ENERGY CONSUMERS AUSTRALIA

Social Licence for Control of DER

Live Webinar Event
March 23, 11am-12.30pm AEDT

Melanie Koerner
CutlerMerz

Violette Mouchaileh
AEMO

Jo Witters
Energy Security Board

Vince Duffy
Government of South Australia

Lynne Gallagher
Energy Consumers Australia

#DERControl

AGENDA

1. Welcome, acknowledgement of country and introductions plus opening remarks from Lynne Gallagher, CEO Energy Consumers Australia
2. Presentation on the ‘Social Licence for Control of DER’ report by Melanie Koerner, Principal Consultant at CutlerMerz
3. Remarks from our panelists
4. Panel discussion, followed by Q&A and final reflections
5. Your feedback and our thanks

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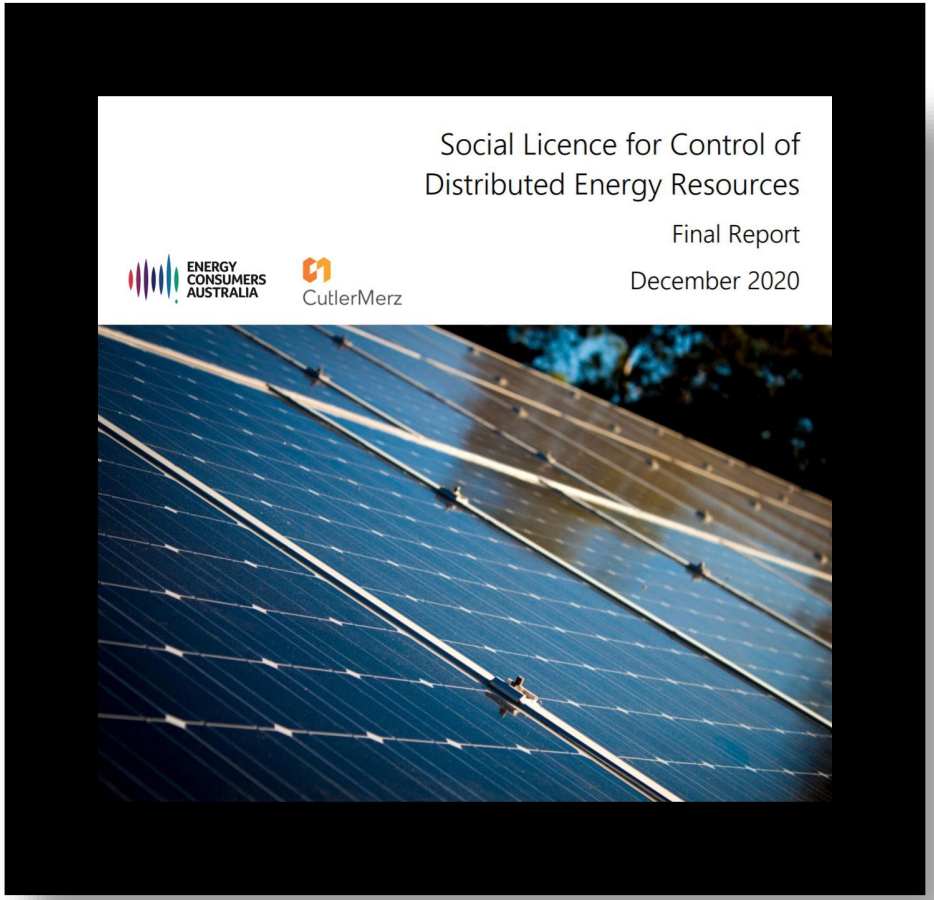

How government and industry secure consumer and community support to manage these resources in a trusted way that creates value for the owners and the community is key to a successful transition.

