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## **Export tariff guidelines for distribution network export tariffs - Consultation Paper**

Alinta Energy welcomes the opportunity to respond to the Australian Energy Regulator's Consultation Paper on the development of its Export Tariff Guideline for distribution network export tariffs.

Alinta Energy, as an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW and more than 1.1 million electricity and gas customers has a strong interest in the development of the Guideline. A significant proportion of Alinta Energy's electricity customers have distributed energy resource assets operating at their premises and this part of our customer base is growing rapidly as consumers embrace renewable energy and other DER products behind the meter.

We recognise the need to address the growing impact of DER within electricity distribution networks and engaged in the Australian Energy Market Commission's rule change process. The Guideline will contribute to the rule change and allow a transition for consumers, distribution network service providers, retailers and DER providers to adapt to two-way pricing over time. Alinta Energy supports the application of the Tariff Structure Statement development and approval process through the AER as the mechanism to assess how DNSPs will implement export tariffs.

The proposed content of the Guideline appropriately reflects the early stage of development of export pricing at the distribution network level in Australia. The development of two-way pricing approaches and strategies to transition from traditional network pricing will contribute to customer engagement and understanding of the need for export tariffs and the capacity of industry (including retailers and aggregators) to adjust their own systems and processes to accommodate export pricing.

### Stakeholder engagement

Alinta Energy supports the proposed stakeholder engagement process included in the Guideline. The introduction of export tariffs is a fundamental change to the pricing of network services and access and engagement with impacted stakeholders will be key. We also note that individual DNSP's face different challenges in their networks in relation to hosting DER capacity and integrating new services. The approach to the development of the Guideline by the AER seems to provide for flexibility in this regard.

## Approach to applying the network pricing objective and pricing principles

In assessing the network pricing objective and pricing principles, we agree that the long-run marginal cost of providing hosting services needs to be considered and any pricing signals developed through export tariffs will need to reflect this. There is also the opportunity cost of 'wasting' solar energy - through unneeded exports in the middle of the day or curtailment/isolation of DER to prevent over voltage.

Battery storage and demand management will increasingly play a role in this regard and while export tariffs are not intended to fund or incentivise storage, they will provide signals to consumers (and behind the meter service providers) to consider changes in the way they manage and operate their DER.

The interplay between export pricing and other elements of the economic regulation of networks (for example the demand management incentive scheme and allowance) will require careful analysis by DNSPs and the AER to ensure that export pricing does not result in pricing the same outcomes and services twice (avoided network augmentation for hosting capacity for example).

Alinta Energy agrees that there is an intrinsic level of DER hosting capacity and that export tariffs should be targeted at investment required to host additional capacity exceeding this level.

## Export tariff structures

Alinta Energy supports the AER's view that as part of the DNSP's consultation process on export pricing for inclusion in their TSSs, consumers, retailers and aggregators can work with DNSPs collaboratively to test export tariff structures that:

- Can be readily understood and explained in plain language by retailers;
- Do not result in significant costs to change billing systems or processes;
- To the extent possible, be similar in structure across DNSPs and their network areas to support consistent implementation and understanding and minimise impacts to retailers; and
- Reflect the incremental cost of DER hosting capacity for individual DNSPs.

## Basic export level

We support the identification of a basic export level from DER that would not attract an export price charged by DNSPs. This level will vary across networks and as part of stakeholder engagement, the justification and rationale for its setting need to be clearly explained and demonstrated, including to the AER. The link between connection policies for DER and the basic export level should be explained to improve customer acceptance of export tariffs that contribute to the optimisation of existing and investment signals for future DER.

## Other matters

Retailers will be incentivised to signal export tariffs to end-users, but the determination of retail pricing structures should remain a matter for retailers alone in a competitive market. Export tariffs that gain the greatest acceptance among consumers, retailers and aggregators will be those that are:

- Straight forward (and least cost from a billing system perspective);
- Easily understood by consumers and explainable by retailer contact centre personnel; and
- Provide a signal proportionate to the inefficiency they intend to address

How the development of export tariffs by DNSPs impacts on the determination of the default market offer by the AER will also require consideration (to avoid the proliferation of DMO structures by network area and customer type).

We welcome further discussion with the AER as it develops the Guideline. Please contact David Calder (Manager, Regulatory Strategy) at [REDACTED] in the first instance.

Yours sincerely

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**Graeme Hamilton**  
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