



Draft PDRS Method Guide

Changes to the Peak Demand Reduction Scheme Rule of 2022

Smart Energy Council Response to Consultation Paper

1 July 2024

Foreword

The Smart Energy Council is grateful for the opportunity to provide a submission for the IPART PDRS consultation.

The Smart Energy Council (SEC) is Australia's peak independent body for renewables including solar, batteries, wind, utility-scale generation and storage, Finance, renewables manufacturing, green hydrogen, and everything in the Australian Renewables ecosystem.

The SEC has over 1400 members and over 65 years of experience in the sector having been established by the photovoltaic pioneers in the 1950s and 60s who designed and built some of the world's first solar panels and solar hot water systems.

The Smart Energy Council and its member companies strongly support the Solar Sunshot program, as well as the broader Future Made in Australia Act, and have a deep interest in the design of the program. We would expect a number of our member companies to apply for support through the Solar Sunshot program to deliver Australian manufacturing opportunities across the solar supply chain.

With the world's best renewable energy resources, and innovative people and businesses, Australia has the opportunity to be a smart energy leader.

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Response to the PDRS Consultation

- **Do you support the approach we have taken?**

Broadly the approach offered under the PDRS Method Guide is supported. The Smart Energy Council have taken steps to engage with industry to ensure that many of our members have visibility of the consultation paper and process.

Over the past few weeks, the Smart Energy Council has engaged directly with NSW DCCEEW and IPart on this matter and we appreciate the time given to consider our position.

We have explained to the Ministers office, NSW DCCEEW and IPart during these interactions that there are significant issues with the scheme's November start date. This start date means a 5-month period between the announcement of the scheme and when consumers can access the incentive. This delay is causing consumers to cancel or delay future orders for batteries in anticipation of a better deal once they have access to the incentives.

There have been significant concerns voiced by industry in relation to the November start date since the announcement of the scheme. The Smart Energy Council has been fielding a large volume of feedback from businesses in the industry making it clear that there is an expectation of financial loss and a very real concern regarding the need to shed skilled employees.

Over the 5 month period between the announcement and the start of the scheme, the industry expected to install around 8,000-10,000 batteries in NSW with an estimated value of between \$50-\$100 million dollars. This represents a significant portion of the industry's revenue and cash flow. Most companies are now anticipating almost no battery installations over that period.

The solar and battery market across Australia is already experiencing some stress and headwinds because of other factors outside this issue. There are very real concerns amongst industry around the risk of insolvency, staff retention, cash flow and capacity to pay suppliers.

We have raised some possible solutions with the Minister's office, NSW DCCEEW, and IPART:

- Bring forward the start date of the scheme to 1 August 2024, or as soon as possible, to avoid prolonged market disruption and uncertainty or;
- Allow customers who have purchased or installed a battery system after the announcement date of 25 May 2024 to be eligible for the rebate, subject to meeting the other eligibility criteria.

Either of these outcomes will solve the issue and provide certainty to the industry.

- Would you prefer a single Method Guide covering all previous versions of the Rule?

Either of these approaches will be sufficient. Whichever process takes the least amount of time to implement.

Method Guide Requirements

- Do you see any issues or problems with the requirement to provide BESS1 and BESS2 implementation data to us by the 15th day of the following calendar month?
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Some ACP's have suggested that the monthly upload should be end of month in a similar way to the method used for the HEER, not the 15th day of the month.

- Do you see any issues or problems with the requirement to have and keep photographic evidence that implementations meet requirements by the upload date?
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Beyond photographic evidence, the Smart Energy Council strongly recommend there is a state-wide inspection scheme enforced for a statistically significant number of installations. This will ensure that installers are completing their work to a high safety and quality standard. This should mirror the solar panel inspection scheme in Queensland.

Requirement to provide evidence on request

- For BESS1 and BESS2 activities only, you must provide any evidence related to an implementation within 7 days if requested to do so. Do you see any issues or problems with this requirement?

Yes, as long as the requests to provide evidence are at a reasonable cadence. Due to the number of sole traders and small businesses installing these products who only make income from jobs completed, there should not be any unnecessary administrative burdens put on them. There should be the ability for installers to request an extension beyond the 7-day period in reasonable circumstances.

Fact sheet requirements

- Do you see any issues or problems with the requirement to provide fact sheets to BESS1 and BESS2 consumers?

No, as long as the fact sheets are providing informative, unbiased information for consumers.

