28th April

Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator

By email: AERinquiry@aer.gov.au

Dear Dr Funston

Export services incentive scheme draft

CitiPower, Powercor and United Energy welcome the opportunity to respond to the Australian Energy Regulator's (AER) export services incentive scheme (ESIS) draft.

We support the development of a principles-based export services incentive scheme that provides flexibility for networks and customers to collaborate and develop incentives that benefit customers. This flexibility will allow design of an export services incentive scheme that considers customer preferences, data availability and base levels of export services.

We broadly agree with the scheme element principles that the AER has developed. The principles will holistically guide design of an export services incentive scheme to ensure robustness and improve relevant aspects of export services delivery for customers.

We are however concerned that the scheme, as drafted, requires the proposed measurement be either conducted by an independent third party or based upon an independently developed methodology (specifically, principle 3.3(3)(b)). It is possible that no external or independent measurement methodologies exist, and networks will need to develop their own methodology to measure performance parameters. We recommend that the AER removes scheme element principle 3.2(2)(b) to improve the flexibility of networks and customers to co-design performance parameters and measurement methodologies, noting co-design has been a positive feature of the CSIS.

Removing this principle would not reduce the rigour required from networks to justify measurement methodologies or performance parameters. Measurement methodologies for performance parameters will still need to be auditable by an independent third party under 3.2(2)(d), and the AER can still scrutinise and reject network ESIS proposals.

The AER's draft specifies the default maximum revenue at risk for the ESIS is 0.5 per cent of the annual revenue requirement, or 1 per cent where the DNSP consents. We understand that a DNSP could design an ESIS with 1 per cent revenue at risk, as long as the total maximum revenue at risk for the ESIS and Customer Service Incentive Schemes combined does not exceed 1 per cent. We agree with this approach and support the flexibility it provides to meet customer preferences.

Should you have any queries about our submission, please contact Chris Gilbert on [redacted] or [redacted]

Yours sincerely,

[redacted]

Jeff Anderson
Head of Regulatory Performance and Analysis
CitiPower, Powercor and United Energy