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Dear Warwick

**RE: Export tariff guidelines for distribution network export tariffs Consultation Paper**

Following the Australian Energy Market Commission's (AEMC) final decision on the Access, pricing and incentive arrangements for distributed energy resources rule change (the rule change), we welcome the opportunity to comment on the structure and content of the AER's export tariff guidelines for distribution network export tariffs (the guidelines). Views on export tariffs vary across customer groups, governments and over time. As such, export charging may not be appropriate for all DNSPs and the guidelines need to be sufficiently flexible to permit such an outcome.

Following careful consideration by DNSPs of customers' views and jurisdictional differences, the guidelines will inform and shape any potential export tariffs that may be introduced in tariff structure statement (TSS) proposals. It will be important that the guidelines provide sufficient guidance, where required, to facilitate tariffs that meet the new requirements of the National Electricity Rules and how to design and assign two-way pricing to customers.

Having guidelines that are not unduly prescriptive is appropriate, and we welcome the AER not prescribing a particular form or model of stakeholder engagement. However, there are other aspects of the proposed guidelines where a more prescriptive approach is suggested, including prescribing the approach a DNSP must adopt when undertaking customer impact analysis. We would welcome the proposing a more flexible and less prescriptive approach throughout the proposed guidelines. This flexibility will ensure DNSPs can develop and apply an approach that appropriately reflects their circumstances, including the views of their customers' and the jurisdiction they operate within.

We also welcome early sight of the factors the AER considers should be considered when setting the basic export level. We encourage the AER to include customers' and jurisdictional government preferences in this list. It will be important to ensure this list of matters can evolve quickly, given the scope for new technology, changing customer preferences and more information eventuating. This is an important issue, and we look forward to continuing to work with the AER on it going forward.

Our response to the specific questions raised in the AER's consultation are at Attachment 1 (attached). If you have any questions regarding this submission, please contact Edwin Chan by email on [REDACTED].

Yours sincerely



Charlotte Eddy  
General Manager, Regulatory Strategy and Policy  
**AusNet Services**

## **AUSNET: RESPONSE TO EXPORT TARIFF GUIDELINES FOR DISTRIBUTION NETWORK EXPORT TARIFFS**

### **Q1: Are there additional steps distributors can take or consider when engaging with their customers on export tariffs? Please explain them.**

We welcome the AER proposing a flexible approach to customer engagement. Customer engagement should be tailored to suit the specific circumstances of each DNSP and the jurisdiction in which they are located, be of sufficient depth and breadth and should involve multiple different channels. This will maximise the scope for different views on two-way pricing to be considered and appropriately reflected in two-way pricing proposals.

One refinement to the guidelines the AER may wish to make is explicit reference to DNSPs considering customer research and/or the outcomes of tariff trials performed by other DNSPs. While the AER recognises that export trials are an important source of information, to avoid any ambiguity, it could make it clear that evidence prepared by one DNSP can be used by other DNSP to support its position.<sup>1</sup> In addition, given customer research plays an important role in understanding customer preferences, explicit mention of DNSPs potentially drawing on customer research to support their position could help:

- improve DNSP's understanding of customers' evolving needs;
- increase the scope for new, innovative customer research/trials; and
- refine two-way pricing options for potential inclusion in a DNSP's TSS proposal.

### **Q2: What are the drivers of costs of expanding network export capacity?**

In addition to the cost drivers identified by the AER – voltage and thermal constraints, and low voltage visibility needs – the following drivers should be considered when expanding network export capacity for Distributed Energy Resources (DER) purposes:

- customer numbers, including DER customers;
- customer expectations (identified through customer research, customer engagement and tariff trials); and
- regulatory requirements, including jurisdictional requirements.

### **Q3: Is the efficient cost of providing an export service different to the efficient cost of a consumption service? If yes, how are these costs different?**

The efficient cost of providing an export service will differ from the efficient cost of a consumption services. For example, relative to consumption services, we expect additional costs will be incurred for export services. These additional costs will include additional voltage management and system security costs.

We also note that the 'Intrinsic hosting capacity' of a DNSP means that export services can have a low cost until a certain point. After that point, additional, potentially significant, expenditure may be required to facilitate additional export services. Importantly, the 'Intrinsic hosting capacity' of each DNSP will differ depending on a range of factors, including where a DNSP is with respect to its capital investment cycle, penetration of DER and the assumptions that have been applied in estimating this capacity. This means any assessment of hosting capacity could vary significantly between DNSPs and across locations within each DNSP network.

### **Q4: What can distributors do in practice to demonstrate they have considered customer impact analysis when setting tariffs? For instance, how should distributors explain or quantify a negative customer impact analysis? Please give examples.**

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<sup>1</sup> Leveraging the information obtained from other DNSP's tariff trails will also assist in improving overall efficiency, as tariff trials are time and resource intensive.

Customer impact assessments are central to the development, proposal and assessment of tariff structures through the existing TSS process. DNSPs should, therefore, undertake customer impact analysis to understand how two-way pricing may impact customers.

Where tariff structure changes are being proposed, it is inevitable that there will be winners and losers, and customer and jurisdictional government views on the acceptability of those changes will be a critical input into any proposal.

With respect to what DNSPs can do to demonstrate they have considered customer impact analysis when setting their tariffs, this is an issue that each DNSP will need to carefully consider. However, we do not consider the AER should prescribe the approach that should be used to undertake any such analysis. Each DNSP will have different network and customer characteristics, and sufficient flexibility needs to be built into the guidelines to allow each DNSP to develop a customer impact analysis approach that best suits their, and their customers', specific needs.

**Q5: Are there other matters not listed in this section that stakeholders think should be included in the Guidelines? Please list them in order of importance, and explain why they should be included in the Guidelines.**

DNSPs will be required to include an export tariff transition strategy in its TSS even where it does not intend to introduce two-way tariffs in the short term. While this will provide stakeholders clarity on each DNSP's long-term plans, the AER's guideline should not look to prescribe what this information should be. A flexible approach should be adopted. This will ensure that the level of information provided by the DNSP is commensurate with the DNSP's intent (which will be informed by jurisdictional differences and customers evolving needs) and reflects the unique circumstance of the business.

Given the volume of information on export pricing that is required, we note there is scope for the same material to be required in several different areas in a DNSP's EDPR/TSS proposal. While DNSP's will look to streamline the information provided, we suggest the AER carefully consider how different requirements interact to minimise duplication and potentially increase customer engagement with the material.

**Q6: How should distributors define basic export level thresholds? What matters should be taken into account when defining basic export level thresholds?**

It is too early to categorically state what specific matters a DNSP may wish to consider when setting its basic export level thresholds. However, if customers' preferences were included in the list of matters outlined by the AER, that list would be a reasonable non-exclusive starting point.

Other issues that should be considered include:

- The scope for export levels to vary as solar penetration within a DNSP's zone may differ across areas.
- The interaction of any guidelines with dynamic operating envelopes, where limits could vary significantly over time and location within a DNSP's zone.

Importantly, as time progresses, and as more information becomes available, the list of matters that a DNSP may wish to consider when setting their basic export level will need to evolve. Where change is required, this should be possible in an expedient and efficient manner. We also consider it prudent for the AER to clarify the period over which the basic export level needs to be set. At this time of rapid DER uptake this should be set for no longer than the duration of a regulatory control period.