly, we recommend that the system conditions under which the backstop mechanism is applied and the overarching principle that it is only used as a measure of last resort when other available tools have been exhausted, are enshrined and expressly incorporated within the relevant energy laws and regulations. This will support the policy intention that the mechanism be used only emergency situations rather than to manage network constraints more broadly.

AGL also recommends codifying the annual review of the emergency backstop mechanism to ensure that it remains fit-for-purpose and effective until such a time that other market solutions including dynamic operating envelopes supersede it. This measure should be complemented by a firm commitment from the proponents to implement Queensland's dynamic operating envelope framework within two to four years with a view to remove the emergency backstop mechanism at that time.

DRM 5

For solar inverters that are enabled with the functionality, it is AGL's preference that the GSD activates demand response mode DRM5 (Do not generate power) rather than DRM0, where possible.

Batteries

As we understand, battery storage systems are captured in the Consultation Paper under the definition of Inverter Energy System connection and therefore, subject to the GSD installation requirements if other is met criteria. The inclusion of batteries in the backstop mechanism could disincentivise the uptake of batteries and create challenges for orchestration by VPPs and aggregators. We believe this could create additional barriers to developing innovative and forward-thinking solutions for Queensland's system security. Our recommendation is that the emergency backstop mechanism apply only to solar generating inverters and explicitly excludes battery inverters from the requirement to install a GSD.

During a minimum demand event, market signals will reflect the demand conditions through negative or floor pricing, meaning that the battery itself is unlikely to be exporting to the grid at that time, instead, it may be covering the customer's load. In other instances, for example, where excess solar is charging the battery, triggering a DRM0 response in the battery is unlikely to increase the actual load on the grid and will not work to alleviate the minimum demand conditions.

For clarity, we consider that batteries rather than sites *with* batteries should be excluded from the emergency backstop mechanism requirements. Further, customers should be able to retrofit a battery at their premises, without the requirement to install a GSD at the same time or make further changes to existing solar PV systems.

Capacity Requirements

AGL recommends that an aggregate installed capacity is revised to be *greater than* 10kVA per phase as opposed to equal to or above 10kVA as is proposed in the Consultation Paper. The current requirements may affect a vast portion of customers which were potentially not intended to be captured by the backstop mechanism criteria.



Customer Notification

Energy Queensland has indicated as part of this consultation process, that customers would not receive a prospective or retrospective notification relating to the curtailment of rooftop solar during emergency events. We disagree with this approach and recommend that customer notification requirements are incumbent on DNSPs to advise that an emergency event has occurred or will occur, and that the customer's solar PV system may be impacted. It is also important to advise customers and the market where the event likely to occur to aid in both the customer planning energy consumption around the potential limitations and the market providing support prior to inverter curtailment. At a time when Australians are significantly impacted by inflationary pressures and sensitive to increasing energy prices, it is a reasonable that customers are notified of the solar curtailment at the time of the event. DNSPs will have visibility of impacted customers so that it would not be overly burdensome to provide a notification for example, through SMS. This is particularly relevant for customers on a demand charge that would benefit from the increased transparency to manage their energy costs and consumption following the event.

Impact on Demand Charge Customers

A subset of customers affected by the backstop mechanism will be C&I sites which are subject to a demand tariff and who may rely on distributed solar PV to minimise consumption from the grid and manage the demand component of their energy bill. There is a risk that these customers will be disproportionately impacted by the curtailment of solar PV where it results in a reset to their demand charge during that billing period. It is AGL's recommendation that in the event of a demand charge reset during the curtailment period, DNSPs consider waiving the customer's demand peak if accrued during that time so that this subset of customers is not penalised twice for providing a system service.

Implementation Date

The commencement date for the installation of the GSD into eligible systems should be revised from November 2022 to 1 January 2023. The implementation timeframe should sufficiently account for the operational realities associated with:

- Supply chain considerations and the availability of the GSD from a single supplier in the market.
- The time required to procure and deliver the device to the retailer or installer.
- Establishing new installation processes.
- Technician training.
- Incorporating the GSD installation requirement into BAU systems and processes for large organisations with multidisciplinary teams.

If you would like to discuss any aspect of AGL's submission, please contact Valeriya Kalpakidis at vkalpakidis@agl.com.au.

Yours sincerely,

Chris Streets

General Manager (a/g) Policy, Markets Regulation and Sustainability