**AREMA SUBMISSION ON INITIAL MINIMUM DISTRIBUTED ENERGY RESOURCE TECHNICAL STANDARD**

**29 September 2020**

## About AREMA

Established in 1967, AREMA (the Air-Conditioning & Refrigeration Equipment Manufacturers Association of Australia) represents the interests of air-conditioning and refrigeration equipment manufacturers and importers active in the Australian market. Our members include leading companies involved is supplying over 80% of air conditioners to the Australian market. We work with government and industry on policy formulation and regulation to achieve the best outcomes for our members and the wider community.

Our aim is to:

- Help reduce the environmental footprint of air conditioning and refrigeration in Australia
- Encourage members to design and manufacture energy efficient equipment
- Encourage our members to deliver real energy savings to consumers
- Reduce ozone depleting substances (ODS) and greenhouse gases in a safe and controlled manner
- Work closely with government to ensure the safe implementation of standards that will benefit end users and product designers
- Work with other local and global associations to ensure we adopt world's best practice
- Provide a unified voice for representation to government and industry on key issues
- Represent the air conditioning and refrigeration industry on key standards committees and, where possible, assist members to interpret these standards.

## Position

AREMA notes that the purpose of the AEMO consultation is to develop a rule change request that establishes in the National Electricity Market1 (NEM) the ***initial minimum*** distributed energy resource (DER) technical standards in ***2020*** (emphasis added). The focus of the rule request is inverter standards, with a further possibility of other appliances as possible. Lastly, the discussion paper also states that a key pillar in defining the minimum standards is to ensure they do not stifle technical or competitive innovation.

AREMA observes that air conditioners only appear three times in the discussion paper and there is little understanding conveyed of specific issues associated with them. There is a significant risk of a perverse outcome, including stifling technical innovation, if AEMO was to proceed with a rule that included air conditioners (and other devices) that did specifically consider them.

The discussion paper on mandating demand response through the GEMs process acknowledged that:

> Mandating compliance with AS/NZS 4755 in ACs and other appliances would mean that the majority of models would need to be redesigned, or packaged and supplied with additional components, to comply with the proposed regulation. The stock of DR-capable appliances would build up at a predictable rate to the thresholds at which it becomes cost-effective for utilities and DRSPs to market commercial offerings to consumers.

AREMA believes this premise also underpins AEMO's consideration of an initial demand response standard that would cover air conditioners.

There is an assumption in this rationale that all models currently available will be fitted with demand response capacity. As Australia, a small market in global terms, is the only jurisdiction globally pursuing this approach further consideration is needed. Industry advice is that the 2012 (voluntary) standard can be, and typically is, met by manufacturers in Australia. However, no major manufacturer meets the 2014 standard requirements and manufacturers' advice is it would be difficult and expensive to do so. Given the size of the Australian market, it seems likely that manufacturers would limit their investments to those models which sell the most, typically the ones that just meet MEPs. The result of this proposal is that the Australian market would meet, over time, the demand response requirements but would have less choice particularly when it came to smaller selling highly efficient models.

A poorly targeted demand response standard could act to reduce the positive impact of energy efficiency that industry has invested millions of dollars and twenty years to achieve. AREMA urges that AEMO make haste slowly and not include appliance like air conditioners without careful consideration and genuine engagement with manufacturers to determine what is possible in an initial minimum standard. The best move for AEMO is to do the hard work and genuinely consult with device manufacturers and not make a premature and poorly informed decision.