

6 May 2022

Kris Funston
Executive General Manager, Networks Regulation
Australian Energy Regulator (AER)
GPO Box 3131
Canberra, ACT, 2601


Via electronic lodgement: AERinquiry@aer.gov.au

Dear Kris

We welcome the opportunity to respond to the issues raised in the draft customer export curtailment value methodology and accompanying explanatory statement.

We agree that fit for purpose CECVs will help guide the efficient levels of network expenditure for the provision of export services and serve as an important input into network planning, investment and incentive arrangements for export services. However, we are concerned with the draft methodology, particularly that it may result in inefficiently low levels of investment in network capacity to accommodate DER (which will have negative consequences for our customers).

Our response to each of the issues raised in the AER's explanatory statement is available in Attachment 1.

We look forward to continuing to work with the AER on this issue. Please contact Ian McNicol  should you have any questions concerning this submission.

Sincerely,



Charlotte Eddy
General Manager, Regulatory Strategy and Policy
AusNet Services

Attachment 1: Response to Draft CECV methodology explanatory statement

AER question	Response
Q1: What are your views on the value streams to be captured in the CECV?	<p>We share many of the concerns outlined in the ENA's submission, most notably that the omission of the material investment benefit is sufficiently significant that it may lead to an inefficiently low level of investment in network capacity to accommodate DER.</p> <p>We also note that a more holistic approach - one that reflects customer-centric decision making - should apply when considering DER investment decisions.</p>
Q2: What are your views on our interpretation of customer export curtailment and the concept of the alleviation profile?	<p>Curtailment should be considered a scenario where a lower level of DER export occurs relative to an expected level. We also note that voltage constraints arising from DER export could just be one factor that could curtail DER export (other factors include the need to maintain security and reliability of the system). The process of DER justification should, therefore, have sufficient flexibility to allow these other factors to be considered.</p> <p>While the alleviation profile concept is sound in principle, developing a profile for each proposed investment will be a complex exercise and each DNSP is likely to approach this issue slightly differently. Its use is also likely to impose additional resource requirements and DNSPs will need additional resources (and time) to develop, embed and then refine this process.</p>
Q3: What are your views on our interpretation of the distribution of costs and benefits, including the relationship between CECVs and export charges?	<p>Appropriately calculated CECVs will reflect the detriment to all customers from the curtailment of DER exports, and similarly, the benefit to all customers from the alleviation of curtailment.</p> <p>As to the relationship between CECVs and export charges, DNSPs must ensure that export tariffs reflect the efficient cost of providing the service to which that tariff relates. To the extent that CECVs are an input into estimating the cost of providing additional capacity for export then there is a link, but it is indirect.</p>
Q4: Do you agree that half-hourly CECV estimates are appropriate?	<p>Provided DNSPs have the scope to aggregate values as we consider appropriate, the use of half-hourly CECV estimates is appropriate – see also our response to Q8-Q11 below.</p>
Q5: Do you agree that CECV estimates for each NEM region are appropriate?	<p>CECV estimates for each NEM region are appropriate at this stage.</p>
Q6: Do you have any views on the model inputs and assumptions and the process of estimating CECVs?	<p>While we recognise that the approach to inputs proposed by the AER will facilitate greater consistency across all DNSPs, we continue to consider that each DNSP should be able to propose alternative inputs should it deem them appropriate.</p> <p>We also note that the sensitivity of each input should be considered as this will provide a range of reasonable inputs to be assessed when undertaking this type of modelling.</p>

We support assumptions being updated in a timely manner each year.

Q7: Do you have any views on the factors we should consider in updating CECVs annually, as well as potential triggers for reviewing the CECV methodology prior to the five-yearly review?

If the AER is to have discretion as to whether it will update inputs other than inflation based on its assessment of materiality, the AER should make public the factors it will consider when making its decision. This will ensure a 'no surprise' environment and greater transparency – outcomes we expect the AER will be willing to embrace.

The CECV methodology should be reviewed prior to the five-yearly review given the rapid rate of DER integration and speed of transition. In addition to the factors identified by the AER, the CECV methodology should be subject to a review prior to the five-yearly review if:

- a material error is identified in the estimation of CECVs;
- the assumptions underpinning the estimation of CECVs are materially revised;
- the integrated system plan scenarios developed by the Australian Energy Market Operator (AEMO) are materially revised.

The AER should provide sufficient time for consultation where changes to the proposed methodology are being proposed.

Q8: Do you support the DNSP model allowing for the self-selection approach?

Q9: Do you support the DNSP model allowing for the characteristic day approach?

We support DNSPs having the flexibility to choose the approach they consider most appropriate. We, therefore, consider that the DNSP model should provide sufficient flexibility for a DNSP to either self-select or use characteristic days. If characteristic days are appropriately defined, this part of the model will be increasingly used by DNSPs (and there will, consequently, be no need to mandate its use).

Q10: Do you support the DNSP model allowing for the ranking of characteristic days approach?

If DNSP choice is to be removed and characteristic days are to be the default approach, DNSPs should have the ability to rank days. We do not consider this ranking should be set by the AER and question the actual level of flexibility that will be realised where a DNSP needs to demonstrate the change 'is justifiable'. If the AER decides to rank days, the AER should publish the factors it will consider when making its decision on this issue. This will ensure a 'no surprise' environment and greater transparency – outcomes we expect the AER will be willing to embrace.

Q11: Do you have views on the ranking of characteristic days?