ECA Social licence for DER Control

Webinar

23 March 2021

ENERGY CONSUMERS AUSTRALIA

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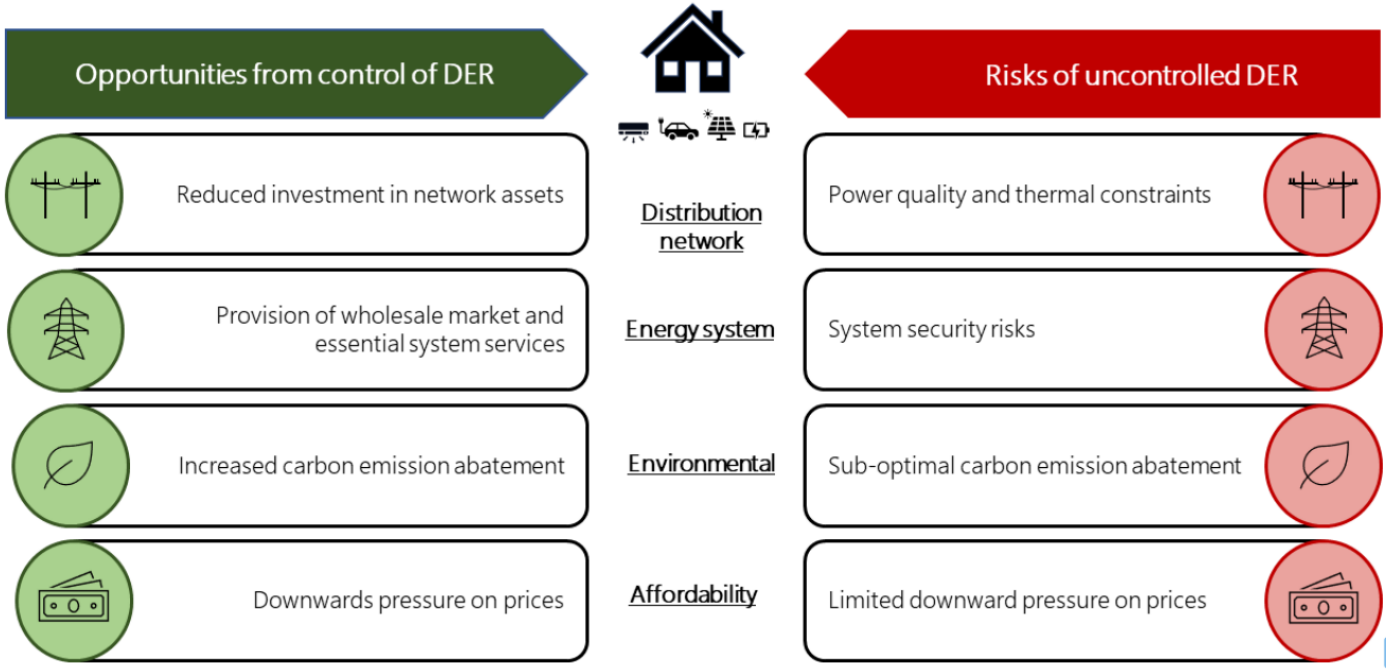
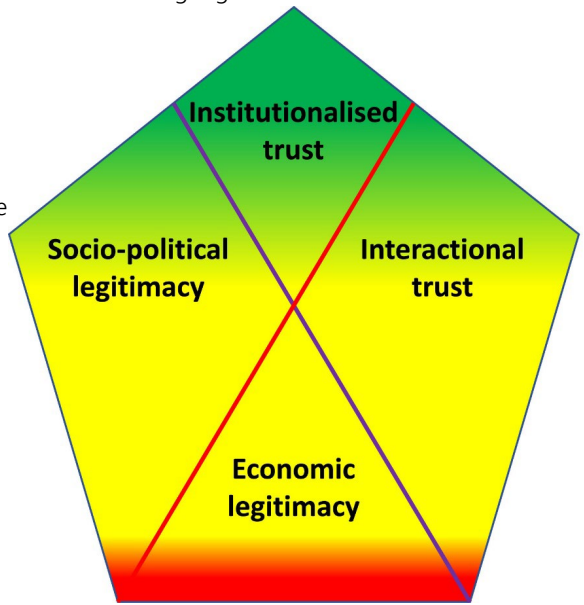

Opportunities from control of DER
Risks of uncontrolled DER
Reduced investment in network assets
Distribution network
Power quality and thermal constraints
Provision of wholesale market and essential system services
Energy system
System security risks
Increased carbon emission abatement
Environmental
Sub-optimal carbon emission abatement
Downwards pressure on prices
Affordability
Limited downward pressure on prices

The informal permissions granted by stakeholders for government or institutions to undertake decision making on behalf of energy consumers as to how they operate their DER systems, above and beyond what is required by law.

