

31 January 2023

Attachment 8.14: Submissions on the Pricing Directions Paper

Ausgrid's 2024-29 Regulatory Proposal

Empowering communities for a resilient, affordable and net-zero future.



Submission to Ausgrid with regard to Ausgrid 2024-2029 Draft Plan, as published September 2022



September 2022

Overview:

The Electric Vehicle Council (EVC) is the peak body in Australia representing the interests of manufacturers and suppliers of EVSE, software service providers in the field of EV charging orchestration, and Electric Vehicle manufacturers. We also have strong membership amongst energy market participants, including retailers, DNSP, TNSP, and generators.

The EVC has historically advocated for improvement in network tariff design, and worked closely with DNSPs, market bodies, and state and federal government departments towards this goal.

Ausgrid have published a draft plan and a pricing directions paper for the 2024-2029 regulatory reset period, and invited comment:

https://yoursay.ausgrid.com.au/projects/download/12234/ProjectDocument

Feedback from the EVC on the EA302 tariff assignment policy, relating to consultation question 9 in the pricing directions paper.

The current Ausgrid tariff assignment process assigns all new public high power EV charging sites to EA302, a capacity tariff with a rolling 12 month demand charge, on the basis of them being a three phase connection. After 12 months, the site will be able to request a transition to an energy-only tariff, EA225, subject to them being below 40MWh/annum. The cost profile this presents to an EV charging station at time of deployment is approximately an order of magnitude higher than neighbouring jurisdictions of Essential Energy and Endeavour Energy – it is a tariff position that is unfriendly to the deployment and ongoing operation of high power charging stations. A charging station at 500kVA site capacity, per the NSW state government grant program, and delivering 40MWh/annum, will be exposed to approximately \$7k/annum of network costs in the Essential Energy region, or the Endeavour energy region, but approximately \$70k/annum of network costs in the Ausgrid region.

The new proposition is that the initial assignment will remain EA302. The transition to a 'greater than 100 Amp rule' from a 'three phase connection rule' will have no impact on any new connection for a public charging station delivering more than 50kW, and all high power public charging stations currently being funded under state and federal programs will be larger than this. This means that for the first year, low utilisation, high power DC charging sites will continue to be allocated to a higher cost capacity-based tariff, where their volumetric utilisation levels (below 40MWh/annum) would indicate that they should actually have access to an energy only tariff (such as EA225). We note that the public DC charging infrastructure that Ausgrid is deploying co-located with distribution transformers is below the 50kW level, so would be able to take advantage of the new 100 Amp rule.

The volumetric level being shifted progressively from 40MWh to 100MWh is a step in the right direction, but does not go far enough, soon enough. At 100MWh, the network cost component of a 500kVA charging location in the Ausgrid region remains approximately \$70k/annum (the energy costs being a relatively small component of the total network charges), while in the Endeavour region the network cost for the same type of site would be approximately \$9k/annum, and in the essential region the network cost would be approximately \$14k/annum.

In short, the proposed adjustments move slightly in the right direction, but are not adequately supportive of the deployment of high power charging locations, particularly in regional areas, and remain out of step with the other DNSP regions in NSW, and the majority of DNSP regions around the country.

Recommendations from the EVC tariff assignment policy for business customers - relating to consultation question 9 in the pricing directions paper.

1) Initial tariff assignment

Rather than mandatorily assigning all new connections above 100 Amps to EA302, business customer should be able to select whether they are assigned to EA302 (capacity tariff), EA256 (demand tariff), or EA225 (energy only tariff), on the basis of their self-predicted energy use.

If in the first 12 month period they consume greater than a specified volumetric level, they can be mandatorily assigned to EA302 by Ausgrid using established tariff assignment processes.

The assignment policy could reasonably be that the default assignment to a new connection above 100 Amps is to EA302, with an opt-out to EA256 or EA225 at time of connection.

This would resolve the issue whereby all high power DC charging stations above 50kW are mandatorily assigned to EA302, and thereby the majority of them pay excessive network charges in their first year of operation.

Please note that this recommendation does not constitute a request for a technology or customer-type specific treatment, which has previously been identified to the EVC by Ausgrid as being undesirable.

This approach could be universally applied to small business customers and is consistent with approaches to tariff assignment in other DNSP regions.

2) Volumetric limit

The volumetric limit used in the majority of other jurisdictions to determine the point at which demand and/or capacity charges are applied (billing elements based on kVA or kW, rather than kWh) is 160MWh/annum.

Rather than migrating over a period of several years from 40MWh to 100MWh as the volumetric threshold, the tariff assignment policy should shift directly to the 160MWh threshold, in alignment with the other DNSPs in NSW and the majority case in the rest of the country.

Observations with respect to embedded network customers – relating to pricing directions paper consultation question 7.

We note that this proposal is explicitly suggesting the creation of a new tariff structure, specifically for a particular class of customer, because of their unique characteristics.

While we do not have a view as to the merits of the creation of a specific tariff for embedded network operators, we note that when we have discussed with Ausgrid the potential to treat public EV charging installations as a separate type of customer for the purposes of tariff assignment, because of their unique characteristics, we have consistently been told by Ausgrid that this is not in keeping with the principles of technology neutrality and is not something that will be considered. This discussion has not been around the creation of a new, customer specific tariff – simply the correct allocation to a customer from the existing range of tariffs, based on customer type.

We find it interesting that where it is Ausgrid that wishes to treat a specific class of customer differently, to the extent of creating a new tariff class specifically for a customer type, with a view to significantly increasing the network charges applicable to that customer type, Ausgrid is prepared to set aside this principle, make a case for the position, and argue for it as part of the regulatory reset.

Ausgrid's positions on this matter seem to be inconsistent at best. We consider that Ausgrid taking this position with respect to embedded networks means that there should be no impediment, in principle, to tariff assignment being informed by customer type if there is justification to support it.

With this in mind, we would note that while we suggest in our recommendation 1 that all business customers who believe that they will be below 160MWh/annum should be able to choose between EA225, EA256, and EA302, an alternative approach that would be acceptable to the EVC would be to extend this choice of business tariff only to new connections where the principal business at the location is high power EV charging.

Conclusion

The EVC is happy to work with DNSPs and energy market regulators to achieve improved tariff design that will support a transition to EVs. Striking the right balance between commercial viability for key stakeholders, and the application of cost reflective network pricing principles, is going to take collaboration between multiple parties.



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Submission by Evie Networks

On

Ausgrid 2024-29 Draft Plan

About Evie Networks

Evie Networks was founded in 2017 by the St Baker Energy Innovation Fund with the aim of building Australia's largest Electric Vehicle fast and ultra-fast charging network across all Australian States and Territories as part of a strategy that recognised the need for, and societal benefits of, the electrification of the Australian Transport Sector and the associated need to address concerns about "Range Anxiety" with EVs. Evie therefore has a strong focus on building quality charging stations, located on sites that are convenient for customers and underpinned by the Evie team's relentless pursuit of reliability and customer satisfaction. Its initial rollout was on national highways and is now being expanded into major metropolitan areas and regional centres. Evie currently has over 70 sites in operation and expects to have over 200 sites by July 2023.

Evie Networks is backed by funding from the St Baker Energy Innovation Fund, which is accompanied by significant grants from the Australian Renewable Energy Agency (ARENA) and the Federal Government's Future Fuels Fund. Evie Networks has also been successful in being selected to help rollout EV charging sites under a number of State Government and Local Government EV infrastructure programs. This makes Evie Networks the most well-funded EV charging operator in Australia, providing confidence that it will continue to grow and support its network across all Australian States and Territories.



Executive Summary

Evie Networks welcomes the opportunity to make comments on Ausgrid's 2024-29 Draft Plan, and specifically the elements therein dealing with tariffs for publicly available fast and ultra-fast EV chargers. As a result, we do not respond to every question listed in Ausgrid's consultation document.

Beyond the well-documented societal benefits of EV uptake (including emissions reduction, public health and national fuel security), EV uptake is one of the few sources of future growth for networks at a time of increasing household solar PV generation that is driving down Minimum Demand to critically low levels. Greater network utilisation from EV uptake will deliver network efficiency benefits and significant avoided network costs, particularly in relation to networks managing low minimum demand resulting from increased solar energy during the middle of the day. These network benefits can ultimately be passed through to all electricity consumers, not just EV owners.

Public fast and ultra-fast charging infrastructure is essential to support the uptake of EVs in Australia and, therefore, essential to realise the network benefits that EVs will bring. It is critical that tariffs applying to EV charging sites do not stifle investment due to high electricity costs for EV charging infrastructure providers, while EV uptake is still in its infancy.

However, Evie's experience, more so in Ausgrid areas than for any other DNSP areas, is that electricity costs are prohibitively high due to tariff structure and tariff assignment policies. This is because Ausgrid applies capacity tariffs from day one and follows with an extremely low threshold for continuing with capacity tariffs. The Load Profile of public fast charging is very different from "traditional" small and medium businesses and at such an early stage of EV uptake, Ausgrid's current tariffs and assignment policies create a very large, fixed cost for charging network operators that must be shared across a small number of drivers.

Unfortunately, based on real data and forecasts, it is clear that Ausgrid's draft plan will not address the current high prices for public fast charging. Ausgrid has acknowledged the problems with current tariffs and policies in its draft plan, stating in its "Our Pricing Directions Paper for 2024-29 for consultation" document) page 35):

"New EV charging stations typically have a lower utilisation of the network and can therefore experience a higher cost per unit of energy than other customers on the same tariff."

However, it does not address the problems in a way that will provide any tangible outcomes and, in fact, Ausgrid clearly states in the above-mentioned consultation document (page 35) that its proposed changes to the tariff applied to publicly available charging stations will not fully address the issue, stating (emphasis added):

".....<u>our proposed reform</u> of raising the threshold at which capacity tariffs apply.... will go part of the way in addressing the feedback from the EV industry."

In this response and separate confidential attachment, Evie Networks lays out the significant network benefits that can be realised through accommodating public fast charging infrastructure and demonstrates why Ausgrid's plan will not reduce the current barriers to the growth of this critical new industry that undermine the State Government's efforts to increase the uptake of EVs. The identified significant network benefits that can ultimately be passed on to all electricity consumers support the need to introduce a specific tariff for the EV public fast charging infrastructure industry and would not represent a cross-subsidy from one group of consumers to EV drivers.



Why traditional business tariffs deliver very high costs for publicly available EV charging sites

The EV public fast charging infrastructure industry is still relatively new in in Australia. The Load Profile of public fast charging is very different from "traditional" small and medium businesses. Tariffs that are currently applied to small and medium businesses are not suited to this new industry and, in fact, result in very high electricity costs.

The graph below sets out the differences in the impact of a traditional business tariff containing a Capacity Charge on a small factory versus an EV charging station. The Capacity Charge is based on the customer's highest recorded demand in any hour or half-hour period on a rolling 12 months basis, irrespective of whether or not that peak occurred during a network peak demand event.



Figure 1: Illustrative example of ultra-fast load profile while EV uptake is low.

EV charging load profiles do not resemble typical Commercial and Industrial (C&I) use cases. If demand or capacity tariffs are assigned, as they are today by Ausgrid, the result is very high electricity costs. This is because the demand or capacity charges are necessarily amortised over a small number of users. In addition to the obvious high costs for charging network operators and the adverse impact on returns on investment, this will have significant consequences for drivers in Ausgrid areas:

- Public fast charging availability will be very limited as the infrastructure will not prove commercially viable. Investment in public fast charging will, therefore, be directed to other areas; or
- Costs must be passed on to drivers, rendering public fast charging unaffordable and undermining the incentive for people to switch from an ICE vehicle to an EV.

Given the importance of public fast charging availability for addressing Range Anxiety concerns of potential EV purchasers and the relative costs of "fuel" for an EV versus an ICE vehicle, these outcomes would act as a major brake on the EV transition. This would also mean that expected network benefits would not be fully realised in Ausgrid areas.

Evie Networks is already seeing the adverse impact of Ausgrid's tariff structure and tariff assignment policies on its operations.



Attachment A provides a Case Study of a site in Sydney that incurs electricity costs of over \$1 per kWh sold to drivers. Clearly, if Evie were to pass on this cost to drivers, utilisation of the charging infrastructure would be extremely low.

As highlighted in the Executive Summary, the adverse impact of its capacity charges on publicly available EV charging sites is clearly recognised by Ausgrid in its "Our Pricing Directions Paper for 2024-29 for consultation" document. Despite this, Ausgrid goes on to state in the abovementioned consultation document that its proposed changes to the tariff applied to publicly available charging stations will not fully address the issue. Ausgrid does not provide any detailed explanation as to why it believes it should not fully address the key issue for the EV public fast charging infrastructure industry that it has already fully acknowledged, but provides some negative commentary around how "Most stakeholders indicated that Ausgrid should not embed cross subsidies in our pricing to overcome transitional technology challenges".

Publicly available EV charging sites can provide significant network benefits and are not a threat to electricity grids

Evie Networks strongly disputes the view that a specific tariff for publicly available EV charging sites would involve a cross-subsidy.

The uptake of EVs, enabled by the availability of well planned, affordable public fast charging, will deliver significant long-term benefits for electricity networks and, ultimately, electricity consumers. In summary, the benefits include:

- Long term increased utilisation of electricity networks, creating efficiency benefits.
- Avoiding network costs such as voltage control to help manage low Minimum Demand levels caused through "excess" solar generation by helping to absorb this excess solar generation, as public fast charging typically peaks in the middle of the day.
- Improved local network stability, as fast charging often requires grid augmentation that is funded by the charging network operator.
- Controllable technology, allowing peaks to be managed dynamically and at short notice.

We particularly note that Endeavour Energy, in their Preliminary Proposal for the 2024-2029 period, specifically recognises the benefits from EV uptake, stating that EVs will:

"rapidly enhance the flexibility of consumption and will form a crucial component of the dynamic architecture of the future network. They will become a very useful tool to balance loads...".

Network efficiency benefits through greater utilisation, as well as significant avoided network costs (through minimising the costs to manage minimum demand created by excess solar energy during the day), will mean lower costs can be passed on to all electricity consumers, not just EV owners.

Additionally, it is submitted that (1) the very different usage profile of publicly available EV charging sites would justify the introduction of a specific tariff for this new industry, consistent with the National Electricity Rules (Clause 6.18.4) and (2) the network benefits provided through the operation of EV charging sites would mean that the introduction of a technology-specific tariff for publicly available EV charging sites would also be consistent with the NEM Rules (Clause 6.18.5 on Pricing Principles).



The above-mentioned Ausgrid consultation document also signals its concerns that EV charging will, with an increasing number of EVs on the road, add to peak demand on its network, resulting in increased investment to address this increase in peak load.

Evie Networks submits that this view is misplaced, as EV charging can act as a "solar soak". Specifically, usage of publicly available EV charging sites is concentrated during off-peak periods, and principally during the periods of excess solar generation. Ie, charging site utilisation is broadly co-incident with the solar peak period and, thus, as noted above, can act as a "solar soak" with consequential avoided network cost benefits.

This is highlighted in the graph below from a public ARENA workshop that explored the impact of EV charging on the electricity grid. The data demonstrates how most charging occurs at off-peak times.



Source: ChargeFox, Evie, Energeia

Figure 2: Charging frequency by time of day.

Further, new technologies, including public EV charging infrastructure, are inherently more controllable than legacy technologies:

- Charging technology is easily controllable.
- Load Management Systems for publicly available charging sites are readily available that can address Peak Demand issues.
 - They can be designed to optimise network utilisation and stability, while avoiding impact during peak network events.
- Technology to control public EV charging already exists and is in operation today.

Going forward, EVs will play a major role in relation to DER, with energy stored in the EV battery being used to reduce demand during the evening peak (V2H) and/or adding energy back into the grid during the evening peak (V2G). This has the potential to result in significant additional avoided network costs, which will further benefit all electricity consumers, not just EV owners.



What is Ausgrid proposing and Impact on EV Charging Station Electricity Costs (Response to Consultation Questions #7 (Embedded Networks), #9 (Tariff Assignment) and #10 (Technology Specific Tariffs))

The proposed changes to the tariffs applying to EV public charging sites result from the proposed changes by Ausgrid to its small and medium business tariff assignment policies. This is explained by Ausgrid in the above-mentioned consultation document in the following terms (Extract, page 34; emphasis added):

Reform our small and medium business tariff assignment policies

In our consultations to date, retailers and customers have raised two concerns about the bill impacts for small and medium business customers, when we transfer them to another tariff in line with our current tariff assignment polices.

First, when a small business customer on our demand tariff (EA256) uses more than 40 MWh per annum over a 2-year period, our policy is to transfer them to a medium business capacity tariff (EA302). This tariff has different structure to the demand tariff, and this can create adverse bill impacts for customers who use the network infrequently (such as electric vehicle charging stations).

Second, when new business customers connect to our network, they do not have any existing metering data to guide us in assigning them to the most appropriate network tariff. Our current policy assigns them to a demand tariff if they_have a single-phase connection, and to a capacity tariff if they have a three-phase connection. However, we understand that many small business customers (using less than 40 MWh pa) are on three-phase supplies. Under this policy, they are assigned to a capacity tariff that is likely to be inappropriate. In addition, under our existing assignment policies a new customer must wait 12 months before they can request a tariff transfer.

To respond to this feedback, we are proposing the following reforms:

• Increasing the consumption threshold for transferring existing customers from a demand tariff to a capacity tariff from 40 MWh per annum to 100 MWh pa. This will align with the National Energy Retail Law (NSW) definition of a small customer and improve our annual review of tariff assignments by reducing the number of tariff transfers occurring. It will also enable customers using between 40 and 100 MWh per annum to be assigned to the business demand tariff EA256 (and to opt out to time of use tariff, should they choose too). We propose to <u>move the threshold to 100 MWh</u> in 20 MWh steps over three years (FY25, FY26 and FY27) to limit rebalancing of tariff components and possible customer bill impacts.

• When assigning new business customers to a tariff, we propose to replace the 'three-phase rule' with a 'greater than 100 amp rule' for assigning customers to capacity tariffs. This will ensure that smaller business customers who have three-phase supply sites are assigned to the business demand tariff (EA256) instead of the capacity tariff (EA302). These customers would still be able to opt out of this demand tariff, and move to the business TOU tariff EA225, should they choose to.



Analysis by Evie Networks of Ausgrid's proposed tariffs and its associated low capacity thresholds demonstrates that Ausgrid's position will result in very high costs for publicly available EV charging operators, in both absolute terms and relative to the other 2 NSW DNSPs.

This high cost outcome is in both metropolitan areas and public highway sites, but the impact on public highways is greater.

This will:

- 1. Make investment in public EV charging in the Ausgrid network area going forward commercially challenging.
- 2. Create the risk that public charging costs for EV drivers in the Ausgrid network area (covering Greater Sydney, the Central Coast and the Hunter) will be unduly high. This would:
 - a. Be highly inequitable for EV owners who are not able to charge their EVs at their residence.
 - b. Potentially blunt the incentive to purchase an EV (ie, it would reduce the benefits of driving an EV versus an ICE vehicle), undermining the NSW Government's policies designed to increase the uptake of EVs.

This analysis is set out in a confidential attachment containing 6 graphs showing the impact of Ausgrid's tariff arrangements, including a Case Study comparing an EV charging site in the Ausgrid network area with a comparable site in the Endeavour Energy network area.

The Case Study provided highlights how electricity costs at the site in the Ausgrid area are well in excess of double the cost at the comparable site in the Endeavour Energy area.

In addition:

1. Ausgrid is not proposing to address the issue it has identified with its 40MWh capacity threshold immediately in terms of increasing this threshold to 100 MWh. Instead, it proposes to make this change in 3 steps, with the result that the new 100MWh threshold would not apply until FY27; ie, 5 years from now.

