



Carmel Donnelly  
Chair  
Independent Pricing and Regulatory Tribunal  
PO Box K35, Haymarket Post Shop  
NSW 1240

1 July 2024

To Carmel Donnelly

### **Draft PDRS Method Guide**

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Independent Pricing and Regulatory Tribunal (IPART) in response to its consultation draft on the Peak Demand Reduction Scheme (PDRS) Method Guide.

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet which includes renewables, gas-powered generation, diesel peakers, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE provides its retail customers with access to innovative products that have a focus on consumer energy resources (CER), such as residential virtual power plants (VPP) and electric vehicle charging. ENGIE is also currently collaborating with several distribution network service providers regarding opportunities for network-owned, retailer-leased, community batteries.

ENGIE supports the introduction of new incentives for households and small businesses to install and operate batteries through the new BESS1 and BESS2 activities. We consider that these new activities have the potential to accelerate the uptake of batteries and help reduce peak energy consumption in New South Wales.

In this submission, ENGIE has provided feedback on several aspects of the draft PDRS Method Guide and the implications for the provision of BESS1 and BESS2 activities.

### **Equipment requirements – usable battery capacity**

The equipment requirements are not clear about whether a customer can install multiple batteries and be eligible for the creation of peak reduction certificates (PRCs). As this is a scenario that may occur in practice, ENGIE would appreciate clarity on this in the final PDRS Method Guide.

## Equipment requirements – warranted throughput

ENGIE is concerned the requirement that end-user equipment of a minimum warranted throughput of 3.6 MWh per kWh of usable battery capacity may exclude popular battery models, such as those from Tesla and AlphaESS. [REDACTED]

ENGIE urges IPART and the NSW Government to ensure that the equipment requirements for BESS1 and BESS2 activities are as inclusive as possible to allow customers to participate with their preferred battery models.

## Three-year contracts – BESS2

### Contract term length

Energy retailers typically provide ongoing contracts to their customers rather than fixed-term contracts. For a customer on a fixed-term contract, the retailer would engage with the customer near the end of the fixed contract term and offer them a new contract. If the customer does not act on this engagement, they are automatically transitioned onto standing offer terms and conditions, which includes tariffs that are typically much more expensive than those available on market offer contracts.

Even if a retailer were to offer fixed-term contracts, there are no obligations on the customer to remain in the contract for the full period. Energy customers are free to transfer retailers as often as they choose and the process is relatively simple, which is evidenced in the high churn rates in the retail energy market. In New South Wales, energy retailers are only able to apply termination charges in a retail contract in very limited circumstances and can only recover the reasonable costs incurred for the installation of a solar PV system, battery storage system, a digital meter, and any associated equipment.<sup>1</sup>

ENGIE requests that IPART clarify in the final Method Guide that ongoing contracts with no lock-in terms would meet the requirement for a contract ‘to provide demand response capacity for at least three years’<sup>2</sup>.

### Peak reduction certificates not being created until three years from the previous implementation date

As noted above, customers will be able to churn retailers within the three year period after the previous implementation date. For the incoming retailer, they would have no immediate way of knowing that the customers’ premises had PRCs registered within the previous three years, unless the customer disclosed this information. The incoming retailer would only discover this information when attempting to create PRCs for the BESS2 implementation at that premises following the customer transfer.

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<sup>1</sup> National Energy Retail Law (Adoption) Regulation 2020 (NSW), regulation 14.

<sup>2</sup> Peak Demand Reduction Scheme (Amendment No. 1) Rule 2024, clause 9.1.1(f).

In that context, ENGIE asks for some more clarification on the example provided in section 9.1.2 of the draft PDRS Method Guide in relation to PRC registration restrictions. Using the example of a customer signing up to an initial demand response contract on 1 December 2024:

- If the customer signs up to a new demand response contract on 1 September 2027 with a retailer (either the same retailer or a new retailer), can that retailer create the PRCs for that contract on 1 December 2027 (or does the customer need to enter into the new demand response contract after the expiry of the three year period to be eligible)?
- For an ongoing contract (and/or fixed term contracts for periods longer than three years), can the retailer create the PRCs for the ongoing contract on 1 December 2027 (and 1 December 2030 etc.) as long as the customer remains in the demand response contract?

### Eligibility for existing customers – BESS2

ENGIE notes that the draft PDRS Method Guide does not specify whether existing VPP customers could have PRCs created for their premises under their existing energy retail contracts. ENGIE considers that excluding these customers would result in unintended consequences and incentivise inefficient behaviours that inconvenience NSW customers and retailers. This is because existing VPP customers may only be able to access PRC-related rebates by cancelling their current energy retail contract and re-signing up to a new energy retail contract.

ENGIE would support retailers being able to create PRCs for existing customers that meet the eligibility requirements under their existing energy retail contracts.

### Capacity holder nomination

ENGIE considers that the proposed requirement for an energy account holder to physically or electronically sign a BESS2 nomination form is onerous and may act as a barrier to customers participating in this PDRS activity. When customers sign up to an energy retail contract, they are not asked to provide electronic or wet-ink signatures to formalise their consent to the contract. ENGIE would prefer that the consent requirements for the nomination form align with how energy retailers obtain and record explicit informed consent from customers for other aspects of the energy retail contract.

As customers will either sign-up to energy retail contracts online or via phone, ENGIE recommends that customers are able to be asked to either:

- Click a tick-box (or similar consent mechanism) during an online sign-up to confirm that they understand and agree to the capacity holder nomination; or
- Provide recorded verbal agreement to the capacity holder nomination during a contract sign-up over the phone.

### Concluding remarks

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, [REDACTED]

Yours sincerely,

[REDACTED]

**Matthew Giampiccolo**

Manager, Regulation and Policy