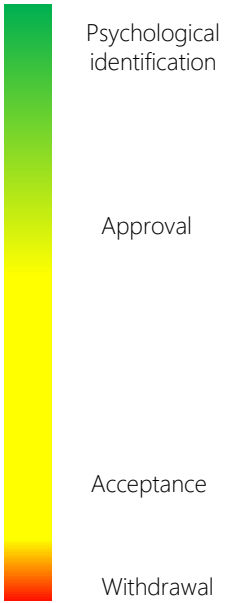
The perception that relations between the stakeholders' institutions (e.g., the community's representative organisations) and the institution are based on an enduring regard for each other's interests

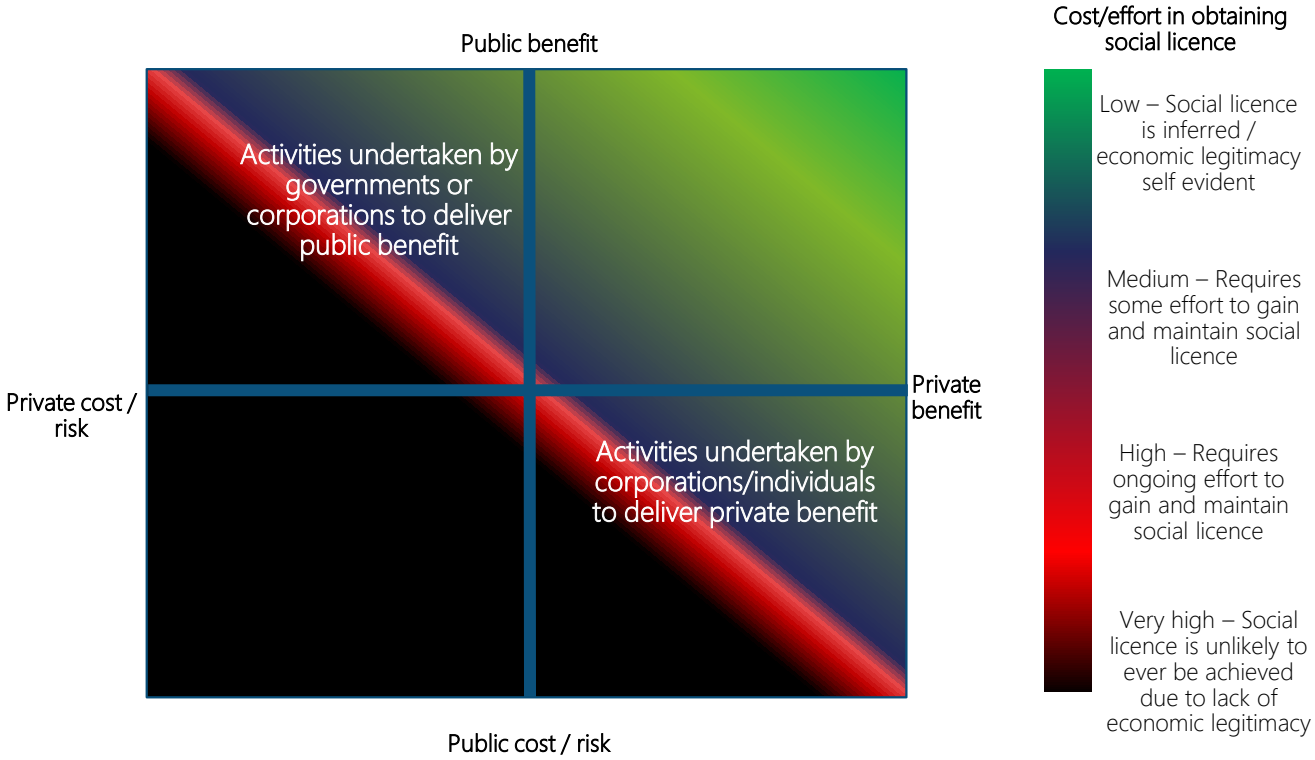


The perception that the activity contributes to the well-being of the community, meets expectations about its role in society, and acts according to stakeholders' views of fairness

The perception that the institution responds, keeps promises, engages in mutual dialogue, and exhibits reciprocity in its interactions