Evie's data and forecasts demonstrate that utilisation of chargers will track ahead of Ausgrid's proposed timing of threshold increases. As a consequence, most charging stations will still incur capacity charges and Ausgrid's proposed threshold increases will have very limited tangible impact.

If Ausgrid is to address the problem it has identified then, at the very least, the threshold increases need to occur immediately and in one step.

Evie has illustrated the forecast utilisation for charging stations relative to Ausgrid's scheduled threshold increases in a separate confidential attachment.

2. Even at 100MWh, Ausgrid's capacity threshold would be out of line with that of other NSW DNSPs, at 160MWh.

Ausgrid provides no reasons for why it should continue to apply the lowest volume thresholds for capacity tariffs of all the DNSPs in Australia.



- 3. The proposed tariff assignment policy that applies to new connections, with EA302 tariff applying for 3-phase connections greater than 100A, will create a barrier to deploying the higher power and multi-bay charging infrastructure that is in line with driver needs and preferences. The proposed 100MWh limit could, in fact, incentivise providers of charging infrastructure to build many single charging stations to avoid Ausgrid's tariff structure. This would result in a poorer experience for drivers and poor capital efficiency. Further, the long-term capacity factor of a multi-head configuration is much greater than for small, single head configurations and, therefore, more efficient for the network, than a single head configuration.
- 4. We note that the proposed 100A limit would appear to unduly favour Ausgrid's own electric kiosk solution which provides single port, low power, advertising-funded charging (through Ausgrid's partner, JOLT).
- 5. Ausgrid's Tariff Assignment Policy position of automatically assigning new business customers to its EA302 capacity tariff on the basis that this new customer does not have any existing metering data to guide it in assigning them to the most appropriate network tariff is regarded as unduly arbitrary and, as a result, punitive.
 - a. Charging stations are often very similar to existing infrastructure that is already operating.
 - b. Evie Networks has attempted on multiple occasions to demonstrate likely utilisation based on actual data from operating charging stations. We have also provided data within the first 12 months of operation.
 - c. Ausgrid has rejected Evie's tariff reassignment requests despite an abundance of data.
 - d. It is therefore submitted that if a CPO can demonstrate data from a similar charging site to support a requested tariff assignment, Ausgrid should be required to accept that data, rather than imposing punitive network charges for 12 months.

Evie has illustrated the real world cost of Ausgrid's connection policies in its separate confidential attachment.

- 6. Capacity charges limit the ability to control equipment. Once a capacity charge has been incurred, customers have no incentive to reduce peak demand in subsequent months.
- 7. Ausgrid is not offering incentives to CPOs to reduce costs as its tariff arrangements do not afford any recognition that the technology is highly controllable.
- 8. Ausgrid has not recognised that public EV charging aligns with solar peaks and the potential benefits from avoided network costs.
- 9. Embedded Networks: Evie Networks does not support the position presented by Ausgrid on embedded networks, and would particularly highlight that this would make it harder for CPOs to deploy charging sites at locations that are convenient for drivers, such as shopping centres. Evie Networks further notes that Ausgrid is proposing to treat a particular class of customer differently without considering the different types of loads and the flexibility of loads that are connected to the embedded network.

We would welcome engagement with Ausgrid about how electric vehicle charging can be connected via embedded networks in a way that reduced the current barriers to infrastructure investment.



Conclusion

Ausgrid has clearly identified how its tariff structures disadvantage publicly available EV charging sites, and result in these sites experiencing a higher cost per unit of energy than other customers on the same tariff. Despite this, it also clearly states that the changes it is proposing will only go part of the way in addressing this issue that is so critical to ensuring the commercial viability of this new industry, and an industry that is seen by the NSW Government as playing a fundamental role in supporting government policy to promote the increased take up of EVs.

Evie Networks therefore does not support the tariff changes presented by Ausgrid as they simply will not provide tangible benefits.

Our analysis, presented in our confidential attachment, demonstrates that Ausgrid's changes will continue to result in very high electricity costs, both in absolute terms and compared with the other 2 NSW DNSPs. At the very least, Ausgrid should be required to immediately increase its capacity threshold to 160MWh – in 1 step – in line with the other NSW DNSPs.

DNSP tariff structures with Demand or Capacity Charges are not appropriate for the fledging EV Charging Infrastructure Industry given its very different Load Profile relative to "traditional" businesses and low usage levels at this stage of the industry's development. This very different load profile would support the introduction of a technology specific or customer specific tariff in this area (ie, a specific tariff for publicly available EV charging sites) and this would be consistent with NER Clause 6.18.4 on Tariff Assignment.

Recognition should also be afforded to how public EV charging infrastructure is inherently more controllable than legacy technologies and, as a result, can be designed to optimise network utilisation and stability, while avoiding impact during peak network events. Technology to control public EV charging already exists and is in operation today. This capability should therefore be recognised, and would further support the introduction of a technology specific or customer specific tariff for publicly available EV charging sites.

The introduction of a specific tariff for publicly available EV charging sites would not represent a subsidy and, thus, would not involve a cross-subsidy from one group of consumers to EV drivers. This is because the uptake of EVs – which is particularly assisted by public fast charging availability as it helps address the concerns by potential EV purchasers about Range Anxiety (ie, potentially running out of fuel) - will deliver significant benefits through network efficiency benefits, as well as significant avoided network costs, both now and in the future. These network benefits will ultimately flow through to all electricity consumers, not just EV owners.

Evie Networks notes that these arguments apply generally to all 3 NSW DNSPs, not just Ausgrid. Evie Networks therefore recommends that the State Government should initiate urgent action to require NSW DNSPs to develop specific tariffs for publicly available EV charging sites for the next 5 year Regulatory Period that:

- 1. Positively support the fledging EV Charging Infrastructure Industry.
- 2. Recognise the significant potential Network Benefits from EVs and the associated role of the EV Charging Infrastructure Industry in delivering these benefits.
- 3. Recognise the ability of Load Management Systems to address Peak Demand issues.



Additionally, it is submitted that this new tariff structure should ensure that - for driver equity and optimal Network usage reasons - electricity costs for publicly available EV charging sites are in line with the cost of charging an EV at home.

Evie Networks therefore proposes that the Government, the NSW DNSPs and the EV Charging Industry agree to work together to develop this new tariff structure over the next 4 months for presentation as part of their proposed 2024-2029 tariff proposals, and that the NSW Government specifically endorse this position in submission to the Australian Energy Regulator.

October, 2022

SUBMISSION



FOREWORD

Officers of Willoughby City Council appreciate the opportunity to provide feedback with regards to Ausgrid's proposed Draft Regulatory Plan "Our Draft Plan for 2024-29". This Plan seeks to advance key priorities, including building resilience to support thriving communities in response to climate change and cyber security threats, delivering a net zero energy transition, improving customer experience, and transforming the grid in an affordable manner.

We also take the opportunity to comment on the importance of a close working relationship with Ausgrid in realising our strategic growth plans in Willoughby, in particular for Chatswood, a major Strategic Centre. These plans have beeen supported by State government at the strategic planning level in line with the North District Plan and Council's Local Strategic Planning Statement (LSPS), and now need to be more fully developed as implementation plans are formulated.

Hugh Phemister

Director Planning and Infrastructure October 2022

1. General Feedback

1.1 Purpose and Exhibition

Ausgrid is currently preparing its 5-yearly proposal to the Australian Energy Regulator (AER) for the period from 1 July 2024 to 30 June 2029. The Draft Plan's key priorities include building resilience to support thriving communities in response to climate change and cyber security threats, delivering a net zero energy transition, improving customer experience, and transforming the grid in an affordable manner. Ongoing priorities include safety and reliability, connecting customers and supporting diversity and inclusion.

There is support for these objectives, and Council is developing its own locally appropriate initiatives to achieve similar goals through its various plans and strategies, including the draft *Local Environmental Plan* and *Development Control* Plan (DCP), *Local Strategic Planning Statement* (LSPS, 2020), *Our Green City Plan* (2018), and *Resilient Willoughby Strategy and Action Plan* (2021).

The significant amount of effort and expertise that has clearly been invested in these resources to date, is acknowledged and the consultation upon which they are based.

Ausgrid is currently exhibiting the following:

• 2024-2029 Draft Regulatory Plan (Draft Plan)

Submissions are invited until October 11th 2022.

1.2 General Comments

- Working toward a 'resilient, affordable and net-zero future' is Ausgrid's overarching goal. This submission addresess Ausgrid's key priorities as outlined above. This submission incorporates comments and feedback on Ausgrid's Pricing Direction Paper.
- ii. The importance of building resilience in response to climate change and cyber security threats is recognised, and this priority is supported in the Draft Plan. Transitioning to more sustainable energy sources affordably and moving toward net zero by 2050 is strongly supported. Increased collaboration with Ausgrid is welcomed to strengthen Council's own locally appropriate initiatives as we work toward our targets of net zero by 2025 for our corporate emissions, and net zero by 2040s or sooner for our community emissions.
- iii. There is significant commercial and residential growth proposed for Chatswood CBD, which will be guided by the *Chatswood CBD Strategy 2036* in conjunction with Council's new Local Environmental Plan (LEP). More collaboration between Council and Ausgrid on initiatives relevant to our overarching growth strategies; specifically, urban tree canopy, power lines, cable bundling, batteries, solar panels, EV charging station rollout, and emissions reductions to improve resilience and support a sustainable and net-zero future. A reliable network, including potentially increased adoption of distributed energy resources (DER) and other 'smart city' approaches will be imperative in moving forward and achieving our goals.
- iv. It should be emphasised that it will be imperative that energy supply and infrastructure meet future demand in Willoughby, particularly in the context of the significant growth proposed for the Chatswood CBD in the form of high-density development, in a sustainable, resilient and reliable manner as we transition toward net-zero. Further, Council seeks to strengthen its partnership with Ausgrid to ensure collaborative arrangements are established in advance of emergencies (e.g. 'emergency dashboard'). These points are further expanded on throughout this submission.



2.2 Feedback regarding building resilience to support thriving communities

- i. The above initiatives to build resilience in response to climate change and cyber security threats is strongly supported. Council is working on its own locally appropriate initiatives and responses via its *Resilient Willoughby Strategy and Action Plan* (2021). Further, council has developed a cyber-security strategy and 3-year improvement program which aligns with NSW cyber security policy, ISO27001 and other standards. Further information is sought about Ausgrids cyber security strategies.
- ii. Investment in Distributed Energy Resources (DER) is considered a priority, which would compliment a balanced approach to strengthening existing power lines.
- iii. Additional details about how Ausgrid intends reducing the impact of outages caused by severe weather and enhancing network resilience are welcomed. The importance of developing and implementing collaborative arrangements in advance of emergencies is emphasised.

- iv. In regard to "supporting affordability by spending **no more** than \$204 million on climate resilience initiatives...", imposing a cap is considered impractical, as we do not know what the challenges will be in 2029.
- v. It is queried why Ausgrid has nominated '5' community resilience vans specifically. Council requests further details as to when the 'climate resilience framework' will be developed.
- vi. The diagram on p.40 is difficult to understand. further details and explanation about what this diagram is proposing would be welcomed. For example, under "roles and repsonsibilities", what is meant by "other resilience actors"? Further specificity is needed here. Under "program optimisation", it would be beneficial to provide further detail around what is meant by "identify prioritisation prinicples". Will this be done in consultation with "resilience actors" such as councils? Does "inter-relationships with other programs of work" refer to Ausgrid programs, or external stakeholder programs?
- vii. Regarding "willingess to pay", careful consideration needs to be given to the needs of socioeconomically disadvantaged communities who are often most affected by shocks and stresses (e.g. extreme weather, housing affordability), and are typically the least "able to pay". More detail is requested about how Ausgrid will ensure that equity considerations are given precedence when making decisions about "willingess to pay".
- viii. At its Local Government seminar on 27 September, Ausgrid emphasied how important it is to engage effectively with CALD communities, and invited councils to collaborate on this process. Willoughby Council has invested considerable effort and resources in developing resilience-building and awareness programs for CALD communities, and is happy to share its approach with Ausgrid, to help avoid duplication and confusion amongst target communities.
- ix. Climate impact assessments are of value, as long as they are designed, implemented and reported on in a manner which is consistent with what other "resilience actors" are doing in this space; for example, councils, agencies such as Resilience NSW and Resilient Sydney. It is recommended that any climate impact assessment program is developed by Ausgrid in close consultation with other 'actors', to reduce inconsistency and duplication and enhance effectiveness. Please also do ensure that the results of the assessments are widely shared.
- x. Regarding "making investments that meet different customer needs" (p.42): This outlines a number of "targeted solutions" including "working with local councils and key partners on coordinated community reslience plans". Ausgrid should be aware that resilience staff at a growing number of councils have already developed community resilience plans which are now being implemented. It is essential that Ausgrid collaborates effectively with councils and stakeholders such as Resilient Sydney during the development of resilience plans known as Local Emergency Management Committees (LEMCs) to avoid duplication and confusion in the community and 'consultation fatigue'.
- xi. Regarding "community support services" (p.42): Ausgrid will be aware of the established network of LEMCs which are typically hosted by councils and undertake a range of planning, communication and coordinated emergency response activities to address community impacts from extreme weather

events such as floods, storms and bushfires. There does not appear to be any reference in the Draft Plan to the need to partner with the LEMC network, which is strongly recommended.



3.2 Feedback regarding delivering a net zero energy transition

Ausgrid's objective to deliver a net zero energy transition through the above initiatives, is strongly supoorted and Council is developing locally appropriate responses via our own plans and strategies. Council would like to emphasise that it will be imperative that energy supply and infrastructure match future demand based on the growth proposed for Willoughby, particularly the Chatswood CBD in the context of high-density development, in a sustainable, resilient and reliable manner, as we transition to net-zero. Further clarification around how the 13% emissions reduction was measured in the Ausgrid Draft Plan (p.11) is sought.

- ii. Regarding EV charging station rollout, a consistent approach is required. Regarding third-party advertising, the necessity of incorporating third-party advertising on EV charging stations should be assessed, and visual amenity impacts considered. The geographical distribution of EV facilities across council LGAs should be considered in advance to determine the most appropriate locations. It is recommended that Ausgrid partner with DPE, Resilient Sydney and a representative group of councils to develop a common set of development controls, design guidelines etc. to manage the roll-out of EV charging facilities in a consistent and efficient way. Specific to Willoughby Council, we would like to collaborate with Ausgrid to ensure new controls requiring access to EV charging facilities in apartment blocks in the context of significant future high-density growth in Chatswood will be supported by Ausgrid.
- iii. Investing in a higher uptake of Distributed Energy Resources (DER) is strongly supported, as is a more agile, innovative and greener grid that supports the transiton to net zero. More detail is needed regarding how Ausgrid intends to partner with councils during the planning, design and implementation process. Clarification is sought as to how we can work together to improve and support uptake of DER.
- iv. The Draft Plan prioritises innovation which can have many benefits such as reducing emissions through maximising solar use, creating additional storage and improved network resilience. Adopting new and emerging technologies play a significant role in our communities' transition to net zero. Examples of this inlcude the acceleration of vehicle to grid (V2G) opportunities and allowing EVs to export back behind the meter in households and businesses.
- v. In a densely developed inner north suburb like Willoughby, we need to pay particular attention to the needs of renters and residents living in mutli-unit developments, including high-rise. What opportunities and incentives can we collectively develop to encourage household energy efficiency, demand management and uptake of DER and renewable energy alternatives? It is important that Ausgrid and councils collaborate well in this regard, to avoid duplication, confusion and inefficiencies. It is also important to develop a common set of measures to assess the impact of these DER measures utilising, where possible, existing tools and data platforms (e.g. Resilient Sydney resilience data platform). Need to plan for renters; for example, COS Green Power initiative.
- vi. Ausgrid's initiative to partner with councils is agreed with to support delivery of community batteries and other local energy solutions. Further understanding is sought around how Ausgrid plans to partner with councils, noting councils may be limited in resources and / or expertise. The nature of the regulatory changes are required is queried. It is suggested that Ausgrid / state government work with councils on the development of incentives to encourage faster uptake and use of community batteries. As is the case for EV charging, there needs to be a common set of development controls and design guidelines to manage the siting and design of community batteries and other DER infrastructure.
- vii. Re: Figure 4.2.3 Ausgrid's FY2022 Emissions Breakdown by Scope and Type (Kilotonnes of CO2e), it needs to be clarified if if the 10.1% attributed to streetlights includes the emissions offset by councils currently purchasing 100% renewable electricity.

- viii. It is recommended that Ausgrid focuses on the need to secure multiple benefits and synergies during the development and implementation of its DER program, for example by developing measures that strengthen community resilience in emergencies whilst also driving down community carbon emissions. This requires an innovative and sophisticated approach to the evaluation by Ausgrid and its regulators of the costs and benefits of various investment programs to achieve the objectives laid out in this Draft Plan. Effective communication and collaboration with councils and other 'resilience actors' will be an important part of this process.
- ix. In regards to urban tree canopy, the conservation and extension of the urban tree canopy to help combat urban heat, enhance liveability and strengthen biodiversity is a number one priority for many councils and their communities. As Chatswood grows under the *Chatswood CBD Strategy 2036* and high-density development increases, the maintenance and enhancement of urban tree canopy will be vital in combatting urban heat, enhancing liveability and strengthening biodiversity.
- x. Further to the above, management of street trees, in particular, is a vital consideration and has traditionally been the source of considerable disagreement and conflcit between energy providers like Ausgrid, local communitiers and their councils. There appears to be little consideration given in the Draft Plan to this important and vexed issue. It is strongly recommended that Ausgrid gives more consideration in the Draft Plan to the urban tree canopy challenge, inlcuding how it intends reducing the impact of its operations on street trees through cable bundling and other means. Councils are very keen to collaborate with Ausgrid, the state government and other key stalkeholders to develop innovative and more sustainable approaches to the conservation and extension of the urban tree canopy. The provision of DER in local communities will generate a range of opportunities and challenges in this regard.

4 **Providing a better customer experience**

		What we are considering	For our customers, this would mean
		Making the customer experience simpler and easier, by	
We need to enhance our communications as outage information is crucial		 Improving the timeliness of outage communications through a \$14 million additional investment in our Advanced Distribution Management System (ADMS) 	 Faster unplanned outage communications that provide more accurate estimated restoration times
		 Improving the quality of outage information so delivery partners (such as retailers) can better communicate with customers during an outage 	 SMS updates about planned outages progress, including forecast timing and estimated restoration times
Being able to speak to a real person is important		 Maintaining the quality of service delivered by our contact centres 	 If they call us, they will talk to someone who knows their local area
		 Proposing that the AER apply a Customer Service Incentive Scheme (CSIS) to us from 1 July 2024 	• We return up to \$43 million to customers if we do not improve our customer service
Our services need to be simple and easy to engage with		 Improving the complex customer connection process via a \$7.5 million investment in our customer information systems 	 Complex connections are delivered faster an with less hassle
		 Introducing fast, easy digital self-service options for delivery partners and large customers, via an investment of \$10 million 	 Digital self-service options which would save around 43.5 minutes of effort per customer per year

Specific to councils, Ausgrid is considering:

- Improving visibility of Ausgrid's performance on public lighting repairs with local councils by automating processes into our CRM platform
- Increasing information exchange to support improved emergency management response during outages

WCC comments: Refer comments on p.3 re: the need to collaborate effectively with Councils and their LEMCs to achieve this objective. For example, a number of councils in the NSROC region are investigating the establishment of a shared 'emergency dashboard' which will provide live updates and a 'single source of truth' for the community to access during extreme weather events. The dashboard combines in one place all the information updates and emergency measures put in place by emergency responders, councils and other 'actors' during an extreme weather event. This approach has been successfully trialled in Qld, Northern NSW and in some Metropolitan Sydney LGAs.

