AUSTRALIAN ENERGY REGULATOR

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2026-27 CECV Update

Explanatory Note

This explanatory note outlines our approach to the update of customer export curtailment values (CECVs) and emissions intensity profiles for the 2026-27 financial year. CECVs are used to help guide efficient levels of network expenditure for the provision of export services and serve as an input into network planning and investment.

The 2026-27 CECVs are based on the 2025-26 CECVs, with an adjustment to account for inflation using the latest available consumer price index (CPI) data. The emissions intensity profiles for 2026-27 have been updated to remove the emission intensity values for 2025-26 and add the emissions intensity values for 2045-46.

About CECVs

On 12 August 2021, the Australian Energy Market Commission (AEMC) made a final determination on updates to the National Electricity Rules (NER) and National Energy Retail Rules (NERR) to integrate distributed energy resources (DER) more efficiently into the electricity grid.[1] The final rules required the AER to develop a CECV methodology to be used to calculate CECVs each year.[2]

CECVs represent the detriment to all customers from the curtailment of exports from DER, including consumer energy resources (CER) such as rooftop PV systems, due to network limitations.[3] They can be used by distribution network service providers (DNSPs) to quantify the value of the export curtailment that is expected to be alleviated by a proposal (such as increasing DER hosting capacity) and as a means to economically justify an investment.

On 30 June 2022, we published the CECV methodology and initial CECV estimates.[4] The methodology applies electricity market modelling to simulate the dispatch procedure of the national energy market (NEM) to estimate the marginal value of customer exports for every half-hour over twenty years (with the initial values commencing 2022-23). The CECV methodology details our approach to quantifying a subset of DER value streams, specifically the impact of incremental DER export on wholesale market production cost (avoided marginal generator short run marginal cost, accounting for transmission and distribution losses (from generation to the regional reference node) and approximating the impact of Frequency Control Ancillary Services (FCAS) requirements. The methodology also includes options for DNSPs to apply CECVs in practice, including via a DNSP model; a tool for network businesses to use to estimate the CECV of the incremental DER export enabled by a project (available on request).

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[1] AEMC, *Access, pricing and incentive arrangements for distributed energy resources*,12 August 2021.

[2] NER rule 8.13.

[3] Where customer export curtailment means reducing, tripping or otherwise limiting customer export.

[4] AER, *Customer export curtailment value methodology: Final determination*, 30 June 2022.

In late 2023, Energy Ministers agreed to amend the National Energy Laws to include an emissions reduction element into the national energy objectives.[5] This change enables Australia's energy market bodies, including the AER, to explicitly consider emissions reduction in how they undertake their respective powers and functions.[6] To account for this change, we also published the first emissions intensity profiles for each NEM region, estimating the emissions from generation displaced by consumer energy resources, alongside the July 2024 annual CECV update.

DNSPs may use these profiles in combination with CECVs to measure the expected reduction in system-wide emissions, at different points in time, for DER integration expenditure proposals.

Upcoming CECV Methodology review

The NER requires the AER to review the CECV methodology at least every five years and determine whether changes to the CECV methodology are required. We will be commencing a review of the CECV methodology later this year.

An overview of the 2026-27 update

The CECV methodology requires us to update CECVs annually. It specifies two ways to update these values depending on whether the input assumptions under the Integrated System Plan's (ISP) Step change scenario have changed materially since the last time CECV estimates were modelled.

- If there are changes to input assumptions which are likely to materially impact CECV estimates, we will re-estimate CECVs using the new assumptions and make subsequent changes to the DNSP model.
- If there are no material changes, we only update the CECVs to account for changes in inflation to ensure, in economic terms, real values of CECVs are maintained between CECV reviews.

Assessment of material change

The last time CECVs were re-estimated was for the 2024-25 CECV update, which used input assumptions from AEMO's Draft 2024 Integrated System Plan (ISP) step change scenario.[7] For the 2025-26 CECV update, we updated the 2024-25 CECVs with an adjustment to account for inflation using the latest available consumer price index (CPI) data.[8] We considered the changes in input assumptions for AEMO's ISP step change scenario since the 2024-25 CECV update were not likely to materially impact CECVs if they were re-estimated.

For the 2026-27 CECV update, we have compared the input assumptions under the latest ISP step change scenario in the Draft 2026 Integrated System Plan (ISP) with the input

[5] DCCEEW, *Incorporating an emissions reduction objective into the national energy objectives*, 6 June 2023.

