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Mr Kris Funston
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Australian Energy Regulator
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30 January 2023

Dear Mr Funston

Draft Report - Incentivising and measuring export services performance

AGL Energy (**AGL**) welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) Incentivising and Measuring Export Service Performance, Draft Report, November 2022.

AGL supports the work being carried out by the AER to develop a regulatory framework that underpins and supports the effective integration of consumer energy resources (**CER**). The finalisation of the framework and overall outlook on export services will provide assurance and a forward looking compass for energy market participants in how they can continue to collectively work together to ensure the long term interests of consumers remains at the forefront of reform.

As the energy industry's transition accelerates with the uptake in CER and the scaling of business models such as orchestration, it will be critical that the AER's network expenditure assessment framework supports the policy direction articulated by the Energy Security Board (**ESB**) in its Post-2025 Market Design, towards encouraging and enabling consumers to be rewarded for their flexible demand and generation.1

Section 3: Incentive review for export services

The Australian Energy Market Commission's (**AEMC**) Pricing, Access and Incentive Arrangements final determination set out that DNSPs have clear obligations to support more CER connecting to the grid. The final rules make it clear that export services are part of the core services to be provided by distribution network service providers (**DNSPs**). We acknowledge that recognising export services as part of distribution services does not necessarily mean that DNSPs will improve their network's capacity to connect more CER in the face of financial incentives to reduce expenditure.

Within their regulatory proposals DNSPs should be providing evidence of demand for export services and work to identify limitations on their network to fulfill this demand. This data should be utilised by the AER in their assessments of not only regulatory proposals, but also in their assessment of any bespoke incentive schemes each of the 15 DNSPs may submit applications for. A key challenge for the AER to consider will be in the scenario if all 15 DNSPs submit bespoke applications for the small-scale incentive scheme, how they AER will resource such activities.

We recommend the AER in their next round of consultation on developing the small-scale incentive scheme provide networks with clear guidelines and overarching principles on how the bespoke schemes should be designed by DNSPs in their application to ensure fair access for all consumers and reduce resourcing burdens on the AER.

Additionally, we urge the AER in their consultation on the development of a small-scale incentive scheme to ensure that DNSPs are required to demonstrate their utilisation of low-cost steps to improve their network capacity before investing in pure network expansion. In practice, this means that a DNSP should also be required to consider all options available, including both network and non-network solutions when investing export services.

Finally, AGL supports a review to be conducted on all incentive schemes for export services in 2027.

Section 4: Export service performance reports

AGL supports the AER reporting on export service performance as a measure to enhance transparency of performance, providing more information for regulatory and policy decisions by government agencies, as well as investment and operating decisions by customers and CER installers.

We agree with the AER's initial view that they should measure export service performance by measuring involuntary export curtailment per exporting customer due to a network constraint. We also agree with the AER's view that they would ideally measure performance for exports and imports in equivalent ways. This position is also consistent with the AEMC's decision to remove references in the National Electricity Rules that are specific to the direction of energy 'so the regulatory framework will give clear guidance that 'distribution services' relate not only to sending energy to consumers, but also to customers exporting the energy they generate'.

We challenge the AER's conclusion that this measure is not feasible to measure in practice. The AER notes that export curtailment cannot be directly observed by networks as it is generated on the customer's side of the meter. While there are some measurement challenges which would need to be overcome, AGL holds that the AER should be able to develop, with industry consultation, some common modelling assumptions and utilise 2020-21 as a base year and measure the voltage performance year to year and from there be able to infer export curtailment performance.

The Draft Report also outlined that limited access to smart meter data outside of Victoria, limits DNSPs' ability to get observed voltage data at the connection point. However, outside of Victoria, the average level of smart meter penetration is currently around 25%.[1] If the current rate of installation continues, it will take at least another four to five years before a 50 per cent penetration is achieved. However, as the Review of the regulatory framework for metering services advances, access and penetration of smart meters across jurisdictions will increase, with a potential target date of full penetration of smart meters by 2030.[2] The AER should ascertain the required level of penetration to capture sufficient data to enhance performance reporting. This analysis should be conducted prior to finalising this project as there could already be a satisfactory level of smart meter penetration to conduct appropriate data analysis on curtailment and export service performance, or at the very least, provides a target as to when it this analysis could be initiated.

The AER noted in the Draft Report that currently there are various connection agreement processes which create difficulties in measuring customer requested versus approved export capacity. For example, many customers have a 5kW static export limit by default and may not have had their preferred export capacity recorded. Data captured within connection agreements were initially meant to be included in the DER Register. A key recommendation and action from this work should be to uplift this information into the DER Register to ensure customer expectations are accurately recorded and could therefore be amended over time if export capacity within a network was increased.

The Draft Report noted that a question of concern raised in consultation, was how DNSPs are resourced to improve their capacity to capture and collect certain data measures. AGL supports the Australian Energy Council's position to not provide specific funding to procure or gather data, which can be funded from

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[1] AEMC Review of the regulatory framework for metering services, Directions Paper, p.i
[2] AEMC Review of the regulatory framework for metering services, Draft Report, p.6.

existing capital expenditure budgets and revenue from export tariffs should fund visibility. While additional data requirements may put pressure on existing budgets, this will need to be considered along other factors.[3]

Section 5: Update to benchmarking reports

AGL supports the AER conducting materiality checks on benchmarking models. We agree that the materiality of any current impacts on the productivity results has not been well established and the AER should focus on informing these considerations via data collection.

If you have any queries about this submission please contact Emily Gadaleta, Regulatory Strategy Manager at [redacted]

Yours sincerely,

Chris Streets

General Manager, Policy, Markets Regulation and Sustainability

[3] AEC Submission – Incentivising and measuring export service performance, Consultation Paper