- Exchanging data to guide street tree planting, inform vegetation management, and optimise EV infrastructure roll out
- Exchanging capital works forward plans through the IWORCS platform established to coordinate capital works jobs, to ensure that roads are only dug up once to undertake maintenance and repairs. To

ic C	dentify opportunities osts	s for aligni	ing construction, minimising disrup	otion to the community and reducing
Providi	ng a better cust	omer e	xperience (continued) What we are considering	For our customers, this would mean
Partner ollaboration	Improved engagement and processes with our delivery partners will be more		Engaging more effectively with our delivery partners and large customers, by:	
		And	 Improving the timeliness and accuracy of outage information delivered to delivery partners and large customers, via the above-mentioned \$10 million investment 	 Delivery partners and large customers are better equipped to communicate with our mutual customers and can better manage their operations during an outage
Ů	efficient for all		 Recruiting 2 additional dedicated Customer Managers to support delivery partners and large customers during the connection process for large sites 	Faster connections for large sites
	Our services need to be empathetic to individual and diverse customers needs		Becoming more empathetic in supporting the individual needs of our customers, by:	
		Ī ₹ A	 Delivering better-tailored services to our customers via a \$2.5 million investment to improve our contact centre, website and SMS communications 	 A more empathetic service for our CALD, life support, regional, urban, digitally illiterate, and disabled customers, and customers experiencing financial hardship
ersity an airness	Indigenous knowledge is a foundation for		 Incorporating Indigenous knowledge into our planning processes 	
Ö	managing our impact on Country Strengthen our	<u>دۇ</u> >	 Continuing to build relationships with the Indigenous communities in our network area 	 Indigenous communities can influence projects and improve the management of Country
relationships with Indigen communities first step tow reconciliation	relationships with Indigenous communities as the first step towards reconciliation	nships digenous inities as the ep towards liation	Recognising local languages and artwork in our property plans	

4.2 Feedback regarding providing better customer experience

- i. Ausgrid's initiative to provide an improved customer experience is supported. There is storing support for greater collaboration and information sharing with Ausgrid regarding public lighting repairs, emergency management response during outages, street tree planting and vegetation management, and EV rollout (addressed throughout submission).
- Refer to our detailed comments and recommendations in the previous section with regard to EV rollout. Collaboration with Ausgrid regarding the rollout of EV charging stations is welcomed, with a consistent approach being required.
- iii. Improved unplanned outage communications are strongly supported and collaboration with Ausgrid on LGA specific improvements is welcomed. Simplified and collaborative services such as the 'emergency dashboard' which are user-friendly are recommended.

- iv. How to identify and target vulnerable customers is key. It is recommended that Ausgrid works with councils and community services providers to achieve this. The word 'empathetic' could be perceived as patronising – we suggest 'targeted' in replacement.
- v. The development of a customer service incentive scheme is supported and it is recommended that this approach be extended to include development of incentives to encourage customers to adopt DER and other measures to reduce energy demand and encourage uptake of renewable energy. Various councils have developed incentive schemes to encourage residents to be proactive in this space, with varying degrees of success. There would be value in developing a joint Ausgrid / Council working group to develop a more consistent, broad scale approach to encourage positive behaviour change and enhanced uptake of DER.
- vi. Figure 4.3.2 re: collaborating with councils: the sentiments expressed in this section re: improving collaboration with councils, are strongly supported as per our comments above. To progress to the next stage, Ausgrid and its partner councils need to develop agreed mechanisms to achieve the desired level of collaboration, with appropriate identification and sharing of associated risks, cost and impacts on all parties.

5 Facilitating an affordable energy transition

		What we are considering	For our customers, this would mean	
	E	Building on our significant cost reductions implemented since 2015, by:		
Energy costs are difficult to manage, so energy needs to be affordable	53	Making an upfront commitment to reduce our operating costs by \$32 million over the 2024-29 period	A more affordable energy system in the long-term	
		Continuing to enhance our investment governance, building on the significant improvements made since 2018		
	c t	Giving our customers more choice and control over their energy services and bills, by:		
Flexible 2-way pricing provides a fairer transition to net zero emissions		Transitioning an additional 500,000 customers to pricing arrangements that better reflect what drives our costs	 They can lower their ener bills by changing when ar how they draw power fro the grid or export power 	
	кр ¹ .	Introducing pricing arrangements that encourage customers to export energy to the grid between 3pm and 9pm, when demand is highest	A more affordable energy system in the long-term	
Customers want improved visibility of		 Deepening our engagement with regulators to support bill transparency, for example supporting the AER's review of retail bill requirements 	 They are better able to ta targeted action to manage their electricity costs 	
driving their energy bills		 Identifying effective ways to communicate what drives electricity bills via our website or social media platforms 		
		Taking a risk-based approach to investment that delivers equitable outcomes across generations, by:		
Invest to reduce long- term costs		 Better understanding the performance of our 5 million assets in service across the grid 	 They are confident we are spending efficiently and ou costs are being fairly share across current and future generations 	
	•••	 Maintaining a stable asset base so that investments we make today do not create an affordability challenge for future generations 		

5.2 Feedback regarding facilitating an affordable energy transition

- i. General support is offered for the above initiatives.
- ii. Acknowledging the rising cost of living, Ausgrid's initiative to facilitate an affordable energy transition as we move toward net zero is supported.
- iii. We need to collectively ensure that particular attention is given to the needs of the vulnerable and appropriate measures are taken to ensure an equitable and affordable transition is achieved for the most vulnerable members of our community.
- iv. As mentioned above, it is also essential to consider the needs of renters and residents living in multi-unit developments and ensure that they are able to fully participate in and benefit from the energy transition.
- v. Facilitating an affordable energy transition will be key.

5.3 Community Consultation Questions

1. Given our communities' expectations for the grid, and the affordability challenge they are also facing, how do we deliver value for money into the future? (p.13)

• It depends on the tools used to measure 'value for money' and the extent to which they include 'hard to measure' factors, such as liveability, sustainability and inter-generational equity. Ref: section 4.4.3 re: 'risk-based approach'. Ausgrid are also very dependent on the attitude adopted by their regulators, in particular IPART (see comments below).

2. How should we decide which community support services we offer? (p.42)

 4.1.2 'Community support services': further details as to what this means for councils are requested. Many councils already have community reslilience plans and are in the process of implmenting them. It is essential that Ausgrid collaborate effectively with councils when reviewing and extending its community services, as per comments above. This process should include working constructively with Local Emergency Management Committees (LEMCs) and diverse council staff.

3. When deciding how to invest in our cyber security program, what factors should we take into account? (p.43)

- What is the relationship between cyber security and strategic objectives of the plan?
- How much does cyber security underpin or enable the other objectives?
- Existing capability
- Existing risks and vulnerabilities
- Given the desire for digitisation, how do you create a strategy of security by design to enable digital service transformation?
- Strategic partnerships

4. What are your views on our proposed 5 key principles for DER investment? (p.44)

- 4.2.1 More detailed information on how Ausgrid will set targets and measure progress is sought.
- With regard to advocating for an efficient energy transition and regulatory reform, is IPART and energy regulator supportive? This is really key. Efforts by Ausgrid and its partners / stakeholders to educate its regulators and secure support for an innovative, equitable and environmentally sustainable approach to the implmentation and financing of Ausgrid's ambitious objectives are supported. also supported are Ausgrid's comments re: AERs current underestimate of the cost to customers (and the broader community / environment) of restricting exports to the grid on financial grounds. This makes no sense in a environment under threat from increasing disruption and climate change impacts.
- 4.2.2 Is Ausgrid going to drive the icrease in DER by 2029?
- Regarding urban tree canopy, it is appreciated the rejoint funding initiaitve includes councils. However questions would inlvude: Is Ausgrid going to expand its support for cable bundling? Is there sufficient consideration for environmental impacts of Ausgrid's operations and infrastructure? How can Ausgrid limit impacts on tree canopy?

5. What role do you think Ausgrid should play in community battery initiatives? (p.45)

General support for this measure is expressed community wide; however, we await the results of
the trials currently being undertaken. If beneficial to aiding the uptake of DER on the low voltage
network and an equitable distribution of profits to participating households occurs, Ausgrid should
fund community battery initiatives and work with local government to facilitate an efficient rollout.

6. Would the proposed Customer Service Incentive Scheme encourage improvement in the service areas that matter most to customers? (p.50)

- Probably, but as per comments above, Ausgrid and councils need to collaborate on developing community incentives to encourage accelerated take-up of DER.
- 4.3.1 Is there support for an Emergency Dashboard? Council has been consulting with Resilient Sydney and councils on developing a regional dashboard; Ausgrid used to be a pat of this discussion.
- 4.3.2 Re: 'we are considering' these are good ideas, but what is the mechanism for doing this?

7. For CALD customers and their representatives: What should we consider when improving the services we deliver to CALD communities? For example, are there culturally significant dates that we should be aware of when scheduling planned outages? (p.53)

- Willoughby Councils has developed a suite of education materials to raise awareness amongst the CALD community of extreme weather events and other disruptions (e.g. power outages) and to encourage residents to plan better for emergencies. The materials have been developed in consultation with Red Cross, SES and NSW Fire and Rescue and to date, six Metropolitan Councils have adopted some / all of the materials for their own use. Support is offered to partner with Ausgrid on the development of engagement and education programs targeted at CALD communities and other vulnerable groups. A joint approach is recommended.
- Need to focus our efforts on providing support for vulnerable customers who are unable to access or use digital platforms and services.

8. How do we fairly share the benefits of productivity gains with customers? (p.54)

• For general savings network wide decrease your network charges. For gains for customers who participate in specific initiatives (e.g. community batteries) then specific, equitable additional payment to them.

9. How should we fairly balance price impacts across different customer groups? (p.55)

• Lower socio-economic groups should pay less.

10. What factors should we take into account in spreading customer price impacts across the 5-year period? (p.60)

• Allow enough time for understanding and for customers to plan and implement well in advance (e.g. purchasing and configuring DER to best use tariffs and income opportunities.

Pricing Direction Paper – Willoughby City Council Comments and Feedback

- i. Support is offered for the proposed pricing principles of efficiency, flexibility and fairness. Further information on how the approach will be implemented to ensure the proposed pricing is fair and equitable and does not discriminate between customers would be valued.
- ii. There is also general support for proposed pricing reforms, particularly those that will help reduce bills to customers, improve customer benefits from their DER investments and reduce emissions.
- iii. It is suggested that Ausgrid further engages with retailers to better understand how retailers will transfer proposed pricing to customers to ensure customers receive intended pricing signals and to help customers better plan for proposed changes. Specifically, in relation to the proposed export pricing, the commencement of opting in from 1 July 2024 is supported; however, it is recommended that mandatory roll-out is delayed for more than the proposed one-year interval to allow customers to be better prepared. Ausgrid is proposing to start with what is referred to as a "weak pricing signal" for solar exports to the grid (p.20). It is considered that, as export constraints are not experienced across the whole of the Ausgrid network, a dynamic tariff approach similar to that being trialled in South Australia may be a better way of continuing rooftop solar investment across the grid. It is preferred that Ausgrid offer both a static pricing and dynamic pricing option similar to what is being trialled in South Australia. There are already lots of different pricing tariffs offered by Ausgrid, and this is just one more. We believe that many people will set up systems to do "smart things" to automatically respond to dynamic pricing like batteries, loads, and solar controllers based on available generation and market prices. We think a dynamic system should be available for 'smart' customers to work with too.
- iv. There is support for the proposed reforms to capacity charges, in particular lifting the low usage threshold at which capacity charges apply from 40 MWh to 100 MWh, which will result in lower bills for business customers, including Council.
- v. Removing a demand charge could be a good thing. If fixed charges go up to compensate, then it is a problem. If energy rates go up instead then solar becomes significantly more valuable, far more than the higher penalties for feed in. A wider difference between peak and off-peak rates to incentivise the right behaviour is preferred.
- vi. In principle, there is support for the alignment of pricing with increased costs on network, and understands that the timing of proposed mechanisms is intended to align with expected increased future pressures on the network including uptake of DERs and EVs. However, in accordance with the principle of fairness, customers, including Council, need sufficient lead time to prepare for these pricing changes. This will help customers maximise cost benefits and reduce risks; for example, through battery storage or other appropriate technology and / or through modifying consumption patterns to reduce peak demand charges and peak tariffs. Customers also require significant lead time to better prepare for potential financial impact of these proposed reforms.
- vii. Council supports Ausgrid's decision not to impose specific EV tariffs in 2024-9. A specific EV tariff may discourage EV uptake in our community and delay our transition to net zero.

6 Concluding Comments

Strong support is given for many of the priorities and directions as outlined in Ausgrid's Draft Plan.

Particular areas of **support** relate to:

- i. Building resilience to support thriving communiites in response to climate change and cyber security threats.
- ii. Delivering a net-zero energy transition and transforming the grid in an affordable manner; encouraging DER uptake; conserving and extending urban tree canopy; transitioning to EV.
- iii. Improving customer experience; supporing CALD communities.
- iv. Increased partnership with councils on a number of fronts e.g. reviewing local plans and strategies to facilitate a consistent approach to the roll-out of DER, development and implementation of community resilience plans, improving collaboration with councils in the lead up to, during and after emergencies (via LEMCs and other means).
- v. Securing the necessary support of energy regulators to implement the ambitious and worthwhile approaches outlined in this Draft Plan in order to secure a more resilient, safe and sustainable future for current and future generations

Areas of concern that are **not supported** relate to:

- i. There are generally no objections to the proposed priorities. Suggestions and recommendations have been made as to where things might be improved, and posed questions where necessary.
- ii. Removing a demand charge could be a good thing. If fixed charges go up to compensate then it's a problem. If energy rates go up instead then solar becomes (a lot) more valuable, far more than the higher penalties for feed in. A wider difference between peak and off-peak rates is preferred to incentivise the right behaviour.

Not all EN are equal

Uniting NSW ACT has four retirement villages with Embedded Networks. They typically serve up to 100 small residential units to retirees and pensioners. The EN enable Uniting to purchase electricity at large market rates and on sell it at a heavily discounted rate. The philosophy behind the EN is providing this community with affordable power in a regular and constant manner so they do not need to worry about monitoring electricity prices and changing electricity retailers as their plans expire. The small surplus that is returned to Uniting is utilised to offset the installation of solar PV systems on the roof so the residents receive some green power bin their consumption. It is not a profit making enterprise. Our residents also have the ability to opt out of the EN and decide on their own electricity retailer.

Our ENs and other Not For Profit retirement village operators run the EN for the benefit of the residents not shareholders. This is opposite to office building and shopping centre operators who run EN and offer little opportunity for the tenant to receive fairly priced electricity. There is aggressive behaviour from some EN operators in the commercial space to lock in new customers.

The proposal should differentiate between residential properties and commercial properties as the motivation to run an EN differs greatly, the former for the interests of the resident and the later for the benefit of the landlord.

Thanks

Michael Mathias Manager, Environmental Sustainability



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Ausgrid Via email: <u>yoursay@ausgrid.com.au</u>

4 October 2022

Dear Ausgrid,

Pricing directions paper 2024-2029: proposed embedded network tariff

Thank you for the opportunity to make a submission relating to Ausgrid's pricing direction paper for the 2024-2029 period.

We'd like to focus our feedback on one element which has really stood out: the proposal to create a new network tariff for embedded network customers that, all other things being equal, would increase the bill of a customer residing in an embedded network by 30%.

Naturally, we fundamentally disagree with both the approach Ausgrid describes and the quantum of the proposed change. Such a shift would cause significant customer detriment without a corresponding increase in Ausgrid's cost base upon which to justify it.

We will reserve further comment until we read Ausgrid's full proposal once it is published. Should it remain materially in the same form as the draft proposal, we look forward to energetically opposing this change during the subsequent AER consultation period.

Yours faithfully

Adrian Merrick Founder & CEO Energy Locals





4 October 2022

Submitted electronically

RE: Ausgrid Draft Plan 2024-29

Shell Energy welcomes the opportunity to comment on Ausgrid's Draft Plan 2024-29.

About Shell Energy in Australia

Shell Energy is Shell's renewables and energy solutions business in Australia, helping its customers to decarbonise and reduce their environmental footprint.

Shell Energy delivers business energy solutions and innovation across a portfolio of electricity, gas, environmental products and energy productivity for commercial and industrial customers, while our residential energy retailing business Powershop, acquired in 2022, serves more than 185,000 households and small business customers in Australia.

As the second largest electricity provider to commercial and industrial businesses in Australia¹, Shell Energy offers integrated solutions and market-leading² customer satisfaction, built on industry expertise and personalised relationships. The company's generation assets include 662 megawatts of gas-fired peaking power stations in Western Australia and Queensland, supporting the transition to renewables, and the 120 megawatt Gangarri solar energy development in Queensland.

Shell Energy Australia Pty Ltd and its subsidiaries trade as Shell Energy, while Powershop Australia Pty Ltd trades as Powershop. Further information about Shell Energy and our operations can be found on our website here.

General Comments

Shell Energy considers large scale battery energy storage systems to be a critical part of the solution to the rapid changes facing distribution systems and decarbonisation of the electricity system. We appreciate the challenges involved in adapting the distribution grid to accommodate increasing levels of local solar generation and anticipated growth of electric vehicle demand among many other changes. Growth in peak demand and changes to the consumption profile mean that many substations may need to be upgraded during the draft plan period and beyond.

In addition to providing more stable electricity supply, batteries provide a range of benefits to consumers and distribution providers including demand shifting, price stabilisation, voltage support services and frequency response services. Batteries are unique in that the asset class is fast, flexible, reliable and is required to support decarbonisation efforts with the withdrawal of coal generation and the increasing penetration of renewables. Further, consumers will benefit from more cost effective, safe and secure electricity network provided by the inclusion of large-scale batteries as part of the electricity landscape. Our view is that these benefits can be provided to consumers along with further benefits resulting from delaying or removing the need to undertake capacity upgrades at distribution substations if large scale batteries are installed within distribution networks.

To facilitate this efficient outcome for consumers and distribution networks, we consider that Ausgrid's tariff innovation efforts should go further to ensure that large scale batteries are not disincentivised from connecting at the distribution

¹By load, based on Shell Energy analysis of publicly available data.

² Utility Market Intelligence (UMI) survey of large commercial and industrial electricity customers of major electricity retailers, including ERM Power (now known as Shell Energy) by independent research company NTF Group in 2011-2021.





level. The current default Ausgrid tariff for large scale batteries connecting at the 33-132kV level is EA390, which includes a standing (capacity) charge and an energy usage charge. Our analysis shows that applying this tariff to a typical large scale battery project increases the project annual costs by millions of dollars and renders the project uneconomic. We believe that this disincentive to storage is a very negative outcome for consumers who instead of gaining access to the benefits of battery storage, will be obligated to pay for substation upgrades or experience lower reliability outcomes.

The capacity charge component of the default tariff is designed to reflect the cost of additional demand in the distribution network at peak times. However, since batteries operate to time shift demand from high priced periods to low priced periods, they already have a very strong incentive to avoid consumption at peak demand times. Our view is that a large-scale battery will have a beneficial impact on demand at peak times. For this reason, we believe the default tariff is inappropriate for battery connections and should be re-evaluated. Ideally, given the benefits to consumers and the distribution system, we believe that large scale battery installations should face very low to zero connection charges. However, we note that this is not currently part of the Draft Plan or any current tariff structure.

The best tariff arrangement currently available for large scale batteries connecting to the distribution grid is for Ausgrid's transmission tariff to be applied. Our analysis shows that this tariff structure significantly improves the economics of battery projects, effectively removing the disincentive under the default tariff and ensuring consumers see benefits from accelerated deployment of large-scale batteries. We strongly support the transmission tariff being applied as the default connection charge arrangement for large scale batteries and for this to be included in Ausgrid's FY25-29 regulatory proposal to the AER.

For any questions regarding this submission please contact Peter Wormald (peter.wormald@shellenergy.com.au).