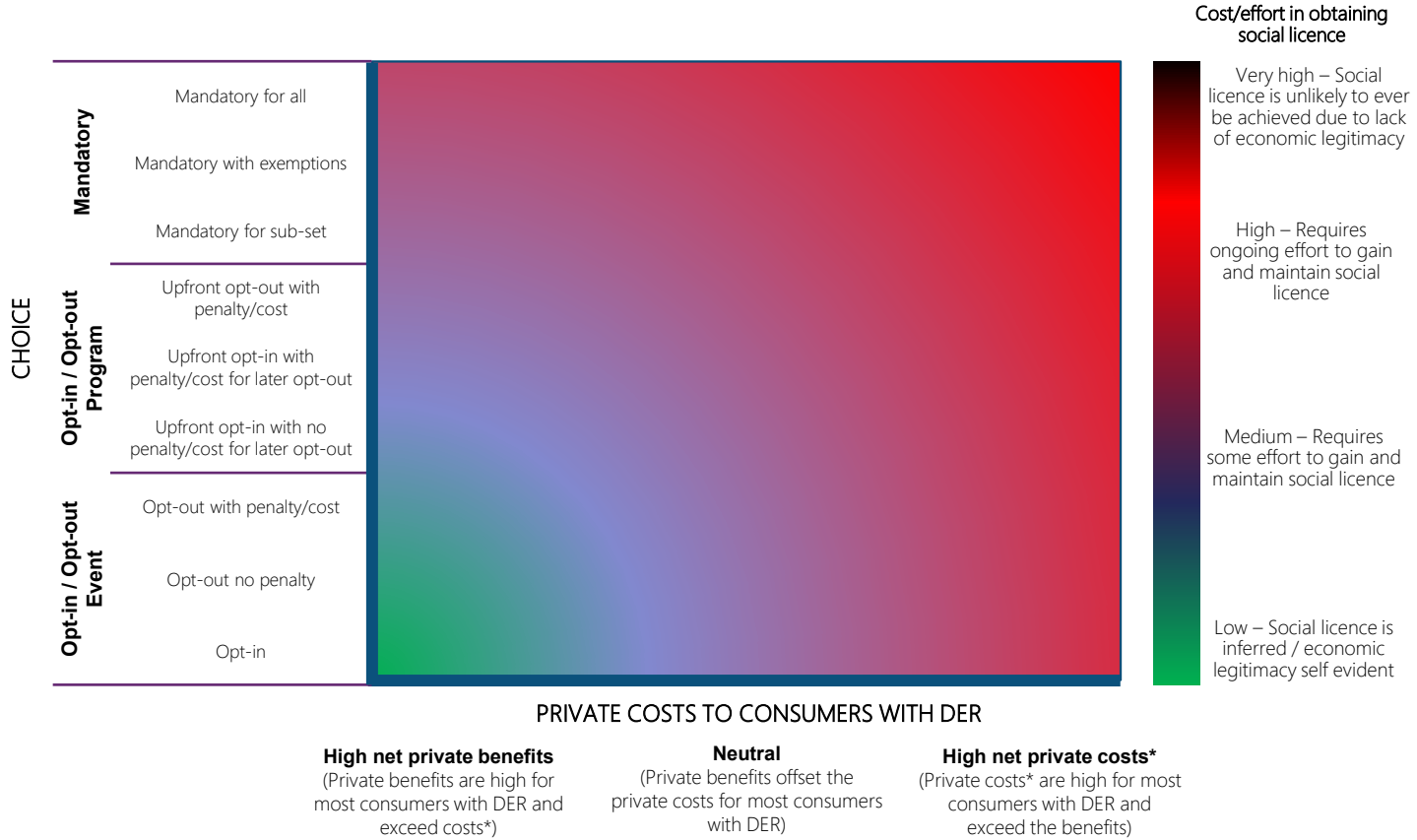
The perception that the activity offers a benefit to the perceiver




Public benefit
Activities undertaken by governments or corporations to deliver public benefit
Private cost / risk
Private benefit
Activities undertaken by corporations/individuals to deliver private benefit
Public cost / risk
Cost/effort in obtaining social licence
Low – Social licence is inferred / economic legitimacy self evident
Medium – Requires some effort to gain and maintain social licence
High – Requires ongoing effort to gain and maintain social licence
Very high – Social licence is unlikely to ever be achieved due to lack of economic legitimacy

We propose:

