

2 September 2022

Sara Stark
Director Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Submitted electronically: AERInquiry@aer.gov.au

Dear Ms Stark,

Incentivising and measuring export services performance

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. Our members collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to millions of homes and businesses, and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 percent emissions reduction target by 2035 and is part of the Australian Climate Roundtable promoting climate ambition.

Information requirements

As a broad principle the AEC supports distribution networks accessing the information that provides the visibility required to effectively utilise network capacity. However, the question of when this greater granularity is required and how it is delivered should remain an open one for the medium term future. The costs and benefits of the networks deploying their own measurement devices on their own network, as opposed to all participants who will be upgrading systems for a Customer Energy Resources (CER) distributed generation future, and its future means of connectedness make it very difficult to assess or endorse any program now.

This cautious approach is especially justified given the lack of any other than highly localised constraints on the distribution network. And even further caution is justified given that the networks have not yet developed export pricing signals for DER. If networks are allowed to collect export tariffs from customers, then that is what pays for this visibility. Quality of supply is the networks responsibility, and it is reasonable to contend that the cost of procuring or gathering this data is covered by their existing capex budgets.

Export incentive schemes

The AECs view is that exports are a core quality of supply responsibility of networks and that an additional impost of an export incentive scheme on consumers is not justified. Once export price signals are in place, an incentive mechanism for export performance could be considered if export price signals fail to elicit a response and to relieve network congestion at the expense of service or supply quality.

Given the links to quality of supply incentives, any future export incentive scheme should first be a function of the existing Service target Performance Incentive Scheme (STPIS). In the AECs view, export service performance is directly relatable to reliability measuring for both the System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) of power outages. If, based on evidence, an export incentive scheme is needed, then an export service component could be introduced into the STPIS. In the AEC's view the case would

still need to be made for any adjustment to the total revenue at risk in the STPIS being altered from $\pm 5\%$, and we urge that no early assumptions should be made in this regard.

Any questions about this submission should be addressed to David Markham by email to [REDACTED], or by telephone on [REDACTED]

Yours sincerely,

David Markham
Networks and Distributed Energy Resources Policy Manager
Australian Energy Council