Implementation requirements

- Are the elements of AS/NZS 5139 we have focused on appropriate? Should we include other elements of AS/NZS 5139?

The requirements you have focused on represent a very small fraction of the required installation requirements set out in the Standard. (AS/NZS 5139 is a 170-page document). It appears that you have chosen to require geo-tagged photos that demonstrate that the equipment is installed in a location that minimises the fire and toxic gas consequences, should all other installation practices be non-compliant, or other safety systems fail, and thermal runaway occurs.

To determine full compliance, a comprehensive on-site AS/NZS 5139 compliance audit would be required, covering all the applicable hazards and minimising of the risks through specific installation requirements as outlined, including the following hazard types: electrical, energy, mechanical, fire, explosive gas, chemical, toxic gas.

Without a full compliance audit, choosing to focus on the compliant location of a BESS is appropriate, as the simplest way to potentially trigger a red-flag leading to a detailed compliance inspection. AS/NZS 5139 only specifies non-combustible barriers between BESS and habitable rooms, not “accessible” rooms. It is not clear if you are referring to the National Construction Code (NCC) definition of “Accessible means having features to enable use by people with a disability”, or the general meaning of accessible.

The requirement is to collect a geo-tagged photo of the distance to an “accessible room” when this is not a specified distance in AS/NZS 5139. Installers familiar with the standard will install batteries against the exterior walls of dwellings with a bathroom or other accessible but non-habitable room on the other side, knowing it does not classify as a habitable room, therefore not requiring a non-combustible barrier between it and the BESS. It is not clear why you require a photo showing distance to an accessible or habitable room, when a specific distance is not a requirement of AS/NZS5139.

AS/NZS 5139 specifies non-combustible barriers be installed where the BESS is located on the floor within 300mm of the wall or structure separating it from the habitable room, with the barrier extending 600mm beyond the vertical sides of the BESS, 900mm above the BESS, and to the extent of the bottom of the BESS. The department’s requirement for a geotagged photo showing “the building materials of any barriers within 1.5m of the battery” implies a non-stated requirement that non-combustible barriers must go out to 1.5m in all directions from the BESS, which is again, beyond the requirements of AS/NZS 5139. It is not clear if this an additional requirement, or just a photo to show surroundings. If you wanted to include any other elements of AS/NZS 5139 to assess compliance, you may like to consider that where the BESS is required to comply to Section 5, geo-tagged photos to indicate compliance to AS/NZS 5139 5.3.1.3 Isolation of the pre-assembled battery system from the PCE (5.3.1.3.1 through to 5.3.1.3.9) is probably the next most important area to address. I.e. the ability to electrically isolate the BESS.

- **Are the evidence requirements in the Method Guide relating to AS/NZS 5139 practical for you and your installers to meet?**

An installer will find it difficult or impossible to take a geotagged photo with a tape measure in shot, showing the distance from the battery to an accessible or habitable room, when in most situations, the accessible or habitable room is behind the wall that the battery is installed against. - i.e. to measure the distance between the battery and the room, you will need to show a tape measure, measuring the thickness of the wall on section, and have the battery and the accessible habitable room in shot. This will not be possible in most situations. A geotagged photo of the BESS, and a signed declaration from the specific on-site installer that the installation complies with AS/NZS 5139. If the geotagged photo of the BESS raises a red flag, then a full audit could be triggered.

Additional points for consideration:

Accreditation:

The Smart Energy Council recommends that instead of noting that installers need to be 'appropriately qualified', the council has suggested that it be clearly and specifically communicated that there are available and well-established training and licensing programs in existence through Solar Accreditation Australia (SAA).

The council's recommendation is aimed at ensuring that installers are properly trained and qualified to handle the installation of energy systems. By clearly communicating the existence of training and licensing programs, the council hopes to encourage installers to take advantage of these resources and become better equipped to handle the installation process. This, in turn, will help to ensure that energy systems are installed safely and effectively, reducing the risk of accidents or malfunctions.

In addition to the basic requirements of AS3000, the training offered through SAA covers important topics such as how to manage lithium fire risks and how to position a battery appropriately on inflammable wall types such as brick. This training also covers the importance of not placing batteries in locations that pose a risk to habitable rooms or thoroughfares. By taking this training, installers will be better equipped to handle the installation of energy systems, ensuring that they are installed safely and effectively.