1. Wherever DER control has private costs (direct/indirect, real or perceived) a social licence to control must be obtained by or on behalf of the party undertaking the control.
2. The cost/effort required to gain and maintain a social licence for control of DER is directly related to the:
   - Consumer choice (the mandatory/voluntary nature of the program)
   - Whether private costs are outweighed by private benefits for all consumers with DER subject to control.
3. A lack of social licence results in:
   - Reduced uptake and/or increased opt-out of voluntary programs
   - Reduced compliance and/or high cost compliance and enforcement for mandatory programs
   - Potentially inability to achieve program objectives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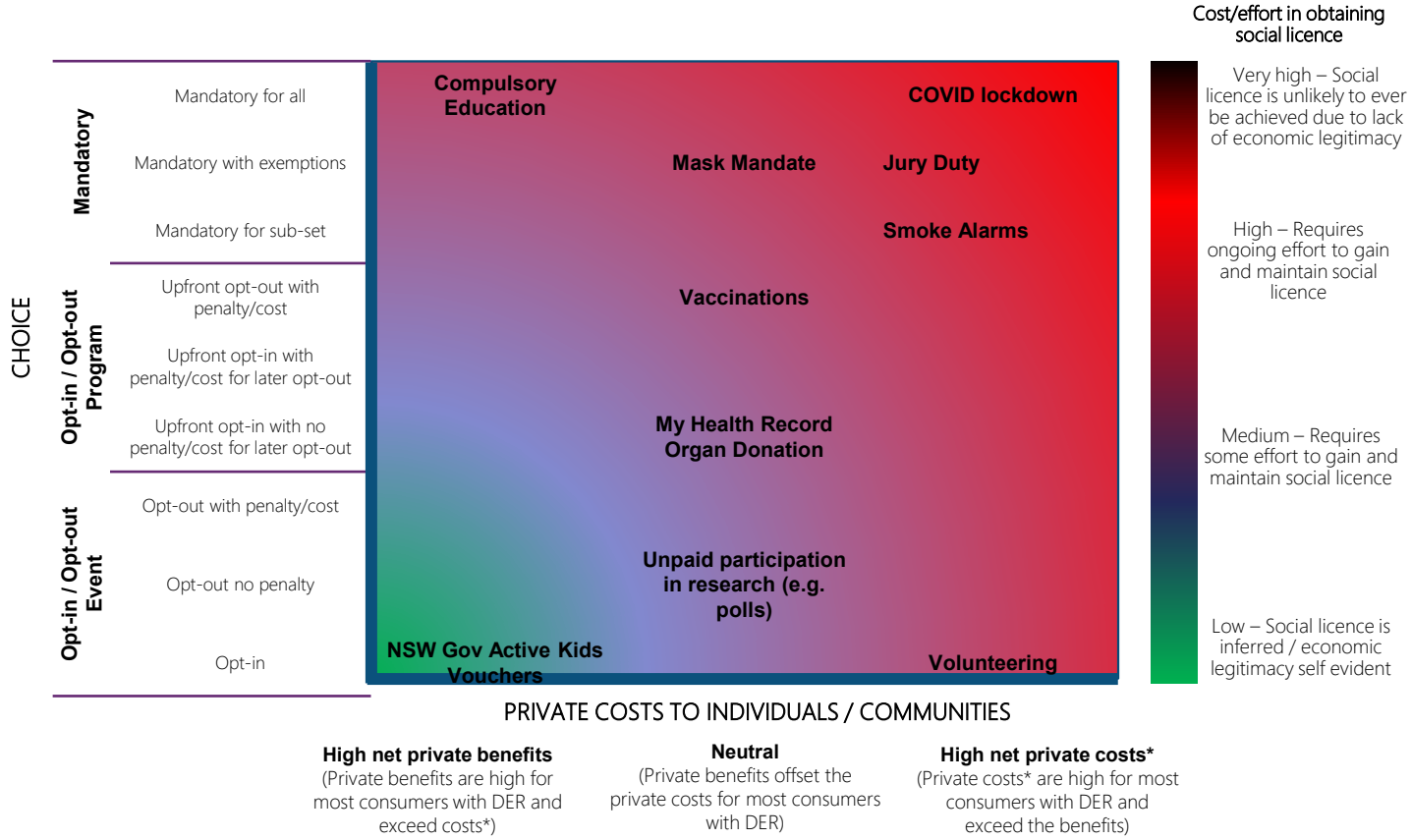
High – Requires ongoing effort to gain and maintain social licence
Medium – Requires some effort to gain and maintain social licence
Low – Social licence is inferred / economic legitimacy self evident
CHOICE
Mandatory
Mandatory for all
Mandatory with exemptions
Mandatory for sub-set
Opt-in / Opt-out Program
Upfront opt-out with penalty/cost
Upfront opt-in with penalty/cost for later opt-out
Upfront opt-in with no penalty/cost for later opt-out
Opt-in / Opt-out Event
Opt-out with penalty/cost