Yours sincerely,

Libby Hawker GM Regulatory Affairs & Compliance



5 October 2022

Bill Nixey Network Pricing Manager Ausgrid 24 Campbell St, Haymarket NSW 2000

Email: pricing@ausgrid.com.au

Dear Mr Nixey,

Re Ausgrid Pricing Directions Paper – Embedded Networks Tariff

Origin Energy (Origin) appreciates the opportunity to provide a response to the Ausgrid Pricing Directions Paper for the 2024-29 regulatory period.

Embedded networks are a growing segment of the residential market. These supply arrangements offer a range of benefits not available to other mass market residential customers connected directly to the distribution network.

For example, by aggregating the load within an embedded network, this scale can often allow embedded networks to access energy rates and contract terms normally only available to commercial customers. In Origin's case, we share this benefit by providing customers with a usage rate commensurate with competitive market offers. In addition, embedded networks can also foster renewable energy technologies though future-proofing buildings (e.g. design to accommodate electric vehicle charge points and solar).

Therefore we believe that it is important that the regulatory framework recognise the unique characteristics of embedded networks and ensure that these benefits to continue to accrue to consumers and the achievement of a net zero energy future.

However, we also recognise that Ausgrid has certain obligations under the National Electricity Rules (NER) with respect to network pricing, notably that its prices must reflect the efficient costs of providing its services.

Ausgrid highlights that the load profile of embedded networks is different when compared to customers on the same tariff. As a result, Ausgrid argues that embedded network customers receive lower network charges than other individual connections. In response, Ausgrid propose to introduce a higher capacity charge for embedded networks compared to the current tariff.

However, we note that the NER allows a network's tariffs to vary from the pricing principles in certain circumstances. We consider the treatment of embedded networks warrants closer examination to strike a balance between the retention of benefits to consumers and the broader market with a strict application of the NER's pricing principles.

As part of this examination we look forward to working with Ausgrid to better understand how embedded networks are likely to be impacted by a change in tariffs including what expected benefits Ausgrid's hopes to realise. In particular, we look forward to better understanding:

- How Ausgrid has defined an embedded network including whether a size threshold has been applied and why.
- The derivation of the embedded network load profile.
- How the difference between an embedded network load profile and a C&I profile is measured and determined to be significant.
- The derivation of the embedded network tariff parameter values.
- The reasonableness of a transition period.

Furthermore, some embedded networks would have made investments in good faith expecting certainty in network tariffs. For these reasons we believe Ausgrid ought to consider the appropriateness of grandfathering existing tariff structures or some form of transition arrangement.

We thank you for your engagement on this issue to date and look forward to further productive engagement.

If you have any questions regarding this submission, please contact me directly.

Yours sincerely

Sean Greenup Group Manager Regulatory Policy (07) 3867 0620 <u>sean.greenup@originenergy.com.au</u>

Friday, October 7, 2022

RE: Ausgrid Pricing Directions Paper for 2024-2029 Regulatory Period

To Whom It My Concern,

Firm Power is an intending participant in the National Electricity Rules as a Generator and specialises in providing energy services as a non-network solution to network limitations and constraints. Firm Power leverages private investment to provide innovative solutions, actively participates in Regulatory Investment Tests (RITs) at both distribution and transmission level and works with NSPs to design efficient and cost-effective means to save customers money through non-network solutions. Firm Power have been developing large-scale BESS projects in numerous distribution and transmission networks in the NEM, including Ausgrid's.

Firm Power are pleased to provide an overview of the current tariff situation for grid scale batteries in NSW along with a proposal for an investable tariff structure for our Ausgrid projects. We look forward to working on this with you:

In response to consultation question 11:

Given the evolving needs of the energy sector and our customers, how fast should Ausgrid move to develop and implement innovative tariffs? What factors should guide our approach?

The ISP and CSIRO's independent report on energy pricing support that firmed renewable energy from wind and solar is and will continue to be the lowest cost form of electricity moving forward¹. The ISP also predicts that in the most likely step change scenario 46GW² of dispatchable energy storage is required to support the additional 125GW of wind and solar deployment necessary to achieve our net-zero ambitions by 2050³. With this in mind it is clear that battery storage has a key role to play in the energy transition and to facilitate the rapid rate of renewable energy deployment required, Ausgrid should be supporting tariff reform that encourages this deployment within its network. AECOM's 'Grid to Garage' report (commissioned by ARENA) identifies the medium voltage network as a more optimal location than high-voltage transmission-based BESS when considering both technical and economic benefit. Therefore, DNSP's have a key role to ensure tariff reform encourages battery location within their network as it is the point of greatest economic and technical benefit, which will ultimately drive down network costs and improve system reliability.

Firm Power are complimentary of Ausgrid's efforts to identify the need for tariffs that encourage battery deployment in your network on the basis they can respond to dynamic price signals and can

¹ CSIRO GenCosts 2021-22. Section 5

² AEMO 2022 Integrated System Plan. Section 4.2

³ AEMO 2022 Integrated System Plan. Section 3.2

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be controlled to minimize their impact on, or indeed reduce, network congestion as well as power quality. This will have long-term benefits to the consumer and will provide optionality to the Ausgrid network to contract services from these batteries as and when specific support is required to improve electrical supply quality, quantity or reliability.

In NSW, the distribution system is in direct competition with the transmission system for attracting customers who are developing grid-scale Battery Energy Storage Systems (BESS). By utilising Negotiated Transmission Service arrangements, transmission connected batteries have been able to negotiate and contract the removal of TUOS for BESS projects, making the transmission system a more investor and developer friendly place to locate a grid BESS. This is evidenced in the NSW Major Projects Register where there are currently 17 large-scale stand-alone batteries with a combined capacity of 5,020MW/12,840MWh. With the exception of Firm Power developed projects, all of these connect into TransGrid's network. See List 1 For more information.

DUOS uncertainty remains a key investment risk for companies evaluating distribution system investments. If investment grade BESS tariffs cannot be established at the distribution level, BESS investment will naturally flow into the transmission system. These DUOS costs will also limit the ability for a renewable energy project connecting into Ausgrid's network to co-locate storage, as many coupled renewable energy/storage designs will require some level of charging off the grid.

We encourage Ausgrid to move quickly to establish a standard tariff for large-scale storage projects. Due to the significant amount of investment involved in a large-scale BESS, investors are critical of project cost items that cannot be reasonably forecast over the lifetime of a project (circa 10-20 years). A trial tariff is considered temporary in nature and therefore 'unbankable' to financiers, who (when forecasting project economics) will revert to conservative, prescribed tariffs when presented with short-term trial tariffs.

In response to consultation question 12:

What innovative tariffs would you like to see Ausgrid trial to support energy storage?

We provide the following background before presenting Firm Power's tariff suggestions:

- i. BESS technology has sub-second response times to control signals and can easily adjust or eliminate load or generation to remove any adverse thermal impact on the network;
- ii. A large-scale BESS can act as a scheduled load and avoid contributing to peak demand by accepting the load can be curtailed (by Ausgrid) at any time to give priority to other customers on a prescribed service or by avoiding charging at certain times of the day and year;
- iii. This reduced level of service reliability better utilises existing assets allowing other customers to connect to the shared network without requiring distribution network investment to facilitate utility-scale BESS energy charging;
- iv. BESS cycling patterns are typically arbitraging wholesale market electricity prices, which result in discharging during Ausgrid's peak period and charging during the off-peak period
- v. When discharging during the peak period, a BESS is supporting the network by reducing; congestion, minimising the risk of outages and invertedly assisting power quality at the point of connection. These benefits are unrecognised by a load-only tariff; and

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vi. The purposes of the NSW Climate Change Fund are legislated under section 34F of the Energy and Utilities Administration Act 1987. Specifically part (c) states one of the purposes of the Climate Change Fund is to 'provide funding to reduce the demand for water and energy, including addressing peak demand for energy.' Firm Power believe it is counter-intuitive and inefficient to collect revenue from storage projects that reduce peak demand for energy, only to reinvest the funds into subsequent storage projects.

Tariff Concept Proposal

Considering that a large-scale BESS will be a scheduled load, not contribute to the need for network upgrades and will cover its own non-contestable cost of connection, Firm Power are proposing Tariff structure elements as follows:

- i. **Capacity Charge:** Removed on the basis that (unlike traditional load-based tariffs) load from a large-scale BESS can be curtailed via network control if and when required;
- ii. **Consumption Charges:** Includes an export reward, priced at a premium during the peak period, that has the ability to efficiently offset consumption charges accrued during the consumption charge window. Consumption during high solar generation periods should also be rewarded;
- iii. **Annual Fee**: removed or a de minimis charge that respects connection charges have been paid for by the BESS during the construction phase;
- iv. **Climate Change Fund:** Not applicable to energy storage projects that have the ability to limit increases in peak demand;
- v. **TUOS component:** Confined to a TUOS capacity charge that can be avoided by setting a tight no-load window for the super-peak periods (e.g. 6-8pm);

We look forward to continuing to work with Ausgrid on battery tariff development. If you have any questions, please do not hesitate to get in contact at any stage.

Kind regards,

Nick Rose General Manager

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Addition A: Explanation Note - Negotiated Transmission Service arrangements and TUOS.

TUoS arrangements for BESSs are being negotiated between connection applicants and transmission network service providers in accordance with the negotiating principles of clause 5.2A.6 of the National Electricity Rules. The outcome of these negotiations has resulted in no payable TUoS to date. This is justified through a reduced level of service than the prescribed level of service that incurs the prescribed transmission tariffs.

Validation of this is provided by the following examples:

Clause 4.3.3 of ESCRI-SA Project Summary Report – The Journey to Financial Close (<u>https://www.electranet.com.au/wp-content/uploads/2021/01/ESCRI-SA-Project-Summary-Report-The-Journey-to-Financial-Close-May-2018.pdf</u>) describes the rationale for no TUoS tariffs for that BESS project.

Clause 6.2.1 of the Undertaking to the Australian Energy Regulator for the Period Commencing 1 July 20219 and ending on 30 June 2021 (<u>https://aemo.com.au/-</u>/<u>/media/files/electricity/nem/participant_information/fees/2019/aemo---ner-s59-undertaking---12-june-2019_0.pdf?la=en</u>) confirms that the Ballarat BESS is also exempt from TUoS charges.

AEMO in Victoria acting as the TNSP in Victoria has confirmed and is presently continuing its current practice of not charging directly connected ESSs as noted in its pricing methodology.

Addition B: List 1: NSW major Project Register BESS Projects (Excluding Firm Power Projects).

- 1) Great Western Battery (500MW 1,000MWh | Transgrid)
- 2) Eraring Battery Energy Storage System (700MW/2,800MWh | Transgrid)
- 3) Lismore Battery Energy Storage System (100MW/200MWh | Transgrid)
- 4) Broken Hill Battery Energy Storage System (50MW/100MWh |Transgrid)
- 5) Liddell Battery (500MW/1000MWh | Transgrid)
- 6) Tamworth (200MW/400MWh | Transgrid)
- 7) Armidale (150MW/300MWh | Transgrid)
- 8) Coleambally (100MW/400MWh|Transgrid)
- 9) Wallerawang (500MW/1,000MWh | Transgrid)
- 10) Wellington South (500MW/1,000MWh / Transgrid)
- 11) Hume Battery Energy Storage System (20MW/40MWh | Transgrid)
- 12) Riverina Energy Storage System (150MW/300MWh | Transgrid)
- 13) Woodland BESS (200MW/800MWh | Transgrid)
- 14) Ridgey Creek BESS (130MW/260MWh | Transgrid)
- 15) Apsley BESS (120MW/240MWh | Transgrid)
- 16) Waratah Super BESS Munmorah (700MW/1400MWh | Transgrid)
- 17) Orana BESS (400MW/1600MWh | Transgrid)

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10 October 2022

Mr Bill Nixey Network Pricing Manager, Customer Strategy Ausgrid Level 13, 24-28 Campbell Street Sydney NSW 2000

By email; <u>pricing@ausgrid.com.au</u>

Dear Mr Nixey

SUBMISSION ON AUSGRID'S DRAFT PLAN 2024-2029

Thank you for the opportunity to present at Ausgrid's 30 September 2022 Pricing Working Group meeting and provide a written submission on Ausgrid's Draft Plan 2024-2029, including the associated Pricing Directions Paper.

The Caravan, Camping & Touring Industry & Manufactured Housing Industry Association of NSW Ltd (CCIA NSW) is the State's peak industry body representing the interests of over 500 holiday parks and residential land lease communities (residential parks, including caravan parks and manufactured home estates) and over 200 manufacturers, retailers and repairers of recreational vehicles (RVs, including caravans, campervans, motorhomes, camper trailers, tent trailers, fifth wheelers and slide-ons), camping equipment suppliers, manufacturers of relocatable homes and service providers to these businesses.

Many holiday parks and residential land lease communities in NSW have embedded electricity networks (ENs) serving holiday makers and/or residential customers. Under the Australian Energy Regulator's (AER) *(Retail) Exempt Selling Guideline, Version 6, July 2022* (Retail Guideline) and *Electricity Network Service Provider – Registration Exemption Guideline, Version 6, March 2018* (Network Guideline) our holiday park and residential land lease community members fall within Exemption Classes D3, ND3 and R4, NR4 respectively.

In representing these ENs, the Association is an important stakeholder in relation to Ausgrid's proposal to introduce 3 tariffs for ENs with medium or large annual energy usage and make them the default tariffs for new and existing ENs connected to Ausgrid's network from 1 July 2024. Based on our initial findings, it is apparent that several of our members with ENs could be impacted as they are using more than 160 MWh per annum.

For the purpose of this submission, where we refer to 'holiday parks' we are referring to caravan parks that supply energy via an EN to occupants of holiday accommodation on a short-term basis (i.e., in these caravan parks there are no permanent residents occupying the accommodation as their home).

Where we refer to 'residential land lease communities' we are referring to residential parks, including caravan parks and manufactured home estates, that supply energy via an EN to

residents who live there.¹ This includes caravan parks that supply energy to as few as 1-2 residents (mixed parks) right through to those residential land lease communities that are exclusively residential.

AUSGRID EN TARIFF PROPOSAL

The Pricing Directions Paper outlines the number of ENs connected to Ausgrid's network has grown significantly over the past 10 years, and the purpose of introducing tariffs for EN operators is to 'better reflect the costs that these business customers impose on the network' (p18).

Ausgrid notes it has reviewed what EN customers pay in network charges and compared their load profiles to those of other customers on the same tariff and this analysis suggests the current tariff arrangements for EN customers are 'not as efficient or fair as they could be' (p28).

Based on the information and case studies provided in the Draft Plan 2024-2029 and the Pricing Directions Paper, we are concerned that the two issues Ausgrid is seeking to address (i.e., the tariff arbitrage problem and ENs load profiles) are not presenting in ENs within holiday parks and residential land lease communities as claimed, and therefore the proposal is not appropriate for these customers.

In our view, certain aspects of these businesses must be properly considered and reflected in Ausgrid's analysis. ENs vary widely and such variations will reflect in their individual load profiles.

Aspects of holiday parks and residential land lease communities that must be considered by Ausgrid (and any other DNSP considering network tariffs for ENs) include:

- Most holiday parks and residential land lease communities are older developments that have evolved over time. They are one segment of the original intended recipients of the embedded network exemption framework. The supply and on-selling of electricity to sites within these properties remain ancillary services. Our understanding is they are not the types of ENs that have contributed to the growth in numbers of ENs in Ausgrid's network over the last 5 years.
- Many child meters in holiday parks and residential land lease communities are not 'smart meters' but accumulation meters and they do not communicate with the parent smart meter (or meters) for the EN. They measure how much electricity has been used at the site, but they cannot discern when the electricity has been used.
- Levels of amperage supplied to sites can be below 30 amps, determined by planning and supply authority laws at the time. In holiday parks and residential land lease communities established many years ago, the provision of lower amperage to sites was normal development.
- Holiday parks are tourism businesses, so the primary relationship between an embedded network customer and an embedded network operator in a holiday park is an arrangement for holiday accommodation. The supply of energy is incidental and temporary. As customers in holiday parks make use of the embedded network only

¹ Residents own their own manufactured home or moveable dwelling and rent the land (the site) from the operator.

on occasion and for holiday purposes, such usage will be reflected in the load profile of the relevant business. This can also be impacted by seasonality.

- Many residential land lease communities are 'mixed parks' i.e., a combination of holiday guests, long-term casual occupants and permanent residents. Some only have a small number of residents, while others have hundreds. So, the proportion of holiday verses residential customers in these ENs varies widely. This will also be reflected in their load profiles.
- Some residential land lease communities are only part ENs that is, energy is on-sold by the operator to some residents, while other residents are 'on-market' and purchase their energy from an authorised retailer. However, all the residents in these communities (and any holiday guests and long-term casual occupants if it's a mixed park) would have access to and use the communal facilities, which would contribute to the overall load profile of the business/EN.²
- There are no gains from tariff arbitrage in residential land lease communities due to strict price controls under the *Residential (Land Lease) Communities Act 2013* (RLLC Act). Section 77(3) of the RLLC Act provides an 'operator must not charge the home owner an amount for the use of a utility that is more than the amount charged by the utility service provider or regulated offer retailer who is providing the service for the quantity of the service supplied to, or used at, the residential site.'

The meaning of this section was clarified on 4 September 2018 by the NSW Supreme Court's determination in the case of *Silva Portfolios Pty Ltd trading as Ballina Waterfront Village & Tourist Park v Reckless [2018] NSWSC 1343* (Reckless). The Court's decision was that the concept of a 'regulated offer retailer' no longer existed (following deregulation of the energy market in 2014) and under s 77(3) of the RLLC Act the plaintiff was not entitled to charge the defendant any more than the plaintiff had been charged for the supply or use of the electricity consumed by the defendant.

While there are some practical difficulties in calculating the tariff to apply (known as the 'Reckless method') the outcome is that these types of ENs are prohibited from profiting on the sale of energy and have no opportunity to recover any administrative, operational, maintenance or replacement costs of the EN through energy charges.

• Any increase in network charges for residential land lease communities because of Ausgrid's EN tariff proposal will pass through to home owners in accordance with electricity charging requirements under the RLLC Act.

Considering residential land lease communities provide an important housing option for some vulnerable groups, it is concerning that Ausgrid proposes a 30% increase (give or take) in network charges for ENs in 2024/25. Should Ausgrid proceed with introducing EN tariffs, better transitional arrangements need to be applied to avoid bill shock.

RECOMMENDATIONS

We do not believe data constraints and limited visibility are in themselves justifiable reasons for ignoring the distinctions between ENs and proposing network tariffs that do not distinguish between residential and other use. Distinctions between ENs are recognised in

² Communal facilities vary, but can include swimming pools, gyms, club houses, tennis courts, bowling greens, libraries, recreational rooms (e.g., cinemas), barbecues, etc.

the different activity classes of the AER's Retail Guideline and Network Guideline. The same approach should apply in any network tariff reforms that impact them and their customers.

During the 30 September 2022 Pricing Working Group meeting, Alex McPherson, Head of Regulation at Ausgrid, acknowledged the points we raised and sought feedback on possible exemptions or carve outs given Ausgrid's constraints.

One stakeholder suggested seeking assistance from the AER to help identify the EN types within Ausgrid's network area. We agree this option should be explored and we would be happy to assist where we can to identify existing holiday parks and residential land lease communities. In addition, NSW Fair Trading has a register of residential land lease communities. Considering Ausgrid supplies power to 1.8 million customers, obtaining important data on 800 EN customers should not be an overly burdensome task.

To improve visibility going forward, could changes to the Market Settlements and Transfers System allow for distinct EN codes to be applied? Could retailers be responsible for notifying Ausgrid of an EN customer to whom an exemption applies and apply for a tariff reassignment? Advice from a technical expert in this space would be useful.

