28 April 2023

Ausgrid

24-28 Campbell St
Sydney NSW 2000
All mail to
GPO Box 4009
Sydney NSW 2001
T +61 2 13 13 65
ausgrid.com.au

Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator
Email: kris.funston@aer.gov.au
cc: patrick.devlin@aer.gov.au; and exportservicesreview@aer.gov.au

Ausgrid response to the draft export service incentive scheme (ESIS) guideline

Dear Dr Funston,

Ausgrid welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) draft ESIS guideline (**guideline**) and associated draft ESIS explanatory statement. We support the AER developing a bespoke ESIS for distribution network service providers (**DNSPs**) that reflects our customers' preferences.

Ausgrid is undertaking extensive engagement for our 2024-29 regulatory reset. To date, our customers have consistently told us that they plan to invest more in customer energy resources (**CER**). Our customers are saying that even if they do not have CER, or cannot access CER, right now, then they aspire to do so one day. Our customers' ambition for CER is consistent with the Australian Energy Market Operator's step change scenario, translating to 3.5 million CER assets (a five-fold increase) across the Ausgrid network by 2039.

We recommend that the final guideline allow a DNSP to propose an ESIS revenue at risk of up to 1 per cent. The ESIS revenue at risk should be separate to the Customer Service Incentive Scheme (**CSIS**) which, in practice, DNSPs are proposing as a substitute for the Service Target Performance Incentive Scheme's telephone answering metric.

This approach is consistent with the explanatory materials for the Australian Energy Market Commission's (**AEMC**) 2012 *Economic Regulation of Network Service Providers* rule change.[1] It shows policy intent for small scale incentive schemes (**SSIS**) to be treated separately as they are trials only, so it allows for a greater understanding of the individual impact that a SSIS may have on a DNSP's operations.[2]

We would be happy to discuss our submission with the AER. Please contact Naomi Wynn, Regulatory Policy Manager at [redacted]

Regards,

[redacted]

Alex McPherson
Head of Regulation

[1] AEMC (2012). Economic Regulation of Network Service Providers rule change – final position paper P169. The AEMC found 'if the revenue at stake was one per cent of revenue for a regulatory year if the NSP agrees with this amount, or up to 0.5 per cent of revenue for a regulatory year if the NSP does not' then it strikes the right balance to understand how the scheme operates and if it is operating as intended. https://aemc.gov.au/sites/default/files/content/fa006d53-ce4c-4f8c-bc4f-9a9d44a47fdc/Final-position-paper.pdf

[2] We note that the CSIS guideline provides for a maximum 0.5 per cent revenue at risk however, consistent with our submission regarding the ESIS, we consider DNSPs should be able to propose a discrete 1 per cent for CSIS and there could be scope for the AER to consult on this.