Opt-out no penalty
Opt-in
PRIVATE COSTS TO CONSUMERS WITH DER
High net private benefits
(Private benefits are high for most consumers with DER and exceed costs*)
Neutral
(Private benefits offset the private costs for most consumers with DER)
High net private costs*
(Private costs* are high for most consumers with DER and exceed the benefits)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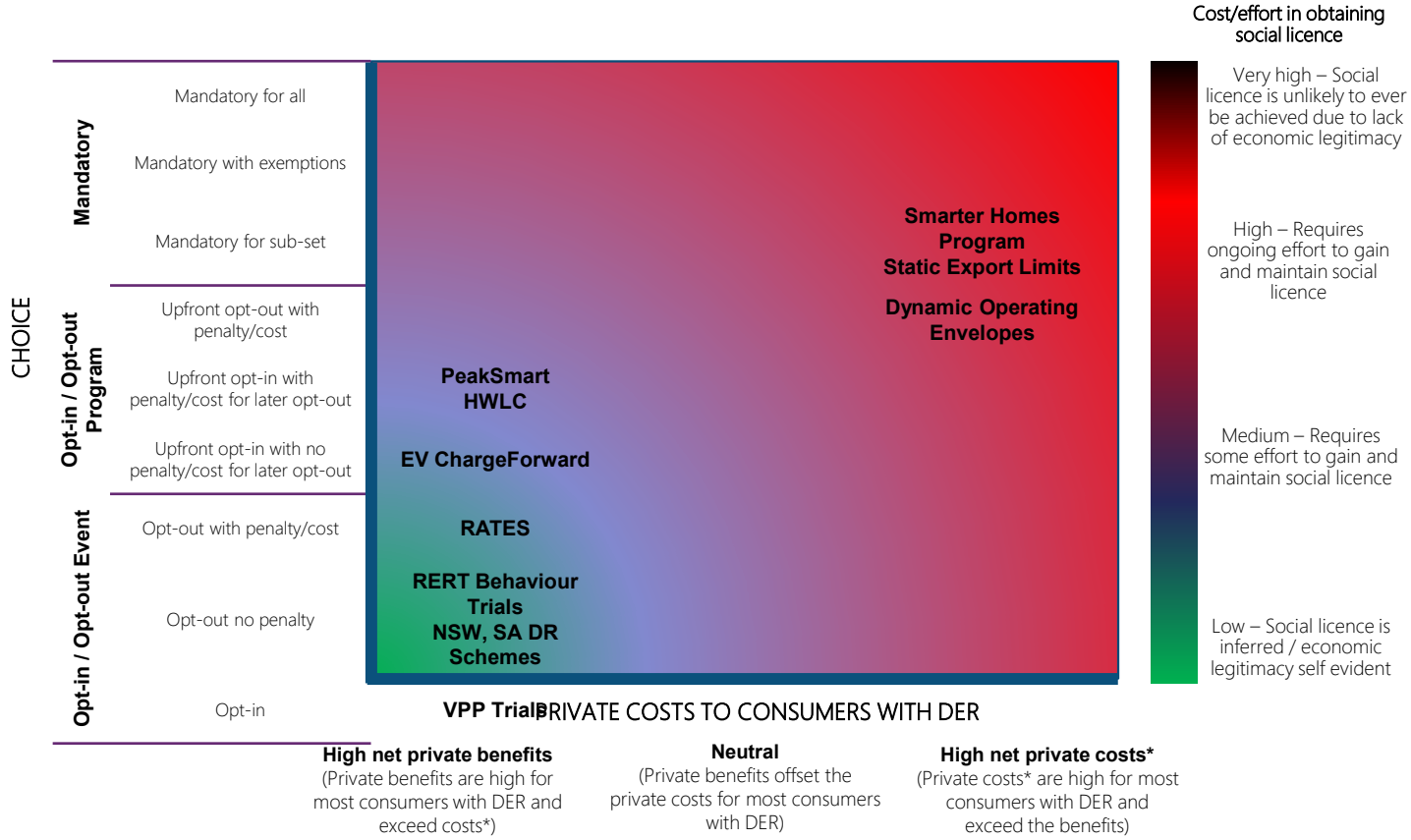
Opt-out no penalty
Opt-in
Compulsory Education
COVID lockdown
Mask Mandate
Jury Duty
Smoke Alarms
Vaccinations
My Health Record
Organ Donation
Unpaid participation in research (e.g. polls)
NSW Gov Active Kids Vouchers
Volunteering
Cost/effort in obtaining social licence
Very high – Social licence is unlikely to ever be achieved due to lack of economic legitimacy
High – Requires ongoing effort to gain and maintain social licence
Medium – Requires some effort to gain and maintain social licence
Low – Social licence is inferred / economic legitimacy self evident
PRIVATE COSTS TO INDIVIDUALS / COMMUNITIES
High net private benefits
(Private benefits are high for most consumers with DER and exceed costs*)
Neutral
(Private benefits offset the private costs for most consumers with DER)
High net private costs*
(Private costs* are high for most consumers with DER and exceed the benefits)