CONCLUSION

Thank you for considering our feedback. As the peak industry body representing holiday parks and residential land lease communities in NSW with ENs, CCIA NSW is an important stakeholder in relation to Ausgrid's network tariffs reforms. We are happy to continue consulting with and assisting Ausgrid to develop a proposal that is fair and equitable for the ENs we represent and their customers.

Should you wish to discuss the issues raised please contact Shannon Lakic, Policy, Training and Executive Services Manager, on 0410 651 782 or email <u>shannon.lakic@cciansw.com.au</u>.

We look forward to our continued involvement in the consultation process.

Yours sincerely

Lyndel Gray / Chief Executive Officer



Compliance Quarter Pty Ltd ABN 91 618 201 004 www.complianceguarter.com.au

10 October 2022

Mr Bill Nixey Network Pricing Manager | Customer & Strategy Level 13, 24-28 Campbell Street, SYDNEY NSW 2000

By email: bill.nixey@ausgrid.com.au

Dear Mr Nixey,

SUBMISSION ON AUSGRID'S DRAFT PLAN 2024-2029

Thank you for the opportunity to lodge a submission to Ausgrid on its Draft Plan 2024-2029. We consent to the publication of this document as part of the consultation process.

- 1. Our submission looks at Ausgrid's proposal to introduce three new Embedded Network Tariffs (**EN Tariffs**) in the Ausgrid distribution area.
- 2. The introduction of EN Tariffs will have the effect of:
 - a. increasing costs to some of the most vulnerable consumer groups; and
 - b. stifling future innovation and the uptake of on-site renewable energy generation.
- 3. Below we address these impacts in turn.

Impact on consumers

- 4. The proposed EN Tariffs will increase costs to certain vulnerable consumer groups, including renters within apartment blocks and homeowners within land lease communities.
- 5. During the previous six months, wholesale electricity prices have surged to record highs. We have seen retail electricity prices increase as they catch up to wholesale prices. The AER notes (in the 2022 State of the Energy Market Report): '...*many consumers' energy bills will likely show the impact around October 2022.'*
- 6. When comparing the electricity market today to the electricity market in April or May 2022, we see that there are fewer market offers available for consumers, higher prices on most market offers, and fewer retailers (with 8 retailers entering the Retailer of Last Resort scheme since 1 May 2022).
- Against this background, a proposal to introduce EN Tariffs that would result in a ~30% increase in network charges (Ausgrid's Pricing Directions Paper for 2024-2029 para 4.4.3), needs to be closely examined.



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Limiting the EN Tariffs to larger embedded networks

- 8. Ausgrid is proposing to apply the new EN Tariffs to larger embedded networks (that consume more than 160 MWh per annum). Ausgrid states that '*This would allow small ENs such as caravan parks and small retirement villages to be exempt from the proposed changes.*'
- 9. The problem with Ausgrid's proposed carve out (of embedded networks consuming less than 160MWh per annum) is that the total size of an embedded network is not correlated to the 'level of' vulnerability of consumers within that embedded network (or the risk that those consumers will be more significantly impacted).
- 10. For example, a large land lease residential park may consume more than 160 MWh, and yet the consumer impact of increased costs (which are likely to be directly passed on to residents pursuant to s 77(3) of the Residential Land Lease Communities Act) will be equally significant to that on a small land lease community park.
- 11. We note that there may be an assumption that embedded network consumers are being charged the DMO and, therefore, any increase in the gate meter supply charges will simply reduce the margin of the embedded network operator.
- 12. That assumption is not correct where embedded network operators are charging less than the DMO (in our experience in the majority of instances) or in certain types of embedded networks such as those governed by the Residential Land Lease Communities Act.
- 13. The margin of an embedded network operator (other than in certain types of embedded networks) depends on the gate meter supply rate. With default large market offers of onmarket retailers now typically much higher than the DMO, many embedded networks are not profitable based on arbitrage. The only lever left for embedded network operators is to install on-site generation to reduce gate meter supply costs.
- 14. There are three outcomes that will result from the implementation of the proposed EN Tariffs:
 - a. embedded network operators will pass on these costs to consumers within embedded networks;
 - b. some Embedded network operators will seek to exit the embedded network and connect all child meters to the wider distribution system; and
 - c. where a or b is not possible, some Embedded network operators will no longer be solvent and will appoint administrators.

Fairness to network users

15. The reasons that Ausgrid advance for the proposed EN Tariffs centre around the (with respect) nebulous concept of equity and fairness to other network users.



- 16. For a proper assessment to be conducted in relation to this central proposition, we submit that:
 - a. There is, at least, the risk of a perception of conflict of interest in Ausgrid putting forward this proposal and therefore modelling needs to be undertaken by independent experts engaged by the AER;
 - b. Such independent modelling needs to examine load profiles across all Ausgrid embedded networks, not just those of a single customer in a single season; and
 - c. Such independent modelling needs to examine and quantify:
 - avoided costs (for Ausgrid) resulting from the private embedded network operators having responsibility for the internal infrastructure, wiring, private poles, tree trimming, etc;
 - ii. the costs (for Consumers) of 'reverse retrofitting.' Reverse retrofitting is a term we use to refer to the process of abolishing an embedded network and reconnecting all child meters to the wider distribution system.
 Substantial costs may be incurred by consumers, and Ausgrid, in such a process as each embedded network child connection point is converted into a NMI/ market-connected meter, including re-wiring of the MSB. The likelihood of reverse retrofitting is very high as embedded network operators will not be able to absorb a 30% increase in their costs at the gate meter; and
 - iii. the likelihood of embedded network operator failure from these increased costs and consequences for consumers i.e. where smaller embedded network operators are placed into administration. This should be considered noting that there is no established RoLR scheme for exempt embedded network operators.

Impact on innovation

- 17. Finally, we wish to express a concern that the introduction of the proposed EN Tariffs will result in stifled innovation and the potential benefits of embedded networks in terms of the uptake of on-site generation, EV charging, and storage and 'services' that embedded networks can offer to consumers and to the wider distribution system.
- 18. As Ausgrid understands, some of the most innovative on-site generation and storage arrangements are found within embedded networks. Embedded networks have the potential to operate independently of the wider distribution system and to reduce the exposure of pressures on the wider distribution system.
- 19. Again, an appropriate analysis of the benefits (both now and into the future) needs to be undertaken by independent experts engaged by the AER in terms of contribution of



embedded networks to innovation and the uptake of renewable technologies.

This is a law reform issue

- 20. The question that follows from the points we raise above is 'where can the line be drawn' between embedded networks where operators are achieving 'too much profit' vs embedded networks where the EN Tariffs would have a negative impact on consumers. The answer is that a line cannot be drawn and that this is fundamentally a law reform and not a pricing issue.
- 21. Clearly law reform (for the reasons specified by the Australian Energy Market Commission in 2019 and currently under consideration by both the NSW Government and the AER in its review of the Authorisation and Exemption Framework) is needed.
- 22. Law reform is needed to ensure that embedded network consumers have fewer practical barriers to exercising a power of choice and to address gaps in the existing regulatory framework so that consumers within embedded networks are appropriately protected.
- 23. It is the role of the regulatory bodies and legislature to design, manage and implement law reform, not distribution businesses.

Concluding comments

- 24. Law reform is needed to ensure that consumers within embedded networks have appropriate protections and the capacity to exercise the power of choice. That being so, the actual costs and potential benefits of embedded networks have not been adequately quantified, considered and analysed.
- We ask that Ausgrid consider this submission and ask itself whether the issues it is seeking to address should be more appropriately dealt with as part of wider law reform.
 Driving reform by increasing pricing has and always will hurt those who can least afford it.

Yours faithfully,

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Connor James Principal Compliance Quarter Email: <u>connor@compliancequarter.com.au</u>



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11 October 2022

Our Ref: 2022/498390 File No: X009228.033

Ausgrid By email: yoursay@ausgrid.com.au

Dear Madam/Sir,

Submission to Draft Plan 2024-29

The City of Sydney (the City) welcomes this opportunity to provide a submission to the Ausgrid Draft Plan 2024-29.

The City has endorsed a target for net zero emissions across the local area by 2035. We also have targets to reduce emissions by 70 per cent based on 2006 levels, and for at least half of the electricity used in our area to be from renewable sources by 2030.

Prior to the pandemic, emissions in our local area were 26 per cent below our 2006 baseline - during which time there has been significant growth in the number of new buildings and infrastructure, employment, housing, and economic development.

Renewable electricity has made a significant contribution (the NSW grid was only 4.7 per cent renewable in 2006 compared with 25.4 per cent today).

Leading businesses who operate in our area have also played an important role, including members of our Better Buildings Partnership, Sustainable Destination Partnership, and CitySwitch Green Office programs. Many also have net zero commitments.

Most residents in our area live in apartment buildings, many are also renters. Our Smart Green Apartments program targets this sector, however renewable energy needs to be more affordable and accessible, especially for those who are unable to install solar PV.

For new developments and major refurbishments, the City recently endorsed new net zero planning controls. These will require minimum energy ratings from January 2023 and net zero energy use from 2026.

The City also works with, and frequently advocates to other levels of government towards achieving net zero via support for electrification of transport, energy efficiency, renewable energy, and emissions targets for example.

As an organisation, the City has been certified carbon neutral by the Australian Government since 2011. As of June 2021, our emissions were 76 per cent below 2006 levels, mainly through energy efficiency and purchasing 100 per cent renewable electricity.

An example of how we are reducing our environmental footprint is the engagement we have with Ausgrid to accelerate the replacement of streetlighting with LED. This is improving the quality of light whilst also reducing the energy load substantially.

It is from this context that the City welcomes the proactive approach being undertaken by Ausgrid to consult widely in developing its next 5-year plan, and embracing the opportunities that energy networks need to play in decarbonising the energy system.

Our feedback is brief and responds to questions raised by the Draft Plan.

Given our communities' expectations for the grid, and the affordability challenge they are also facing, how do we deliver value for money into the future?

Share the benefits of renewable energy equitably

The energy system is undergoing rapid transformation and renewable energy is now the least cost form of new energy generation, and increasingly more reliable than fossil fuel generation.

Yet, the cost benefits of renewable energy are often not equally distributed - going to the organisations that have large energy contracts, or households and businesses that are able to install solar PV. This excludes many people such as renters, apartment dwellers, people who cannot afford the upfront investment, and small businesses.

It is recommended that Ausgrid explores how it can fund or subsidise non-network demand side opportunities like load shifting, community batteries, electrification, and renewable energy that would benefit those who are currently missing out on renewable energy benefits, for example by prioritising low socio-economic areas.

Invest in load shifting

Australian and NSW Government policies are supporting the large scale transformation of the grid, predominantly via the establishment of renewable energy zones and the transmission infrastructure that will be required. This large scale infrastructure is essential to ensure that there is sufficient new generation available in time for the scheduled closure of aging coal generators.

However, the opportunity for demand side interventions - via onsite and community scale renewable energy, storage, and load shifting - remains largely untapped and can make a significant contribution, at significantly lower cost to building new transmission infrastructure.

A recent discussion paper by the Australia Institute found that if buildings were to shift one third of their peak electricity consumption to the middle of the day, it would equate to 52 per cent of Australia's total coal generation capacity.

Ausgrid, via its tariff structures or other initiatives, can facilitate load shifting to times of the day when the grid is at its most renewable. This load shifting can help to reduce curtailment of renewable energy when demand is low (i.e. solve the duck curve) and likewise reduce energy demand when renewable energy generation is lower.

It is recommended that Ausgrid explores how it can incentivise load shifting (in addition to community batteries and solar export tariffs proposed) where it can reduce the overall system costs, reduce costs to users, and increase uptake of renewable energy.

Invest in electrification

Electrification of buildings is a key way to improve energy efficiency and thereby reduce energy bills. By investing in electrification, Ausgrid can offset rising prices to users by reducing their overall demand. Dr Saul Griffith¹ estimates that households need to electrify around 100 million machines to improve efficiency and make the transition to net zero. This is a significant non-network opportunity for Ausgrid which may be cost effective by avoiding or delaying the need for network upgrades.

It is recommended that Ausgrid investigates how it can partner with the Rewiring Australia project to accelerate and invest in the electrification of households and jurisdictions running on predominantly local renewable electricity.

Protect vulnerable customers

The Draft Plan shows that Ausgrid is proposing to increase household network charges by \$38 p.a. to invest in net zero readiness, climate resilience, cyber security, and other important aspects.

These are necessary investments. Investing in climate resilience is likely to avoid future costs by reducing the likelihood or extent of unplanned outages. However, against a backdrop of high energy prices, careful consideration needs to be made on how cost increases will affect vulnerable customers.

There are various ways that Ausgrid might be able to do this, for example by providing subsidised products and services to reduce energy demand; access to community renewable energy and storage; or favourable tariffs to customers that provide grid support through load shifting or onsite energy and storage.

It is recommended that Ausgrid investigates ways to shield vulnerable customers against the proposed cost increases.

Reduce exposure to interest rates and insurance premiums

The Draft Plan flags a possible \$111 p.a. increase to household network charges which is predominantly due to interest rates, inflation, and higher insurance premiums. As a regulated business that recovers outgoings with revenue from customers' bills, it is unclear why Ausgrid has such high cost exposure to borrowing and interest rates.

Restructured financing that makes more direct use of its regulated income and reduces borrowing (exposure to interest rates) should be explored as a key priority for improving affordability and providing value for money.

Also, the Draft Plan proposes significant investment to make the network more resilient to climate related risks. By making this investment, Ausgrid should be able to push back against higher insurance premiums.

It is recommended that Ausgrid investigates ways to reduce its exposure to interest rates and higher insurance premiums.

¹ <u>https://amp.abc.net.au/article/101453956</u>

Export tariffs

It is not clear whether Ausgrid's proposal to introduce solar export tariffs that reward solar customers to export during peak times and add a charge at times when demand is low would be effective or counter to its aim of facilitating net zero.

Modelled examples show that the net result for a 'typical' solar customer would be a modest increase on their energy bill by adding charges to solar exported during the day, and a rebate between 3-9pm (when most solar systems are not generating optimally).

Private investment in solar should be encouraged and made more affordable and accessible, not disincentivised. The modest charge is also unlikely to be anywhere near sufficient for customers to invest in grid support solutions like west-facing solar panels or costly battery storage.

Further, by the time network tariffs are passed through to customers by energy retailers, the price signal will be obfuscated. Without clear guidance (e.g. on the bill), most customers would not know how to respond anyway.

It is recommended that Ausgrid conducts a customer journey mapping exercise for the proposed tariff structures, and models how effective the changes are likely to be, especially compared with more direct interventions like community batteries.

How should we decide which community support services we offer?

Ausgrid is investigating ways that it can support the community in both the transition to a decarbonised grid, and during increasingly frequent and extreme weather events.

Support net zero

The Ausgrid approach to prioritise non-network solutions such as pricing options, education, network visibility, voltage management, and tailored connection processes are supported with curtailment (of solar) the lowest priority.

It is recommended that dynamic export controls for solar PV systems (that can modulate) be used in preference to total on/off curtailment and only used when necessary.

The City, like many of the customers who have provided feedback to date, is supportive of Ausgrid's approach to be proactive in unlocking opportunities for net zero, for example with community batteries and smart communications.

It is encouraging that the Draft Plan aligns with the AEMO step change scenario which envisages high percentages of renewable energy and distributed energy resources, including electric vehicle uptake.

The Ausgrid website² refers to a recent Decarbonising Sydney report by the Committee for Sydney that identifies five key moves for Sydney to reach the NSW state targets to halve emissions by 2030 and net zero by 2050. It is unclear how the Draft Plan relates to Ausgrid's role in delivering on the Decarbonising Sydney work.

It is recommended that the Draft Plan makes specific reference to how it will enable Sydney and the NSW Government to achieve net zero targets.

² <u>https://www.ausgrid.com.au/About-Us/News/Decarbonising-Sydney-Report</u>

Some initiatives, like providing on-street electric vehicle slow-charging, are unlikely to result in cost-effective material emissions savings compared with other options like off-street and fast-charging at destinations.

It is recommended that Ausgrid prioritises interventions that are equitable and reduce the greatest volume of emissions.

Invest in resilience

The proposal by Ausgrid to improve the resilience of its network and the community that it serves is supported. It is understood that communities want greater action by Ausgrid to make energy supply more resilient to climate related impacts including extreme heat, flooding, storms and bushfires.

For urban areas, the use of aerial bundle cabling would allow for greater tree canopy, reducing urban heat. It also makes cables more resilient to strong wind and debris during storm events.

The City supports Ausgrid proposals for non-network responses to improve resilience such as mobile community hubs and provision of services and communications during prolonged outages.

It is recommended that climate impacts (observed and modelled) and protecting vulnerable communities should be considered together, rather than separately, in prioritising resilience projects and investments. The opportunity for community batteries to provide resilience services like back up power should also be explored.

The City of Sydney makes significant investments in providing high quality, wide, safe, and comfortable footpaths that promote walking as part of our sustainability, access, health, equity, and resilience objectives.

Whilst it is acknowledged that decarbonising our economy through electrification and renewable energy will require additional electrical infrastructure, it should be installed in ways that minimises impacts to public access footways and open spaces.

In dense urban areas like the City of Sydney, underground pits are mostly preferable to above ground boundary connection pillars on footpaths which also meets obligations of the Disability Discrimination Act.

Ausgrid uses 2009 guidance developed by the Streets Opening Coordination Council (SOCC), however this is designed for lower density areas. The Walking Space Guide developed by Transport for NSW should be also used to determine when there is sufficient space for above ground connections.

It is recommended that Ausgrid includes in its pricing proposal a program to locate network connection points below ground in the City of Sydney LGA and undertake staged removal of above ground pillars where the footpath width is below the Transport for NSW Walking Space Guide target.

Ausgrid requires a significant proportion of developments to provide onsite substations. In some cases, these substations can have significant negative impacts on the urban environment, for example by creating requirements for inactive frontages, blast construction and numerous escapes, or unattractive and bulky kiosks in public places.

It is recommended that Ausgrid investigate ways to reduce the physical space requirements and other urban impacts of new and upgraded substations.

What are your views on our proposed 5 key principles for DER investment?

The proposed five principles to invest in distributed energy resources (listed below) are appropriate and supported. Further details are needed about the specific type and extent of support that is being proposed by Ausgrid in accordance with these principles.:

- 1. Understand customers' needs and their role in accessing cheaper, zero emissions solutions.
- 2. Explore smarter, flexible solutions through tariffs and data-driven asset management solutions.
- 3. Avoid restricting customer exports where efficient to support a cost-effective transition to net zero.
- 4. Recognise almost all low carbon technologies will connect to our network.
- 5. Share the benefits of DER with all customers.

It is recommended that Ausgrid clearly define the type and extent of support that is proposed to support distributed energy resources in line with these principles. These criteria should also be applied to support the installation of community batteries.

What role do you think Ausgrid should play in community battery initiatives?

Community batteries have multiple benefits such as increasing solar hosting capacity, providing back up supply and network support, and reducing daytime and evening congestion in the distribution network, thereby avoiding the need for more expensive upgrades to local poles, wires and substations.

Batteries will help solar households to store excess rooftop solar energy during the day and draw on it during the evening peak period. It should also allow for non-solar households to also use locally generated solar energy.

Community batteries should be installed where they make the most economic sense, but also where they are of the greatest benefit to the local community.

From a technical grid management perspective, network utility operators are the logical choice to operate community batteries most efficiently, and to determine locations based on optimising overall network performance and reducing expenditure.

It is understood however that legacy ring fencing rules designed to prohibit network operators from owning or operating generation assets may present an administrative barrier for community batteries, and that the regulator may not consider the full benefits of community batteries when approving network expenditure.