[6] DCCEEW, *Incorporating an emissions reduction objective into the national energy objectives: Information paper*, May 2023, page 3.

[7] AER, *Customer export curtailment value methodology – update*, 1 July 2024.

[8] AER, *Customer export curtailment value methodology – update*, 30 June 2025.

assumptions used in AEMO's ISP step change scenario used when CECVs were last re-estimated in 2024-25.

Table 1 provides a summary of each identified change to the input assumptions and our views on the likely impact of these changes on CECVs. Some inputs have increased, some have decreased and others have remained largely stable. For example, to some extent higher fuel price forecasts could put upwards pressure on CECVs, while weaker energy consumption and maximum demand forecasts could put downwards pressure on CECVs.

Overall, we consider the various changes in inputs that may increase or decrease CECVs are likely to offset each other. Therefore, we are of the view that the overall likely collective effect of the input changes on CECVs would not be material. We also consider this analysis indicates that it is unlikely the emission intensity profiles would materially change if the CECV model was re-run.

Table 1: Summary of the impact of each input assumption change on CECVs

Changes in AEMO input assumptions	Impact on CECVs
Higher fuel prices	Higher fuel prices can lead to higher short run marginal cost and may increase the benefits of reducing wholesale generation dispatch in favour of additional DER export. Although this change could put upward pressure on CECVs, the effect would be moderated as DNSPs are likely to address network constraints which curtail DER, during times of high solar generation – periods when fuel costs tend to have less influence on CECVs. Many coal generators are expected to exit the market in the 2030's and 2040's, also lessening the impact of higher fuel prices.
Lower new entrant capital costs for battery energy storage systems (BESS) and solar PV and higher new entrant capital costs for wind energy	Higher capital costs for wind and lower capital costs for solar and BESS will shift the generation mix toward more solar and BESS, likely reducing wind capacity. Lower capital costs may result in faster uptake of BESS, potentially putting upward pressure on CECVs during midday periods when batteries are likely to charge and downward pressure on CECVs during afternoon periods when batteries are likely to discharge.
New plant commitment and retirement schedules	Several major coal-fired power stations have had changes to their retirement schedules: Eraring in New South Wales and Callide B in Queensland have had their closure dates extended, while Gladstone in Queensland is expected to retire sooner than originally planned. The overall decrease in the operational lifespan of coal plants in Queensland could put upward pressure on CECVs by causing greater reliance on gas for meeting peak demand periods. However, the entry of new energy storage could also offset this effect.

Slightly lower energy consumption and maximum demand forecast	Lower energy consumption and maximum demand could put some downward pressure on CECVs, as less centralised and costly electricity generation is needed to meet demand.
Lower virtual power plant (VPP) take-up	Lower uptake of VPP could put downward pressure on CECVs during midday times due to VPP operation; a VPP coordinates behind-the-meter battery charging to occur during low demand periods and discharging during high demand periods. However, this downward pressure on CECVs may be limited, as customers not enrolled in a VPP are likely to self-optimise behind-the-meter battery by charging during the day, having a similar effect as a VPP. Instead of discharging during periods of high demand, these customers would likely choose to self-consume as this would likely be the strongest value proposition absent a VPP (i.e. avoiding peak pricing).

The update process for 2026-27 CECVs

As we are of the view that changes in input assumptions in AEMO's step change scenario are not likely to materially impact CECV estimates, for 2026-27 we have updated the existing CECV estimates to account for changes in inflation to ensure their real value is maintained.

Where CECVs are not re-estimated, the CECV methodology (Appendix A) requires us to adjust the published values for inflation using the following method:[9]

> The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the March quarter in regulatory year t-1
>
> divided by
>
> The ABS CPI All Groups, Weighted Average of Eight Capital Cities for the March quarter in regulatory year t-2.

Accordingly, we applied the ABS' annual CPI inflation of 4.6% for the twelve months to March 2026 to the 2025-26 CECVs.[10] Also in accordance with the CECV Methodology, we calculated new CECV estimates for the financial 2045-46 based on the average of the final three years of values for each half-hour interval.

Additionally, we have updated the emissions intensity profiles by removing the values for financial year 2025-26 and incorporating values for financial year 2045-46 using the same approach taken to update CECVs for financial year 2045-46. This is because the emissions intensity profiles are estimated using the same model and input assumptions as CECVs.

[9] AER, *Customer export curtailment value methodology: Final determination*, 30 June 2022, p 18.

[10] ABS, Catalogue number 6401.0, Consumer price index, Australia.