Cost/effort in obtaining social licence
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Opt-out no penalty
Opt-in
Smarter Homes Program
Static Export Limits
Dynamic Operating Envelopes
PeakSmart HWLC
EV ChargeForward
RATES
RERT Behaviour Trials
NSW, SA DR Schemes
VPP Trials
PRIVATE COSTS TO CONSUMERS WITH DER
High net private benefits
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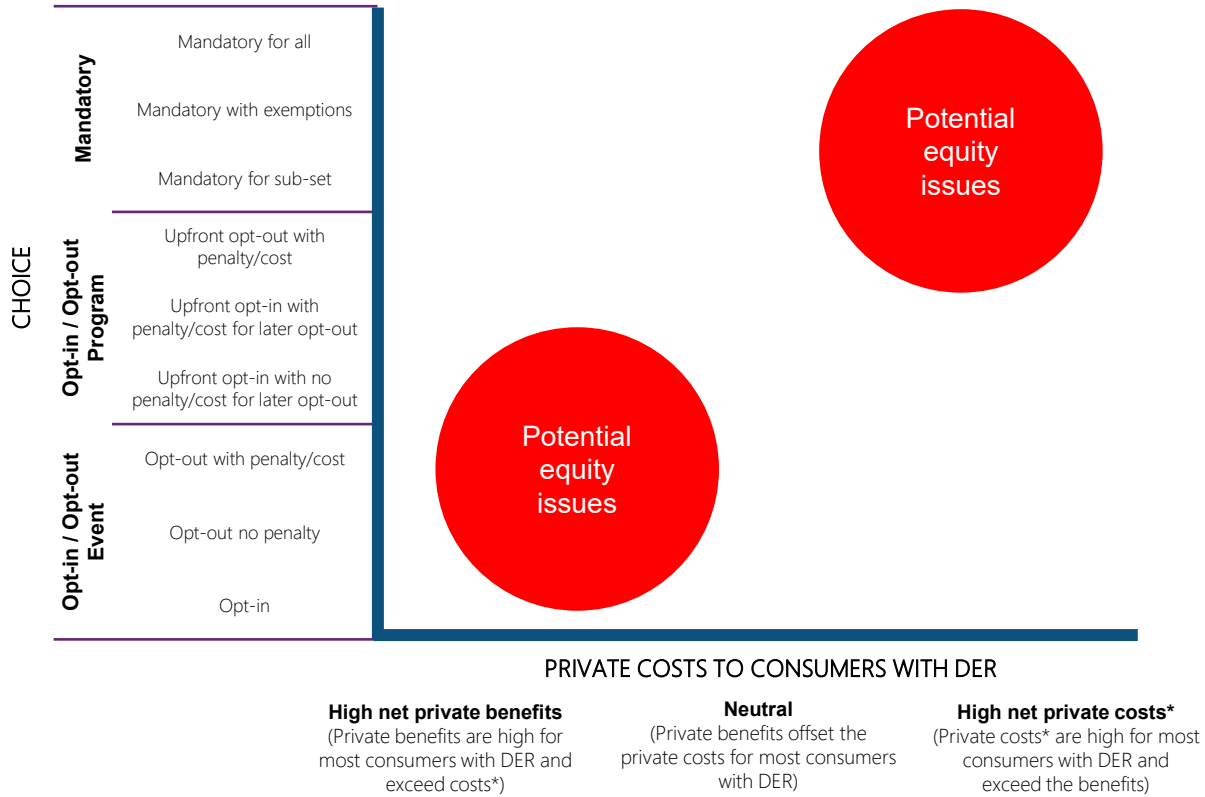
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Opt-in
Potential equity issues
Potential equity issues
PRIVATE COSTS TO CONSUMERS WITH DER
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Neutral
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High net private costs*
(Private costs* are high for most consumers with DER and exceed the benefits)