This should be challenged, especially as an environmental objective is being introduced into the National Energy Market (NEM), and the rapid pace that the grid will need to green, in line with the AEMO Integrated System Plan step change scenario and State and National net zero emissions targets.

It is recommended that Ausgrid take a lead role with other network operators, NGOs and energy user groups, to demonstrate that community batteries can cost effectively encourage more private investment and local utilisation of renewable energy, and advocate for streamlined rules that remove barriers to wider uptake. Community batteries are more easily controlled and coordinated and may be more cost effective to society than individual household batteries.

Given that household batteries are typically purchased by individuals outside of the regulatory process, an assessment of those costs that could be potentially avoided or reduced, should be considered when developing the business case for community batteries.

Further, value added grid support services like voltage and frequency control should be considered to improve the economics of community batteries.

It is recommended that Ausgrid quantifies all the benefits that are provided by community batteries in its Draft Plan to the Australian Energy Regulator. Community batteries should also be prioritised in areas where non solar and low socio economic customers are able to participate.

The Australian Government has allocated \$200 million for its Power to the People plan to fund 400 mid-sized community batteries around Australia.

It is recommended that Ausgrid seeks funding by the Australian Government to reduce the upfront costs of community batteries and test workable business models for wider deployment.

While our proposed depreciation change will improve intergenerational equity, it will mean current customers bear a higher cost burden than previously. How should we balance the proposed change with the need for affordability?

Given the important role that the electricity distribution network will have for NSW to achieve its state emissions reduction targets, Ausgrid might explore funding opportunities with the NSW Government to overcome near term intergenerational equity cost burden issues.

The NSW Government could fund this entirely through a tiered mining royalties' scheme that taxes resource companies based on windfall profits. A similar scheme was recently introduced by the QLD Government³. This would address the shortfall without increasing the costs to customers or adding to domestic inflation.

It is recommended that Ausgrid work with the NSW Government to identify a fair way to fund higher costs in the short term that will improve intergenerational equity without adding costs to customers in addition to other inflationary pressures.

Should you wish to speak with a Council officer about this submission, please contact Anna Mitchell, Executive Manager Sustainability & Resilience on 9265 9333 or at amitchell@cityofsydney.nsw.gov.au.

Yours sincerely

Barrow

Monica Barone Chief Executive Officer

³ <u>https://amp.theguardian.com/australia-news/2022/sep/21/massive-missed-opportunity-nsw-</u>could-make-23bn-with-tiered-tax-on-record-coal-profits



Date 11 October 2022

Rob Amphlett Lewis Chief Customer Officer Ausgrid

Our Ref: 2022/563817

Dear Mr. Amphlett Lewis,

Northern Beaches Council feedback on Ausgrid's Draft Plan for 2024-2029

The Northern Beaches Council would like the thank Ausgrid for the opportunity to submit feedback on the draft planning documents released for consultation in September, 2022. We also acknowledge the significant amount of effort and expertise that has clearly been invested in these resources and the consultation upon which they are based to-date.

Overall, Council supports the:

- collaborative approach, both throughout development of these documents and • how they have been incorporated into the strategic directions.
- shift from a reactive approach to a resilience-based, risk reduction focus. •
- consideration of equity to inform investment and resilience outcomes. •
- approach to facilitate an equitable and affordable transition to net zero.

Further, more specific comments on the draft planning documents are provided below.

Draft Plan

- Council strongly supports the focus on resilience and disaster risk reduction underpinning the draft plan and resilience framework. Forward investment in building resilience into the network will help to reduce future impact, cost and recovery times of disaster events.
- Council is broadly supportive of the solutions and services outlined in section • 4.1.2. Making investments that meet different customer needs. We believe your proposed approach to work alongside local government to develop community resilience plans is vital considering the expansive depth of work that local Councils have already undertaken to progress community resilience. This collaborative approach will prevent duplication of effort and enhance alignment with local stakeholders.
- The Draft Plan priorities innovation which can have many benefits such as reducing emissions through maximising solar use, creating additional storage

Mona Vale Office: 1 Park Street Mona Vale NSW 2103 Manly NSW 2095 and improved network resilience. Adopting new and emerging technologies play a significant role in our communities' transition to net zero. To date we have partnered with Ausgrid on emerging, innovative opportunities including the Beacon Hill community battery trial and Ausgrid/JOLT fast EV chargers and we look forward to working together on future opportunities.

• Regarding figure 4.2.3 Ausgrid's FY2022 Emissions Breakdown by Scope and Type (Kilotonnes of CO2e), does the scope 3 emissions for streetlights account for the Councils that are purchasing 100% renewable electricity?

Pricing Direction Paper

- Council supports the proposed pricing principles of efficiency, flexibility and fairness. Further information on how the approach will be implemented to ensure the proposed pricing is fair and equitable and does not discriminate between customers would be valued.
- Council is also generally supportive of proposed pricing reforms, particularly those that will help reduce bills to customers, improve customer benefits from their DER investments and reduce emissions.
- Council suggests that Ausgrid further engages with retailers to better understand how retailers will transfer proposed pricing to customers to ensure customers receive intended pricing signals and to help customers better plan for proposed changes.
- Regarding specific reforms Council:
 - Supports the proposed reforms to capacity charges, in particular lifting the low usage threshold at which capacity charges apply from 40mWh to 100mWh, which will result in lower bills for business customers including Council.
 - In principle, supports the alignment of pricing with increased costs on network and understands that the timing of proposed mechanisms is intended to align with expected increased future pressures on the network including uptake of DERs and EVs. However, in accordance with the principle of fairness, customers, including Council, need sufficient lead time to prepare for these pricing changes. This will help customers maximise cost benefits and reduce risks, for example, through battery storage or other appropriate technology and/or through modifying consumption patterns to reduce peak demand charges and peak tariffs. Customers also require significant lead time to better prepare for potential financial impact of these proposed reforms. Specifically, in relation to the proposed export pricing, Council supports the commencement of opting in from 1 July 2024, however, recommends mandatory roll-out is delayed for more than the proposed one-year interval to allow customers to be better prepared.
 - Council supports Ausgrid's decision not to impose specific EV tariffs in 2024-9. A specific EV tariff may discourage EV uptake in our community and delay our transition to net zero.

Draft Climate Resilience Framework

- Council supports the utilisation of climate impact assessments and strongly encourages the sharing of the findings of these assessments to allow other agencies to better understand how risks to power networks could impact their own assets, services and operations. Information sharing and collaboration of this kind will assist both Ausgrid and stakeholders to better understand interdependencies and coupled risks.
- We note consideration of 'a willingness to pay' as a factor determining investment in local network improvements. While Council is supportive of new and innovative approaches for resilience investment, we feel that consideration of 'willingness to pay' or whether a community is actively reviewing resilience at a local level (as described on pp. 30) should also be balanced against consideration of the *capacity to pay* so as not to disadvantage low socio-economic communities or communities highly exposed to costly climate risks where resilience investment may be most needed. Further details as to what constitutes 'commencement of [resilience] planning activities' would also be helpful for Council to better understand the potential ramifications of this approach.
- We commend the focus on vulnerable and highly exposed communities and note the focus on regional areas as being of high priority. We stress the need to take into consideration isolated communities within LGA's that are otherwise considered to be part of the metropolitan area. For example, while much of the Northern Beaches LGA is relatively highly developed and not considered regional or rural, there are several isolated communities, particularly along our estuary foreshores and areas adjacent to National Parks. These areas are highly exposed to climate risk and frequently experience power outages. Definitions of vulnerability need to take this into account and these communities should be considered a priority for resilience investment.
- Council is supportive of the high level of engagement and collaboration outlined in section *5. Roles and Responsibilities.* We, again, stress the need to work with existing networks and governance arrangements to further contribute to resilience planning and community engagement initiatives. Local Emergency Management Committees and other networks developed by local government to progress place-based resilience planning provide a strong starting point for further engagement and prevent engagement fatigue amongst communities.

Should you require any further information or assistance in this matter, please contact my office on 8495 6441.

Yours Faithfully

Yianni Mentis Executive Manager Environment & Climate Change



Ausgrid Pricing Directions Paper 2024-29

11 October

Public Interest Advocacy Centre ABN 77 002 773 524 www.piac.asn.au

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About the Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is leading social justice law and policy centre. Established in 1982, we are an independent, non-profit organisation that works with people and communities who are marginalised and facing disadvantage.

PIAC builds a fairer, stronger society by helping to change laws, policies and practices that cause injustice and inequality. Our work combines:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change and public interest outcomes.

Energy and Water Consumers' Advocacy Program

The Energy and Water Consumers' Advocacy Program works for better regulatory and policy outcomes so people's needs are met by clean, resilient and efficient energy and water systems. We ensure consumer protections and assistance limit disadvantage, and people can make meaningful choices in effective markets without experiencing detriment if they cannot participate. PIAC receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

Contact

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Public Interest Advocacy Centre

ØPIACnews

The Public Interest Advocacy Centre office is located on the land of the Gadigal of the Eora Nation.

1. Introduction

PIAC welcomes the opportunity to respond to Ausgrid's 2024-2029 Pricing Directions Paper. In this submission we set out the role of network tariffs, the purpose of cost-reflectivity, and respond to specific questions posed in the Pricing Directions Paper.

PIAC regards well-designed network tariffs as a crucial enabler of an efficient transition of the energy system. We support a rapid transition (in increments) to more cost reflective network tariffs (CRNT) to promote the long-term interests of consumers.

Retailers and CRNTs

CRNTs are a signal to energy retailers for efficient pricing of network services.

The introduction of CRNTs is effective or successful when:

- The network charges recovered from a retailer for a given customer reflect the cost to serve that customer¹
- Consumers have access to retail tariff options that suit their needs and preferences, such as:
 - Simple two-part tariffs (with fixed and volumetric pricing) for consumers who prefer this.
 - Tariffs that reflect the shape of the underlying network tariff for customers who prefer this.
 - Tariffs and/or rebates that reflect location-specific opt-in network tariffs or rebates, where available, for consumers who prefer this.
- This does not require all retailers to offer all consumers each option. Rather, consumers should be able to find sufficient offerings to meet their needs from whatever combination of retailers serve their area and customer type.
- Consumers can manage or change their energy demand for example by installing solar and/or batteries, shifting loads away from peak periods, investing in energy efficiency or purchasing an electric vehicle - without requiring cross subsidy from other consumers or going unrewarded for benefits they create for the energy system.
- This does not entail consumers having to reduce or change their energy use in response to pricing. Some consumers (particularly those with peakier loads and/or solar PV) will pay more under cost reflective pricing. Others (particularly those with flatter loads and/or no solar PV) will pay less. Neither should be expected to respond to any price changes.

¹ With the exception of subsidies or transfers resulting from postage stamp pricing for default and standard tariff offering. By and large, consumers are supportive of postage stamp pricing and accept that means consumers in built-up areas pay above their cost-to-serve so those in regional and remote areas can access energy for a similar price.

In the absence of a response to price signals, CRNTs still have the benefit of equitably allocating costs between consumers on a more 'causer pays' basis. Retailers are exposed to network tariffs, and it should be their decision if and how they pass on these charges.

Despite their apparent resistance to CRNT reforms, retailers are well placed to manage the risk associated with being exposed to time-variant network prices while passing on a flat (or otherwise different) charge to consumers, as they do with wholesale costs. Wholesale costs are vastly more volatile and unpredictable than CRNTs.

The view that retailers should be 'passing through' CRNTs is, in PIAC's assessment, illconceived. Retailers smearing or absorbing 'peak' price signals is beneficial for consumers who choose those retail products, and beneficial to other consumers as it aligns their incentives to reduce exposure to peak costs with more efficient network outcomes. In the best-case scenario, retailers would seek to manage network price risk in innovative ways, which may include peak time rebates, load control or cost reflective retail tariffs.

2. Response to directions paper questions

1. Do you have any feedback on our pricing principles? Do you agree with them/is anything important missing?

PIAC does not consider fairness to be best expressed as a principle. Principles are traded off against each other. Fairness is an objective, and the principles should all support that objective.

We support rewarding customers for being flexible in how and when they use energy, where they are able to and choose to do so. Including this as a principle requires Ausgrid to ensure flexibility is pursued in a manner that supports scope for choice in retail tariffs for end consumers. However, pursuing flexibility for its own sake or in the name of 'empowerment' or 'choice' may undermine basic consumer protections and confuse the purpose of CRNTs.

Mandating the transition to cost reflective network tariffs provides scope and flexibility to retailers to offer greater choice to customers. It allows retailers flexibility in how they respond to the signals CRNTs provide them with. CRNTs encourage retailers to develop product offerings that cater to a broad spectrum of customers from ones that are highly engaged and wish to respond to more dynamic or complex price signals to others who value predictability and stability and prefer simpler, flatter pricing. Flexibility should not imply that Ausgrid is seeking to provide retailers with flexibility in the tariffs they are exposed to.

Ausgrid's principles should be explicit on this, particularly given this also reflects the values expressed by their consumers.

2. How should Ausgrid recover Roadmap scheme costs? Should we send a cost reflective price signal (eg. A demand charge) for the recovery of costs, or recover them in the same way as the existing climate change fund (eg. As an energy charge).

PIAC considers Roadmap costs would be more appropriately recovered through Transmission Network Service Providers, or from the NSW Government budget.

Where Roadmap scheme costs continue to be recovered by DNSPs, PIAC recommends:

- The LTESA-related portion of costs should be recovered through volumetric charges. The consumer benefit of LTESAs is downward pressure on energy wholesale costs, so recovering this through fixed charges would mean lower energy users are paying more than their fair share, and higher energy users are paying less.
- The cost of new transmission under the Roadmap would ideally be recovered from the generators for whom it is built. Whatever costs are passed through to consumers should be recovered in the same way as other Transmission Use of System charges: a combination of volumetric and fixed charges, weighted towards volumetric charges.

3. What are your views on how Ausgrid should set prices for hydrogen electrolysers in 2024-29 to provide them with the 90% discount on network charges? Should we introduce a dynamic tariff for large load customers such as hydrogen electrolysers?

In PIAC's opinion, the decision to discount network tariffs for hydrogen producers is not consistent with Ausgrid's tariff principles, the NER network pricing principles, or the long-term interests of energy users. Any subsidy for hydrogen production should be provided directly by the NSW or Commonwealth Government, not other energy users. PIAC would strongly support Ausgrid seeking a change to NSW Government policy to that effect.

In the absence of a change to this policy, and given the original intent of the policy was to improve utilisation of the existing network, in PIAC's view the 90% discount should be conditional on the hydrogen producer imposing the need for little or no network augmentation. A combination of fixed and critical peak charges would be an effective tariff for a new hydrogen producer, and the 90% discount should be reflected in the fixed component, such that:

- If they require no network augmentation in normal operation, they pay a fixed charge equal to 10% of the network costs they would otherwise pay
- If they require the reduction of load at network peak times to avoid augmentation, a critical peak charge should apply to any demand triggering the need for network upgrades. This should be over and above the fixed charge.

4. Do you think our overall approach for introducing an export pricing structure is appropriate? Are there any changes you think we should make? If so why?

PIAC supports export pricing that efficiently responds to the identified issues of accommodating solar and fairly and efficiently sharing solar export capacity and the costs of accommodating it, minimising the need for network augmentation, and improving the balance between individual household and systemic benefit from solar exports. Accordingly, PIAC supports:

• Setting a 'free' export limit for all households based on the intrinsic hosting capacity of the network, with this export limit based on kW rather than kWh. This kW limit may be calculated as the highest kWh exported in any single 30-minute interval. PIAC regards a basic export limit expressed volumetrically (in cumulative kWh) to not be cost reflective or appropriately linked to the identified issues, such as voltage management and excess export during peak

generation periods. Due to loads programmed to operate during solar generation, such as batteries, EVs and heat pumps, cumulative kWh measurements over a longer period are not a reliable proxy for kW demand.

- Having a charge and reward component to export tariffs so that exports during peak export periods (above the basic level) attract a charge, and exports during the peak demand periods attract a reward payment at times and locations where exports help avoid or delay network upgrades or reduce the need for load shedding.
- Applying the tariff structure to all residential customers (new and existing) on cost reflective tariffs (with DER assets) equally, on a postage-stamp basis, except for rewards for export which should be locationally and temporally specific.
- Implementing the tariff as the default tariff no later than 1 July 2025, with no opportunity for retailers to opt-out of the tariff.

PIAC recommends Ausgrid alter their proposed approach to the tariff to better reflect the purpose of export charging, implementing the basic export level, and export charging on a kW basis.

Do you agree we should apply the export pricing structure to all new and existing residential and small business customers on cost reflective tariffs from July 2025? Should an opt-out option be available for the export pricing structure?

PIAC supports applying the export pricing structure to all new and existing customers from 1 July 2025, with no ability for energy retailers to opt-out of this tariff. PIAC also considers it inappropriate to change overall bill outcomes so they are more favourable for customers with large solar systems as this would reduce the cost reflectivity of these tariffs and put an unfair burden on customers without solar.

Do you think there is merit in exploring a 1-2 hour gap between the export charge window and export reward window?

PIAC supports exploring a gap between export charging and reward windows. This may help avoid unintended consequences for energy users and the energy system.

Should we consider aligning more closely with the other NSW distributors on export tariffs?

Tariff structures that are consistent across NSW are generally desirable and would be simpler for both consumers and retailers. However, consistency should not come at the expense of a slower transition to cost reflective and efficient pricing. Lowest common denominator tariff design should not be an option.

5. Do you support a consistent 6-hour peak charging window in summer and winter for residential and small business customers?

PIAC does not support a consistent 6-hour peak window for summer and winter. There is no demonstrated need for a peak charging window to exceed 4 hours in duration. We consider It

materially harder for households to respond to peak tariffs longer than 3 or 4 hours, and that most peaks in most parts of Ausgrid's network can be captured in a 4-hour period.

Significantly limiting the capacity of households across Ausgrid's entire network to manage their exposure to peak pricing in order to capture the peak period of a relatively small portion of the network is not a reasonable trade-off. Particularly if only a minor subset of that smaller portion of the network is facing any constraints. PIAC generally supports consistency of peak charging windows between seasons where this is an accurate reflection of network peak demand, and where there is no material difference between seasons.

Do you support moving peak charging windows to later in the day, so it applies from 3pm-9pm?

PIAC does not support moving the peak charging windows to apply from 3-9pm. The proposal is in part predicated on the increasing penetration of Electric Vehicles (EV), rather than existing issues with systemic peak demand. PIAC does not regard this response as fair, efficient, or supportive of consumer interests or preferences, where consumers consistently indicate people should not be penalised for using energy when they cannot avoid it. Further, PIAC does not regard the proposal as necessary where there has not been an effort to optimise the charging of EVs during off-peak times with EV-specific tariffs.

Should we have the option to move the peak charging windows to 4pm to 10pm during the 2024-29 period, if we encounter new peaks in demand or increasing minimum system load costs in the afternoons?

PIAC does not support this option and considers it unnecessary. This option is predicated on the higher potential penetration of electric vehicles. It is not fair, efficient, necessary, or supportive of consumer interests or preferences to make the peak later rather than seeking to optimise the charging of EVs during off-peak times with EV-specific tariffs and/or location-specific incentives.

Should we extend the seasonal peak charging window to weekends for residential customers? If not, how do we address the localised demand peaks on the weekend, which are most common in highly residential areas?

PIAC has not seen sufficient evidence that extending peak windows to weekends is necessary, or on balance, in consumers' interest. This proposal would limit the capacity of households across Ausgrid's entire network to manage their exposure to peak pricing in the interest of capturing the peak period of a relatively small portion of the network. This is not a reasonable trade-off, particularly if only a minor subset of that smaller portion of the network is facing any constraints or has materially higher peak demand on weekends.

6. Will our proposed changes to switching times retain the relevance of controlled load tariffs for our customers?

How else could controlled load tariffs be reformed to respond to new loads such as electric vehicles?