Program Approved Products:

The Smart Energy Council recommends that all of the 500 or so existing products listed on the Clean Energy Council (CEC's) approved battery products list.

As we have communicated to NSW DCCEE and IPART in our meeting on Friday 21 June, there are significant issues with the throughput requirements of the scheme as they stand.

The SEC has consulted with most of the major OEM's who provide batteries into the NSW market and it appears that the 70% usable battery at 10 years and the -10-+50C components can be managed as most of the leading batteries will be able to comply with these requirements.

The 3.65MWh/KWh appears to be a significant bar to achieve for existing participants. It would be better if this figure could be reduced to allow the existing market leaders to participate at around the 2.8MWh/KWh mark.

Additional resourcing for IPART:

The Smart Energy Council has engaged with a number of the leading ACP's involved in the scheme and their appears to be resourcing issues with IPART and the current scheme that many believe will be exacerbated by the inclusion of new elements into the scheme.

The SEC would like to work with IPART to understand these needs and make representations to the Minister where appropriate.

NETCC:

The Smart Energy Council understands that the CEC is proposing the use of the NETCC program as part of the compliance activities of the PDRS.

The Smart Energy Council strongly opposes the use of the NETCC for this program. Inclusion of the NETCC will cause a range of adverse issues for the scheme's implementation.

The scheme is administered by the Clean Energy Council (CEC) who collect both membership fees and fees based on revenue from the participants. An adverse finding by the CEC means a loss of signatory status to the code and a loss of revenue for the CEC.

The revenue base of the scheme makes it easy to be sceptical of its efficacy given that there were 161 complaints in just the first quarter of 2022 however only 7 of the fee-paying entities have lost accreditation in the past 3 years.

The industry faces a number of headwinds caused by poor outcomes caused by cowboy retailers who hide behind schemes like this. Consumers and the industry as a whole deserve better.

Let me be clear, the CEC Solar Retail Code does not enjoy the support of the industry. This is why over 95% of the solar industry has not signed up to the program and as a result, consumers will be worse off.

The industry does however support the Clean Energy Regulator (CER) - Small-scale Renewable Energy Scheme that provides a range of superior protections for consumers and acts a strong cop on the beat backed by a legislation with significant pro-active enforcement powers. This scheme is entirely funded by the Federal Government through the CER and contains significant penalty provisions for bad actors. The CER scheme has been in operation since the start of this year and we are already seeing improvements in industry behaviour especially at a retail level as a result.

Solar Accreditation Australia also has some very strong options available for compliance and has a package that will function alongside its current accreditation program.

List of ACP's:

NSW DCCEE and IPART maintain a list of ACP's on their websites. These sites are searchable and provide what appears to be a comprehensive list of participants. There is a concern that this list is an exhaustive list and that if your business does not appear then you aren't able to provide a service under the scheme.

It would be better for those involved in installations that work with ACP's to deliver products could be listed under the banner of the headline businesses.

ACP's outside of major cities:

There has been some feedback from smaller, non city based firms involved in the current scheme that they would like to see more ACP's accredited in rural areas.

Some additional feedback on VPP's in BESS2:

One member raised the point that customers are able to leave or change providers within the 3-year period. They note that customers have significant freedom with their electricity choices and may not stay with the VPP for 3 years.

They also note that there has been a move away from long lock-in contracts for VPP's and that most contracts are no lock-in or 12-month terms.

They also note that VPP Providers often cover more than one state and their T&Cs are not typically state-specific and pose the question of whether VPP providers need to make that adjustment for other states.

With respect to Demand Response Aggregators, the guidelines do not make it clear what is required to actually meet the approval standard of the NSW government on BESS2. The Rule focuses on just having a contract with an Aggregator, not what the aggregator must do as a minimum.

For BESS2, the rule suggests that end-user equipment must have a minimum of 6 years remaining on warranty. We believe this will cut out too many end-user systems. VPPs and controllable DER are essential in AEMO's latest ISP, and the current VPP market state is that consumers and VPP operators are still building trust and working out mutually beneficial approaches, and VPP growth is slower than required to meet the ISP. Many existing BESS have 5-year warranties (and there is also a distinction

between general warranty, and performance warranty). We suggest the warranty requirement for BESS2 be relaxed to 3 years warranty remaining, to foster VPP participation.

Thank you for the opportunity to engage in this consultation process. Should you require any additional information please feel free to contact [REDACTED] or [REDACTED]