1. Ensure private benefits exceed private costs:
   - For voluntary programs:
     - Establish market for DER services so consumer can choose to respond
     - Remove barriers to opting-out
   - For mandatory programs, this can be achieved by:
     - Provide compensation for any private costs
     - Include exemptions for sub-sets of consumers with high private costs
     - Reconsider the need for a mandatory program
   - For all programs:
     - Consumer engagement to educate/reduce perception of private costs
     - Consumer engagement to explain how public benefit will personally benefit consumers (e.g., a black out less likely to occur)

2. Establish trust and demonstrate fairness:
    - Control only undertaken for the purposes of delivering the program's expressed objectives
    - Transparency at the program level
    - Transparency at the consumer level
    - Avoid surprises where consumers are unexpectedly:
        - Unable to opt-out or high cost of opt-out due to lack of understanding
        - Unable to opt-out or high cost of opt-out due to technology
    - Ongoing evaluation of the program inc via consumer engagement
    - Address equity issues via program design or complementary measures

Disclaimer

The material in this document has been prepared by CutlerMerz.

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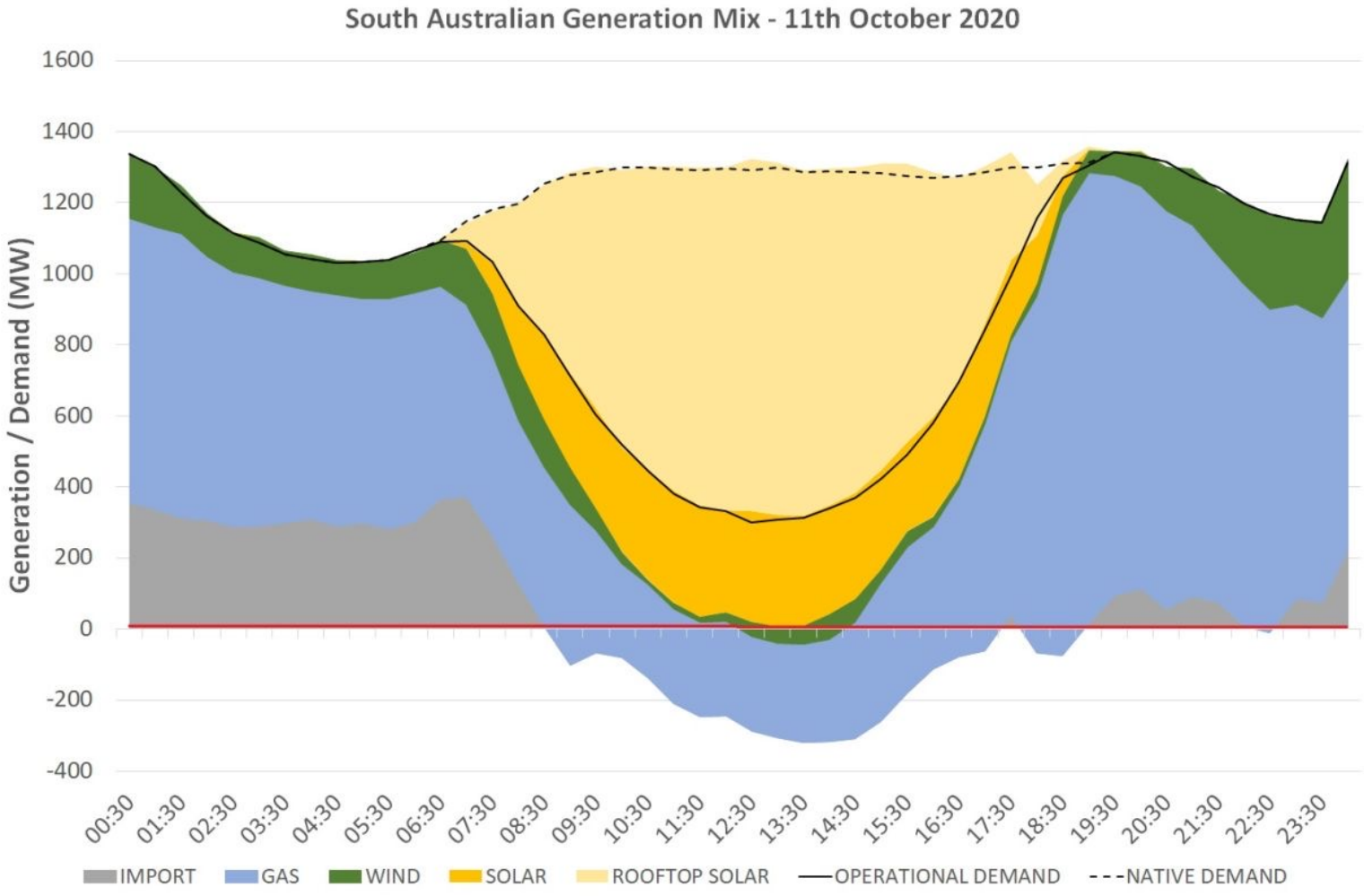
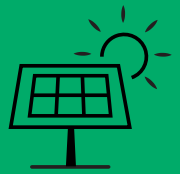

South Australian Generation Mix - 11th October 2020
Generation / Demand (MW)
1600
1400
1200
1000
800
600
400
200
0
-200
-400
00:30
01:30
02:30
03:30
04:30
05:30
06:30
07:30
08:30
09:30
10:30
11:30
12:30
13:30
14:30
15:30
16:30
17:30
18:30
19:30
20:30
21:30
22:30
23:30
IMPORT
GAS
WIND
SOLAR
ROOFTOP SOLAR
OPERATIONAL DEMAND
NATIVE DEMAND



This webinar and accompanying slides will be made available on our website

These will also be emailed to all registered attendees

We want your feedback, input and examples

Thank you for joining us today.

Please send your feedback and suggestions

to digital@energyconsumersaustralia.com.au