Controlled load tariffs and associated enabling technology should support different technology types including EVs, heat pumps, pool pumps and batteries.

7. Do you agree we should introduce embedded network (EN) tariffs? Is this an appropriate response to address the tariff inequity between EN operators and other network users?

PIAC supports the introduction of EN tariffs and regards this as an appropriate response by Ausgrid to help address issues of inequitable and inefficient cost recovery between ENs and other network users. However, we question why the proposed EN tariffs are not designed to recover the full amount of existing inequity in cost recovery identified by Ausgrid.

PIAC recommends implementing EN tariffs designed to fully restore equitable cost recovery between ENs and other network users. Implementation of these tariffs should be undertaken through a transition 'glide-path' over the course of the 2024-29 determination period. It is necessary to clearly signal the end point to provide certainty and transparency to EN operators and provide opportunity for EN arrangements to be unwound where this is desirable.

We note that action by Ausgrid to address the inequity in cost-recovery between ENs and other network users will not resolve all the issues created by the existing embedded network arrangements. However, PIAC regards addressing the cost-recovery inequity as a crucial step and encourages Ausgrid to identify issues that will need to be addressed as a result of their proposal, including ensuring effective access to default pricing in embedded networks.

Should minimum consumption thresholds be applied to allow for exemptions to the proposed EN tariffs?

PIAC broadly supports the application of minimum consumption thresholds (at least in this period) to allow for exemptions for the proposed tariffs for very small operators. Ausgrid should explore options to address these operators in future, including where regulatory reform or Government action may be required.

8. Do the current transitional Time of Use (TOU) tariffs provide any benefits to customers?

PIAC does not consider the transitional TOU tariffs to be an appropriate 'step' towards demand tariffs due to the fundamental differences between how consumers respond to the different tariffs.

Do you support the withdrawal of the introductory demand tariffs? Do they provide any benefits to customers, or do they create an unnecessary step as customers move to demand tariffs?

PIAC supports a faster transition to more cost reflective network tariffs, including demand tariffs, and would support the withdrawal of existing introductory and transitional tariffs where this is part of a co-ordinated strategy to move towards demand tariffs being a standard tariff.

Are there currently sufficient choices available for customers who want to opt out of demand tariffs?

As noted in our introductory comments, retailers offer different tariff structures to consumers and PIAC expects a sufficient number of retailers will continue to offer a range of simple retail tariffs while incurring demand tariffs themselves. PIAC does not consider it appropriate for retailers to be able to opt out of cost reflective network tariffs, including demand tariffs.

10. Are our demand and TOU tariffs suitable for customers who charge their EVs at their home?

PIAC does not consider the proposed demand and TOU tariffs suitable for enabling efficient integration of EV home charging. Tariffs should help incentivise EV owners to improve utilisation of the network and not impose new avoidable peak demand. To this end, retailers for households with EV's should be offered – and ultimately be required to have – wider peak windows and lower overnight peak charges compared to other time variant tariffs.

Should technology specific tariffs (such as for EV charging stations) be considered?

PIAC strongly supports technology specific tariffs for EVs and EV charging stations. We do not consider technology neutrality is consistent with Ausgrid's tariff principles, the NER tariff principles, or the interest of consumers. While EVs share some characteristics with other technology, the nature of vehicles and the way they are used makes them distinct.

How can our network tariffs facilitate EV charging in apartment buildings?

EV chargers should be separately metered where possible. Where EV chargers are not separately metered and are on the common meter, this meter should be subject to an EV-specific tariff noted above.

13. Should Ausgrid trial new tariffs in response to the expected high growth in EV uptake over the 2024-29 period and beyond.

EV tariffs should be introduced as a standard tariff at the earliest possibility. Any EV tariff trials should be undertaken to enable this.

14. How should we continue to build and test our capability and market interest in dynamic network pricing through the 2024-29 period, including through trial tariffs?

PIAC strongly supports Ausgrid building and testing capability to effectively implement dynamic network pricing in the 2024-2029 period, including through tariff trials.

11 October 2022

Bill Nixey Network Pricing Manager | Customer & Strategy Ausgrid

By email: pricing@ausgrid.com.au

Dear Bill,

Submission - Ausgrid Pricing Directions Paper

Thank you for the opportunity to comment on the Pricing Directions Paper to include new network tariffs to apply to embedded network operators.

We have a longstanding engagement on embedded network issues. In relation to Ausgrid's proposal, we participated in the pricing working group held in September and are open to attend any other future engagement events.

We respectfully suggest that the tariffs should be introduced to residential embedded networks and not shopping centre embedded networks. The reasons for our opposition to the current proposal is generally as follows:

- We remain unconvinced, and do not believe that Ausgrid has provided an evidence-base or compelling case that shopping centre embedded network costs are being 'funded' by other customers.
- Introduction of the proposed tariffs should not apply to a shopping centre, as there is no available evidence or justification showing a discrepancy between shopping centre embedded network load profiles and tariffs allocation. Cost discrepancies, as presented, are attributed to residential embedded network costs.
- Ausgrid's proposal seems to draw heavily on residential issues, rather than shopping centre issues. As you are aware, non-residential embedded networks, and more specifically shopping centre embedded networks, are different to residential networks, including the business model and negligible growth of such networks.
- It overlooks other realities such as significant capital contributions provided to Ausgrid by embedded networks to connect to Ausgrid's network.

As a general comment, we are concerned that shopping centre embedded network usage and reality is not being taken into consideration when reviewing Ausgrid tariffs. We again reject some of the claims we have heard that existing Ausgrid customers are 'subsidising' shopping centre embedded network customers.

We recommend the following:

- 1. Shopping centre to be exempt from any new residential embedded network specific tariff
- 2. Adding the type of embedded network connection to future applications
- 3. The Shopping Centre Industry can assist with an initial identification of current shopping centre embedded networks
- 4. The ongoing maintenance of tariff allocations related to shopping centre can be managed by Ausgrid existing tariff review process (i.e., additions/variations of site activity) as the volume would be negligible.

Moving forward, we consider as a general practice, that there should be a differentiation from shopping centre embedded networks to other embedded networks.

Please feel free to contact me for further discussions if required.

Yours sincerely,

Angus Nardi Executive Director





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12 October 2022

Mr Bill Nixey Network Pricing Manager Ausgrid GPO Box 4009 Sydney NSW 2001

Submitted via email to: pricing@ausgrid.com.au cc: kris.funston@aer.gov.au

Dear Bill,

Re: Ausgrid Pricing Directions Paper for 2024-29

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to comment on Ausgrid's Pricing Directions Paper for the 2024-2029 regulatory period. The Pricing Directions Paper includes a plan for progressing further pricing reform by making network tariffs more cost reflective for retailers and aggregators for their customers to use the network flexibly.

We support the policy intent that cost reflective pricing is designed to result in more efficient use of the network, reduce cross subsidies and result in consumers making more informed decisions on their usage. Distributors are required to set prices that reflect the efficient cost of providing network services to consumers, while ensuring that the tariff structure is easily understood and capable of being incorporated by retailers into a product offering those same customers.

During the 2024-2029 regulatory period, the industry is expected to undergo significant change. This is evidenced in AEMO's roadmap, the ESB's broader work program as well as the numerous jurisdictional changes proposed to occur over this time. Red and Lumo are mindful of the additional burden that Ausgrid's proposal places on retailers and their customers during this period.

Compliance with the consumer impact principle

The consumer impact principle in the National Electricity Rules (the Rules) provides the distributors with a high degree of flexibility in the design and implementation of cost reflective network tariffs. As retailers can choose if, and how they implement the network pricing signal, it is important for Ausgrid to consider the impact on both retailers and our customers.

Therefore it is imperative that Ausgrid introduce cost reflective network tariffs with retailers and consumers at the core of its design and decision making, consistent with the consumer impact principle. Strict interpretation and compliance with the consumer impact principle will firstly require distributors to implement pricing and pricing signals that are consistent and apply for a reasonable period of time. These must also be reasonably capable of being understood by





consumers for them to respond to. As a result, retailers and distributors must work together, cooperatively to ensure the success of the reform. If not, the reform will progress unsuccessfully.

In our view, Ausgrid's Pricing Directions Paper for the 2024-2029 regulatory period fails to comply with the consumer impact principle. Pricing reforms in the Directions Paper are inconsistent, complex and change during the 5 year determination period. Below we outline the various changes proposed by Ausgrid and what they mean for consumers and retailers. But at a minimum there are at least 170,000 customers that will have yet another tariff change applied to them if the Ausgrid proposal remains unchanged.

We cannot be confident that Ausgrid will retain a consistent approach over a reasonable period of time given the frequent changes we have observed in the recent past and which the Directions Paper foreshadows for the coming years. Attached to this submission, we have outlined the experience of a flat, time of use and time of use customer that gets solar, and how their charges would have changed, assuming that retailers have passed on the signals from Ausgrid. This tracks the various changes that have occurred in recent years, which seem at odds with the intent of the pricing principles and of the Tariff Structure Statements. The latter are intended to provide certainty and clarity to consumers and retailers but that has not been the case, given the frequent changes.

The complex and variable nature of the Ausgrid tariffs require a high degree of education and participation from consumers to respond to the price signals. It is our firm view that the plethora of change in the structure does not encourage buy-in or acceptance from consumers. It is stability and simplicity rather than complexity and constant change that encourages consumers to make the necessary behavioural changes to their consumption patterns.

Ausgrid's proposed tariffs lack a clear direction, relying on retailers to implement costly and complex system changes to both the tariff structure and timing windows on a frequent basis. This is an unfeasible, unreasonable and ineffective way to implement a network tariff reform. It is not just retailers who need to make the investment in the system changes, but also Ausgrid. Therefore, Ausgrid must appreciate the complexity and costs associated with frequent changes. Noting that both Ausgrid and retailer system changes and requisite process and communications costs are all borne by consumers. These costs must be balanced against the likely benefit that a more reflective and ever-changing tariff is assumed to achieve in terms of efficiency gains.

Red and Lumo have focused this submission on residential and small business customers. One further change that we recommend is for Ausgrid to revisit whether business customers that have historically been on large customer tariffs must wait for 12 months of data to prove that their consumption will clearly fall below 40MWh before placing them on the cheaper, medium or small business tariff. We question whether this approach is also consistent with the consumer impact principle.

In order to ensure that Ausgrid's pricing proposal is consistent with the consumer impact principle in the Rules, we outline below our concerns with each of the tariffs that are presented





in the Directions Paper and recommendations for Ausgrid's consideration. Adopting our approach will improve customer experience in the transition to cost reflective tariffs, and is likely to result in retailers passing through the cost reflective price signal to their customers.

Export tariffs

What has Ausgrid proposed?

Ausgrid proposes to introduce an export tariff for residential customers on an opt in basis on 1 July 2024 and follow it up with an opt out mandated export tariff on 1 July 2025. This will require customers to be mandatorily reassigned to this tariff in 2025 with a potential opt out.

Further, Ausgrid has proposed a time of use for both export charges and export rebates. The proposal is for a \$0 charge for the first 3kW, and then 1.85c/kWh between 10am and 3pm and a rebate of 1.85c/kWh between 3pm and 9pm.

What does this mean for customers?

At a practical level, having multiple changes in the 5 year period will result in less uptake or reduce the likelihood of the behavioural change that the pricing signal is trying to achieve. Consumers to whom the export charging and rebates will apply need to understand the implications. They may need to make significant adjustments to their lifestyle or invest in other appliances or equipment such as a battery to maximise the benefits available to them and this will not occur if the price signals they face are not stable.

The Rules require that pricing signals are consistent and apply for a period of time and for consumers to be able to understand them. This proposal does not meet that requirement. Changing this tariff structure more than once during the 5 year period will erode the understanding levels of customers (which is inconsistent with the consumer impact principle) and result in less trust in the industry as a whole.

What does this mean for retailers?

Retailers will make competitively rational decisions in response to their customers' preferences and the network costs incurred. This will mean that some retailers will choose not to pass on multiple changes to export charging, or will implement it in a manner that will result in only one change to both their systems and customer tariffs. Implementation of a time of use export tariff into billing systems will not be simple nor inexpensive, which is consistent with Red's experience with implementing the Essential Energy tariff trial. As customers will ultimately bear the costs of implementing system changes, it will be a factor in the decision making process for retailers.

Retailers will be required to allocate scarce resources to build this change into their systems. Further, the approach taken by Ausgrid does not appear to be consistent with the equivalent proposals from Endeavour and Essential Energy.

Retailers that choose to mirror the network tariff structure, will be required to prospectively provide notice to customers that their tariff structure is changing. This will be challenging given the quantum of residential and small business customers with distributed energy resources that





are likely to end up on the export tariff on 1 July 2025. This will require IT changes, collateral changes and extensive training to our staff to be able to communicate this change to current and future customers in a manner that is clear, and that makes sense to them.

What should Ausgrid do instead?

Provide an opt-in export tariff that is consistently structured with other NSW networks for the 5 year period.

The introduction of an export tariff that provides consumers with a choice to opt in is more consistent with the consumer impact principle in the Rules. Under this approach, Ausgrid would introduce an export tariff at the beginning of the regulatory period and which remains stable for the entire period. A consistent structure across the NSW networks will give confidence to both retailers and their customers. Allowing retailers to provide their customers an understandable tariff and allow them to make an informed decision on whether to opt in to the export tariff based on their own export patterns.

Streamlining of existing tariff offerings and tariff assignment policies

What has Ausgrid proposed?

Ausgrid proposes to withdraw its existing demand and TOU tariffs and move all customers onto the new seasonal tariffs (see below).

What does this mean for customers?

In theory, it should mean that customers are given a choice of tariff structure.

In practice, it means that Ausgrid will mandate a very large quantum of customers onto yet a new tariff. This will add to the complexity for customers and reduce confidence in the industry. This is inconsistent with the consumer impact principle in the Rules of having consistent pricing signals that are applied for a reasonable period of time.

What does this mean for retailers?

Additional costs and change.

We outline the amount of changes required to accommodate a tariff change in the section below on seasonal tariffs. This will apply to all retailers who choose to mirror the new tariff structure for customers on the existing tariffs (EA011, EA051, EA111, EA251, EA115, EA255).

Streamlining tariffs appears to be a mechanism to make it simpler for Ausgrid, retailers and customers. Allowing retailers to make a competitive, commercial and customer focused decision complies with the Rules given the significant nature of the costs and the marginal benefits associated with the change.

This allows retailers to work with Ausgrid, and make the requisite system, process and people changes in a manner that is consistent with their available resources. Taking into account the AEMO roadmap of changes alongside jurisdictional changes, this will allow retailers and Ausgrid




to work together to implement these in a cost effective manner.

What should Ausgrid do instead?

Keep the existing tariffs and their complicated structures, but close them to new customers instead of withdrawing them. Alongside this, create the streamlined new seasonal peak tariffs and allow retailers and their customers to transition to the new tariffs over the 5 year period. This will allow Ausgrid to work with retailers to achieve the cost reflective outcome, in a manner that is customer focused.

If the new tariffs do, in fact, meet the consumer impact principle and deliver better outcomes for retailers and their customers, retailers will transition to these new tariffs immediately.

However, if retailers choose not to adopt the streamlined tariff over the 5 year period, Ausgrid should be able to mandatorily reassign the remaining customers to the streamlined tariff in 5 years. This provides stability in the tariffs, and the signal to the retailer to build and accommodate the new tariff structures.

Seasonal peak charging changes

What has Ausgrid proposed?

Ausgrid proposes to update its seasonal peak charging windows twice, once in 2024 and again in 2027, for all of their small customers on demand and TOU tariffs. Specifically, their proposal includes:

- Changing the peak charging window to be consistent for winter and summer periods from 1 July 2024.
- Changing the peak charging window from 1 July 2027 for both summer and winter.
- Changing the number of days in which peak pricing will apply from 5 to 7 for residential customers.
- Changing the off peak and shoulder charging windows so that off peak charging windows apply at all other times outside of the peak charging windows, effectively removing the shoulder charge.
- Removing low season peak demand charge, so that demand charges do not occur outside of summer and winter periods.

What does this mean for customers?

We agree that the new charging and timing windows are simpler and easier for customers to understand. Attached to this submission, we have outlined the amount of change that Ausgrid has mandated for time of use and demand tariffs.

Making the new seasonal peak charging windows more cost reflective will ensure that the price signals for the use of the network are more accurate. However, customers need consistency to make meaningful changes to their consumption profile so there is little to no benefit in changing the timing windows twice within the 5 year period.





What does this mean for retailers?

Red and Lumo do not support the proposal. Consistent with the impact to the export pricing change, retailers who chose to implement the revised changes will need to:

- change their billing systems to accommodate the revised windows, *twice*.
- develop new pricing to accommodate the revised windows, *twice*.
- change the collateral associated with the new windows, *twice* for new customers. This will include quotes, offers, contracts, scripting, and the associated training of all the staff. Further, this will also include changes for the AER in the DMO determinations, as such retailers will need to manage the advertising changes associated with this for the comparison to DMO.
- manage tariff change notices for existing customers, *twice*. This will include IT changes and revised collateral, scripting, FAQs for both customers and staff, and the associated training of staff to manage this.

Alternatively, retailers will keep existing customers on their current tariff structure and timing, and manage the cross-subsidies associated with the difference between the network bill and the retail bill.

Ausgrid's approach is not consistent with the intent of network tariff reform, as such, we question why there is further complexity and instability being built into the 5 year period.

What should Ausgrid do instead?

Ausgrid should just pick one set of cost reflective windows to apply for the 2024-2029 period and beyond. This should be an opt-in cost reflective tariff.

As noted above, Ausgrid should work with retailers who intend to adopt the new pricing structure in the management of the reassignment of customers onto this new tariff structure, to minimise impact on both customers and retailers.

Update to controlled load tariffs

What has Ausgrid proposed?

Ausgrid intends to amend the current, set switching times for controlled load devices (largely hot water). The change will allow for a 6 hour window in a 24 hour period, to allow for the controlled load devices (hot water) to consume during the solar export period.

What does this mean for customers?

Practically, this means that customers will have a different hot water charging window and potentially receive a benefit for providing more control to Ausgrid for heating their hot water. Depending on the individual hot water systems, it might mean that consumers have less or more hot water available to them when they want it.

What does this mean for retailers? Further change.





In theory, this should deliver benefits to retailers and their customers. However, it is unclear to us how this change can be communicated to customers. At the time of sign up, retailers are required to quote rates and explain to customers how their retail products will operate. We question how retailers will be able to communicate the applicable 6 hour window for their hot water system.

Retailers will also need to communicate this information to current customers, which involves additional training for front line staff. Further, we question whether Ausgrid will revert the timing of the controlled load to accomodate any circumstances in which customers have adverse impacts to their hot water systems.

The AER and retailers will also need to make changes to the DMO calculations and corresponding changes.

We question whether the benefits of this change outweigh the costs of implementing it.

What should Ausgrid do instead?

These changes will create additional costs for retailers to comply with the changes but only result in a marginal difference. Therefore, we prefer that the current control load tariffs remain in place and allow consumers to continue to work with them and respond to the current time frames to allow consumers to maximise their value from these tariffs.

The role of AER and networks

The AER is required to assess distributors' Tariff Structure Statements (TSS) as part of their network regulatory proposals every five years to ensure they comply with the pricing principles in the Rules.

The Rules provide flexibility and discretion to distributors on how they can apply the pricing principles. This provides a consequential challenge for the AER to assess compliance with these Rules, as it must make judgements about the relative weighting of the different elements and how they align with the pricing objective, particularly when there is some conflict between them. For example, a pricing proposal that emphasises economic efficiency and seeks to remove all cross subsidies across an individual network is not necessarily easy for consumers to understand or for retailers to administer.

