Submissions delivered electronically to AERresets2024-29@aer.gov.au

Arek Gulbenkoglu
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

12 May 2023

Ausgrid's 2024–29 electricity distribution determination

To Arek,

Thank you for providing stakeholders the opportunity to review and respond to the Ausgrid's 2024–29 electricity distribution determination proposal. As a service provider within the embedded network sector, our response will be focused on that area.

General Comments

We are extremely concerned and strongly oppose Ausgrid's introduction of EN tariffs. We believe it requires closer independent examination for the following reasons:

- Our main concern is that the introduction of these EN tariffs will have an adverse effect on EN customers as Exempt sellers pricing flexibility will be stiffened. This will also mean that customers, especially the most vulnerable consumer groups, will face further cost increases.

- Ausgrid's assumption that the majority of ENs are currently charged at DMO is speculative. The introduction of these tariffs however will see more operators pressured to charge at DMO. Many of the EN's we operate have not seen price increases for the last 4 years. Our clients have been committed to retaining pricing flexibility as customers are focused on recovering and rebuilding from the impacts of the pandemic and other global events.

- Land lease residential parks consuming over 160 MWh/pa will be impacted significantly as direct costs are passed through to the residents.

- Exempt sellers, like all other C&I consumers, are experiencing the pressures of increase cost as wholesale markets have surged to record highs. This EN tariff would see a substantial average increase of 30% to the network tariff cost.

- Cost increase will stifle future innovation including EV charging, on-site generation, storage and other services that ENs can offer consumers.

- This feels like another attempt to further boost Ausgrid revenue by creating a perception that ENs are not making a fair contribution to the network, noting that ENs are charge various ad-hoc fees and capital contributions to connect to Ausgrid's network. Previously, Ausgrid had pushed for charges to child connection

points, even though they have no involvement past the gate meter. Previous attempts to introduce an EN tariff have been denied.

- We understand and support the DNSP in adjusted tariffing to be more cost reflective as metering technology allows consumers to have greater influence and control over their usage and cost savings, however we believe that the introduction of the EN tariff is a poor reflection of true network cost.

- We are not convinced of Ausgrid's view on load comparison's between EN's and other customers and feel that the analysis they have provided is not completely accurate. See the **Load Profiles and Capacity Charge** section for further detail.

Load Profiles and Capacity Charge

Ausgrid states that ENs share a different load factor compared to other customers on the same tariff, which is the basis of why they are proposing to introduce EN specific tariffs.

Ausgrid's approach to categorise EN's by network tariff class is flawed and represents an unreasonable comparison. A comparison between a non-residential EN such as a shopping centre or commercial building would differ vastly to a residential EN. The "average" profile samples (figure 1) provided in Ausgrid's TSS Explanatory Statement is in line with a residential EN whereas the majority of customers on the same tariff would be a non-residential customer. A non-residential EN would however share a similar profile to that of any other customers on the same tariff.

Many of the ENs we manage also harnesses on-site generation, lowering peak usage resulting in a flatter profile.

Differential load factors are also already accounted for in the existing capacity charge. The current capacity charge applies the highest half-hour period of electricity use during the peak period over the previous 12 months timeframe. The peak period is from 2pm to 8pm on working weekdays, covering afternoon to evening usage. This would mean that by using the Ausgrid winter EN profile, the EN would be charged for their peakier load shape in the evening.