If the AER continues to apply the reform in the current manner, where it appears that more weight is given to Long Run Marginal Cost and ensuring distributors recover their total efficient costs instead of focusing on the customers that will be subject to those tariffs, network pricing reform will fail. Experience tells us that collectively, distributors and retailers need to provide tariffs that are consistent, easy to understand and stable over the 5 year periods.

We welcome discussions with Ausgrid and the AER on the benefits that placing greater weight on the consumer impact principle is likely to achieve for tariff reform. Consumers' needs must be at the heart of the reform for it to be successful.





About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail electricity and gas in New South Wales, Victoria, Queensland, South Australia and in the ACT to over 1.2 million customers.

Red and Lumo welcome further discussion on our submission. Should you wish to have this discussion or have any further questions, please call Con Noutso, Regulatory Manager on 0481 013 988.

Yours sincerely

Muno

Stefanie Monaco Manager - Regulatory Affairs Red Energy Pty Ltd Lumo Energy (Australia) Pty Ltd





The customer journey of network tariff reform in Ausgrid's patch for a previously flat customer that has a meter exchange

	2017 - until meter fails	From new meter date (2019 onwards)+	12 months after new meter date (2019 onwards)#	1 July 2024	1 July 2027
Nov to March (Summer)	Anytime consumption All other times [applied irrespective of the month]	Peak: 2pm-8pm on working weekdays Shoulder: 7am-10pm everyday except when peak applies Off Peak: All other times that are not peak or shoulder (i.e. 10pm-7am) Demand: 2pm-8pm on working weekdays	Peak: 2pm-8pm on working weekdays Shoulder: 7am-10pm everyday except when peak applies Off Peak: All other times that are not peak or shoulder (i.e. 10pm-7am) Demand: 2pm-8pm on working weekdays	Peak: 3pm-9pm all days Off Peak: All other times Demand: 3pm-9pm all days	Peak: 4pm-10pm all days Off Peak: All other times Demand: 4pm-10pm all days
June to August (Winter)		Peak: 5pm-9pm on working weekdays Shoulder: 7am-10pm except when peak applies Off Peak: 10pm-7am Demand: 5pm-9pm on working weekdays	Peak: 5pm-9pm on working weekdays Shoulder: 7am-10pm except when peak applies Off Peak: 10pm-7am Demand: 5pm-9pm on working weekdays	Peak: 3pm-9pm all days Off Peak: All other times Demand: 3pm-9pm all days	Peak: 4pm-10pm all days Off Peak: All other times Demand: 4pm-10pm all days
April, May, Sept & Oct (other)		Shoulder: 7am-10pm Off Peak: 10pm-7am Demand: 2pm-8pm on working weekdays	Shoulder: 7am-10pm Off Peak: 10pm-7am Demand: 2pm-8pm on working weekdays	Off Peak : 24h No demand charge	Off Peak : 24h No demand charge

+ Introductory rates for demand charges

Cost reflective rates for demand charges





The customer journey of network tariff reform in Ausgrid's patch for a TOU customer

	2017	2018 onwards	1 July 2024	1 July 2027
Nov to March (Summer)	Peak : 2pm-8pm on working weekdays	Peak : 2pm-8pm on working weekdays	Peak : 3pm-9pm	Peak : 4pm-10pm
	Shoulder: 7am-2pm and 8pm-10pm on working weekdays and 7am-10pm on weekends and public holidays Off Peak:	Shoulder: 7am-10pm everyday except when peak applies Off Peak: All other times that are not peak or shoulder (i.e. 10pm-7am)	Off Peak : All other times	Off Peak : All other times
June to August (Winter)	[applied irrespective of the month]	Peak: 5pm-9pm Shoulder: 7am-10pm except when peak applies Off Peak: 10pm-7am	Peak: 3pm-9pm Off Peak: All other times	Peak : 4pm-10pm Off Peak : All other times
April, May, Sept & Oct (other)		Shoulder: 7am-10pm Off Peak: 10pm-7am	Off Peak : 24h	Off Peak : 24h





The customer journey of network tariff reform in Ausgrid's patch for a TOU customer that installs solar in 2025

	2017	2018 onwards	1 July 2024	Solar 2025	1 July 2027
Nov to March (Summer)	Peak: 2pm-8pm on working weekdays Shoulder: 7am-2pm and 8pm-10pm on working	Peak: 2pm-8pm on working weekdays Shoulder: 7am-10pm everyday except when peak applies Off Peak: All other times that are not peak or shoulder	Peak: 3pm-9pm Off Peak: All other times	Peak: 3pm-9pm Off Peak: All other times Export charge: \$0/kWh between 10am-3pm for 0-3kWh \$1.85c/kWh between 10am-3pm for export over 3kWh Export rebate: \$1.85c/kWh between 3pm-9pm	Peak: 4pm-10pm Off Peak: All other times Export charge: \$0/kWh between 10am-3pm for 0-3kWh \$1.85c/kWh between 10am-3pm for export over 3kWh Export rebate: \$1.85c/kWh between 3pm-9pm
June to August (Winter)	weekdays and 7am-10pm on weekends and public holidays Off Peak : All other times	Peak: 5pm-9pm Shoulder: 7am-10pm except when peak applies Off Peak: 10pm-7am	Peak: 3pm-9pm Off Peak: All other times	Peak: 3pm-9pm Off Peak: All other times Export charge: \$0/kWh between 10am-3pm for 0-3kWh \$1.85c/kWh between 10am-3pm for export over 3kWh Export rebate: \$1.85c/kWh between 3pm-9pm	Peak: 4pm-10pm Off Peak: All other times Export charge: \$0/kWh between 10am-3pm for 0-3kWh \$1.85c/kWh between 10am-3pm for export over 3kWh Export rebate: \$1.85c/kWh between 3pm-9pm
April, May, Sept & Oct (other)	[applied irrespectiv e of the month]	Shoulder: 7am-10pm Off Peak: 10pm-7am	Off Peak: 24h	Off Peak: 24h Export charge: \$0/kWh between 10am-3pm for 0-3kWh \$1.85c/kWh between 10am-3pm for export over 3kWh Export rebate: \$1.85c/kWh between 3pm-9pm	Off Peak: 24h Export charge: \$0/kWh between 10am-3pm for 0-3kWh \$1.85c/kWh between 10am-3pm for export over 3kWh Export rebate: \$1.85c/kWh between 3pm-9pm

INDER WEST

14 October 2022

Ausgrid c/o Frank Roberson – Council & Community Resilience Manager Submission via email <u>frank.roberson@ausgrid.com.au</u>

Dear Ausgrid team,

Ausgrid Draft Plan 2024-2029 comments

Thank you for the opportunity to comment on the Ausgrid Draft Plan 2024-9.

Council supports increased investments in network resilience and a transition to net zero by 2050. Inner West Council is a member of Southern Sydney Regional Organisation of Councils (SSROC) and supports its submission of October 4th.

In addition, Inner West Council has the following comments:

Innovation fund

Council is interested to collaborate on future community battery, microgrid or stand-alone power system projects or EV infrastructure rollout as part of the \$50 million innovation fund. The Inner West community is highly engaged and home to active community energy groups interested in increasing capacity for renewable energy sharing to support emissions reductions.

Export pricing transition strategy

Council's Climate and Renewables Strategy has set a target for a 75% reduction in community greenhouse gas emissions by 2036. One strategy that supports progress to the target is a rapid increase in solar and renewable energy generation. In a highly urbanised local government area of 183,700 residents with limited land area for ground mounted renewable energy generation, rooftop solar is a key opportunity for suitable properties.

The goal of empowering customers to optimise future DER investments and maximise the value they get from self-generation is supported. However, Council is concerned that the value proposition for local rooftop solar may be weakened by a reduction to feed in tariffs, and the introduction of export charges during peak demand times. Residents and small businesses with solar and batteries enable them to use more electricity generated by onsite rooftop solar, but batteries are still uneconomic in most cases. The anticipated drop in solar battery prices due to mass production has not yet eventuated, as has been the case with PV modules. In fact, there have been price increases observed, with solar battery payback periods longer in many cases, than the product warranty of 10 years.

Vehicle to grid charging options are also still very limited with only 3 vehicles that will accept it. The charging technology is still awaiting approval and is uneconomic at the current \$10K cost.

For residents and small businesses that have already installed solar panels through a financing package, for which savings are forward projected for the life of the loan, the introduction of export charges will affect the return-on-investment calculation. Without any additional incentives offered in NSW for batteries, this will have a dampening effect on future solar uptake.

There is currently no solar battery incentive via subsidy or rebate from the NSW Government, unlike in SA, ACT or Victoria. The Empowering Homes program no interest loan of \$9K for a battery retrofit for households with existing solar was not offered to Inner West residents and has now been wound up following low uptake.

With over 40% of Inner West residents living in apartments, Council has focused on increasing the capacity of strata committees to investigate solar through provision of free and independent solar feasibility reports. The notion of export charges has been raised on multiple occasions in committee meetings and has resulted in solar projects losing out to other competing projects for the tight capital works / sinking fund budgets.

The over 3.2 million solar rooftops are now the largest single generation source in the national electricity market. This has brought down the wholesale price of electricity and can provide network benefits by supplying local energy. Council supports the expenditures for network enhancement to be able to incorporate more DER but are concerned at penalising solar owners who invest in solar in good faith to cut their energy bills and do their part for the environment.

It is unclear if the Ausgrid projections of 400,000 rooftop scale solar systems by 2029 (an increase of 180,000 from the 220,000 connections in 2022) incorporate this proposed export pricing scheme.

To optimise self-consumption of solar generation, via either a home battery or change to export timing (e.g. by installing on a western facing rooftop) requires

significant investment, often an additional AC inverter to connect the existing solar to the battery, in addition to the battery cost.

Subscription to a community battery scheme is a lower cost opportunity, however there was scant detail about the rollout of the community battery scheme in the draft plan. Could Ausgrid clarify what proportion of the \$153 million is allocated to this trial rollout, what the expected coverage or offering is within the Ausgrid network area, and how the delivery model (ie retailer partnership) will be offered?

To enable greater equity and opportunity for wide DER uptake Council would like to see additional measures, which although outside the scope of this consultation, are relevant to it:

- Introduction of a NSW-wide smart meter upgrade to allow flexible control of appliances in response to real time market signals. The current approach of customers needing to upgrade individually via their retailers is a disincentive for group upgrades, particularly for multi-unit dwellings.
- Introduction of NSW solar battery incentives in NSW (similar to Victoria, SA & the ACT) in the short term to address affordability concerns
- Solar feed-in tariff reduction and export limits be accompanied by reductions in consumption charges for solar customers

Should you have any further queries, please feel free to contact Sonya Williams, Renewable Energy Innovation Officer on 02 9392 5932 or <u>sonya.williams@innerwest.nsw.gpv.au</u>.

Sincerely,

In Stieled

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AUSGRID'S PRICING DIRECTIONS PAPER SUBMISSION TO AUSGRID AND AER OCTOBER 2022

TEC welcomes the opportunity to comment on this paper, and apologises for its lateness and brevity. Our feedback is restricted to the proposed residential export tariff as presented in the Pricing Directions Paper (PDP). It is informed by our role as a proponent, with ACOSS, in what the AEMC would eventually call the Access, pricing and incentive arrangements for distributed energy resources rule change (2021). Our focus is on the justification for, and cost reflectivity of, the export tariff. We have no specific comments regarding other aspects of the export tariff including the basic export level and the transition strategy, or the other reforms outlined in the PDP.

We remind Ausgrid of the highly contentious nature of some aspects of that rule change process, in particular the prospect of all solar households being charged for exporting surplus rooftop PV energy to the grid. We instigated and supported that process in large part because we identified potential benefits to solar and battery households well as non-PV households and distribution networks of having clear price signals about where and when distributed or consumer energy resources (DER or CER) are of value to networks, and conversely where they are likely to cause problems for networks and/or other users.

We were successful in pushing for changes to the draft rule in the final determination (FD) to virtually eliminate zero export static limits, to require distribution businesses to offer a basic export level in all their tariffs without charge for 10 years, and to require them to transition CER customers onto export tariffs.

Justification

Since the publication of the final determination, the AER has done an excellent job of implementing it via connection guidelines, flexible exports (aka dynamic operating envelopes) and working on customer export curtailment values (CECV), which networks can utilise in making the business case for investing in greater export capacity.

But probably the AER's most significant effort has been in developing its Export Tariff Guidelines ("the guidelines"). These state on page 4 that

The AER will not approve two-way pricing proposals unless a distributor can, through the regulatory proposal (including the tariff structure statement) process, demonstrate its need...

In proposing two-way pricing, distributors should have regard to:

- individual network circumstances to warrant the introduction of two-way pricing, including their network's intrinsic hosting capacity
- how their customers may be impacted if two-way pricing is not introduced
- evidence of current or estimates of future DER penetration on the network (including rooftop solar, electric vehicles) and how this impacts network costs
- feedback from stakeholders, including customers.

Turning to Ausgrid's pricing directions paper (PDP), we read the following on page 19:

When we assess whether to introduce export pricing, we take into account the impact of DER on the grid now and into the future. Currently, DER can largely be accommodated by intrinsic hosting capacity on the network. If AEMO's Step Change scenario for DER uptake proves to be reasonably accurate, between 2024-29 we expect intrinsic hosting capacity to be exhausted in parts of the network. However, it is challenging to accurately forecast DER uptake. Actual DER uptake could be lower or higher than this forecast. Beyond 2029 the forecasts are even more uncertain.

For this reason we think it is prudent to start sending our customers price signals about the costs and benefits their exports can have on grid costs. However, given the uncertainty with current DER forecasts, we are proposing a very small export price.

In other words, "We don't have a problem with rooftop PV exports at present, but we might in the near future, so we're going to start charging all solar owners asap so they get used to the idea".

Not surprisingly, in TEC's view this falls a long way short of proving that Ausgrid *needs* to introduce export tariffs to comply with the NER. Explicit in the AEMC's final determination (see, eg, page ii, paras 10-12) and the AER's guidelines are the arguments that, firstly, export tariffs should be a response to a material problem related to network congestion caused by rooftop solar exports; and secondly, export tariffs should be regarded as a last resort to be canvassed when cheaper and simpler measures to solve the "duck curve" problem—including transformer tap changes, better LV system visibility, flexible exports and solar soak tariffs—have been implemented and exhausted.

In other words, export tariffs are intended to be one tool among many, and should not be implemented just because, with the removal of clause 6.1.4 of the NER, they can be. Or, as the AEMC itself puts it, "a DNSP will need to explain its proposed approach to export-related planning and investment *against alternative options*" (page iii, our emphasis). To be even more explicit, the AEMC sates (on page v; our emphasis) that

Enabling export pricing options does not mean DNSPs have a regulatory obligation to develop and implement export pricing. A proposal to implement export pricing for a DNSP would need be part of the regulatory determination process and would require the AER's approval. In assessing the DNSP's proposal, the AER must be satisfied that it is in the interest of consumers. *Export pricing is optional for each DNSP*.

In our view, in the absence of any evidence that solar exports are causing, or by 2029 are likely to cause, material costs on the network—let alone any evidence regarding what those problems may be—any proposal by Ausgrid to introduce mandatory export tariffs in 2024-29 is unjustified because it would not comply with the pricing principles in the NER—particularly 6.18.5(a) and (f):

The network pricing objective is that the tariffs that a Distribution Network Service Provider charges in respect of its provision of direct control services to a retail customer should reflect the Distribution Network Service Provider's efficient costs of providing those services to the retail customer...

Each tariff must be based on the *long run marginal cost* of providing the service to which it relates to the *retail customers* assigned to that tariff...

If there are not likely to be material costs associated with PV exports, there is no good reason to introduce tariffs to recover them.

Cost recovery and postage stamp pricing

Further, it is not enough to indicate that this approach has been largely endorsed by Ausgrid's Voice of Customer Panel, because its recommendation that "recovering the costs associated with customers' exports by introducing a TOU [tariff?] for these customers that optimises customer pricing and network stability and cost" (page 19) is predicated on the existence of such costs.

Even if export-related costs are able to be identified, they are likely not to apply equally across the network. The imposition of a postage stamped tariff is justified on the basis that "...we think it is more important to avoid the complexity of differentiated pricing for a relatively small component of the bills of our small customers, and to retain the simplicity of postage-stamp pricing" (page 22).

Again, this view is not consistent with the application of cost reflectivity to export tariffs. Ausgrid's argument amounts to claiming that the added complexity of introducing an export tariff for *all* solar households is preferable to adding complexity to the bills faced by the potentially much *smaller* number of solar households which are actually causing the problem (wherever and whatever that problem might be). Postage stamp pricing for DER exports amounts to addressing one cross subsidy (from non-CER to CER customers) with another one (from unconstrained CER owners to constrained CER exporters).

Ausgrid could, for instance, apply a critical peak price or peak time rebate in affected areas (again, when and where they actually exist), so that affected customers could be given a choice as to how they respond—for instance, by increasing their solar self-consumption during extreme solar trough periods.

With regard to the amount of the proposed tariff (1.85c/kWh), again there is no justification proffered other than what amounts to the "boiling frog" syndrome—ie, "If we start low they'll have time to get used to it", implying that it would increase (substantially?) in the future. What is the LRMC of daytime CER exports that this relates to? And if this strategy is intended to comply with pricing principles 6.18.5(h) and (i), what is the glide path or other transition strategy towards the end point of fully cost reflective tariffs?

LRMC and mirror tariffs

Finally, Ausgrid appears to have abandoned its earlier commitment—backed by its consultants, HoustonKemp—to introduce a "mirror tariff" that would pay home battery owners the same amount for their evening peak supply or discharge as other users would pay for consuming grid energy during the same period. (This approach was taken in Ausgrid's current residential two-way tariff trial, with exports between 2 pm and 8 pm being rewarded at the same rate as the consumption charge for this period.) This would be consistent with the pricing principles, because if consumers are charged according to the LRMC of their contribution to future network costs, battery discharges during the same period should effectively cancel out the need for future grid augmentation to the same extent.

Instead, Ausgrid is only planning to pay battery owners the same low amount (1.85c/kWh) it is charging solar owners for their daytime "solar trough" exports. This is not efficient pricing. The only justification proffered for rejecting HK's proposal is that a mirror tariff would involve a cross subsidy from other customers. This is illogical, because (in a world of cost reflective tariffs) DER exports during the evening peak effectively save the network the same amount as consumption during the same period costs it. The PDP states that

The proposed charge and reward level reflects our current long run marginal cost (LRMC) supplying export services, which we estimate is around \$30 per kW. This is significantly lower than our current LRMC of supplying consumption energy services.

Unfortunately, we cannot find reference to the actual LRMC of consumption services in the PDP. However, if the consumption LRMC during the evening peak is, say, double that of export during the solar trough period, Ausgrid is planning to pay customers who help to alleviate that demand only half its actual value. This is unacceptable. If users are charged, say, \$0.50/kWh during the evening peak, this is also the amount that Ausgrid should offer for exports to the grid during the same period.

Recommendations

- 1. In its preliminary tariff structure statement (TSS), Ausgrid should provide evidence (eg, substation heat maps) that rooftop PV exports are likely to cause material costs to the network in 2024-29.
- 2. If Ausgrid is able to provide such evidence, it should then explain how it is attempting to mitigate the problem via available low cost solutions that do not involve charging solar owners for their exports to the grid.
- 3. If Ausgrid is able to show that, having implemented step 2 above, there are still areas and times when the problem persists, it should then construct an export tariff which is cost reflective, by targeting areas where and when this problem exists, and by fairly rewarding users who are able to mitigate the problem, especially via peak time battery exports.
- 4. If Ausgrid is unable to provide evidence that rooftop PV exports are likely to cause material costs in 2024-29. it should abandon its plan to introduce an export tariff in this period.
- 5. If Ausgrid does not follow the steps outlined above, the AER should reject this part of its draft TSS.