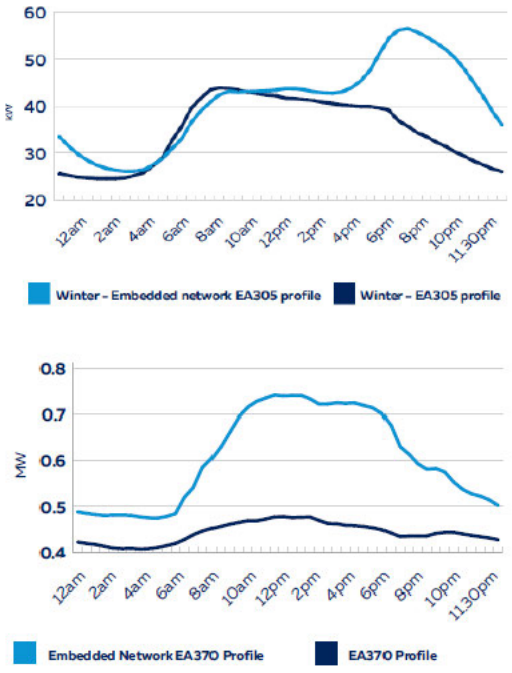

Figure 1; Ausgrid Our TSS Explanatory Statement for 2024-29

Ausgrid's 12 months capacity charge also means that if a EN child that is a major contributor to the peak usage was to exit the EN, the exempt seller will continue to be charged the maximum capacity charge for a further 12 months even if the EN profile has changed. A financial benefit for Ausgrid. This is not a concern in other distributions as customers are charged the actual demand incurred for the billing month.

The proposed EN capacity charge compared to traditional loads are alarmingly different with 2028-29 seeing as much as 73% cost difference compared to traditional loads. **See Table 1 - % Difference between system and EN Tariff.**

			2024–25	2025-26	2026-27	2027-28	2028-29
			Apparent capacity charge				
			cents/kVA/day				
LV 160-750 MWh (System)	LV	EA305	47.4006	48.4121	49.4504	50.6452	51.6498
LV 160-750 MWh (EN)	LV	EA314	54.1257	61.3053	69.4953	79.0343	89.5291
% increase compared to non EN tariff			**14%**	**27%**	**41%**	**56%**	**73%**
LV >750 MWh (System)	LV	EA310	52.8897	56.5203	59.5955	62.4421	65.7978
LV >750 MWh (EN)	LV	EA315	62.1231	72.8099	84.3036	97.0537	112.3964
% increase compared to non EN tariff			**17%**	**29%**	**41%**	**55%**	**71%**
HV connection (system)	HV	EA370	25.5803	28.2035	31.0596	34.8755	38.3266
HV connection (EN)	HV	EA365	29.1508	34.3848	40.5460	48.7857	57.4899
% increase compared to non EN tariff			**14%**	**22%**	**31%**	**40%**	**50%**

Table 1 - % Difference between system and EN tariff

The proposed EN tariff annual increase is also distressing. ENs will face an increase as much as **8 times more** than the traditional system tariff which seems completely unreasonable. Ausgrid's proposed increase is exorbitant in contrast with Endeavour's proposal EN tariff average of 3% annual increase. This approach seems targeted against EN's and unspirited. See **Table 2 – Annual % increase.**

			Annual Increase comparison			
			2025-26	2026-27	2027-28	2028-29
LV 160-750 MWh (System)	LV	EA305	2%	2%	2%	2%
LV 160-750 MWh (EN)	LV	EA314	13%	13%	14%	13%
LV >750 MWh (System)	LV	EA310	7%	5%	5%	5%
LV >750 MWh (EN)	LV	EA315	17%	16%	15%	16%
HV connection (system)	HV	EA370	10%	10%	12%	10%
HV connection (EN)	HV	EA365	18%	18%	20%	18%

Table 2 – Annual % increase

One final comment, Ausgrid refer to their consultation with those in the EN space. It is disappointing to note that we have never been invited to participate in these discussions, even though we work with them when we are establishing EN's in their jurisdiction.

Potential Outcomes

The outcomes of the introduction of these tariffs may have the following repercussions:

- Exempt sellers pass through cost increases to customers, including outgoing common area cost.
- Vulnerable consumer groups such as land lease residential parks will be hit very hard.
- Exempt entities seek to remove the EN and connect tenants to the market. Legacy ENs may find challenges to this option due to the age of infrastructure. Substantial costs to reverse retrofit an EN may also be borne by property owners which are also consumers/tenants of the EN.
- Exempt entities become insolvent and administrators appointed causing confusion, noting that there is no established RoLR scheme for exempt embedded network operators.

- Risk of retailers carrying gate meter debt as a result of operator insolvency.

Summary

Energy Intelligence believe that introducing EN tariffs will have detrimental impact on the embedded network industry including consumers, retailers, operators, owners and third parties.

We appeal to the AER that you consider the impacts and complexity Ausgrid's proposed EN tariff could have, especially to those that will hurt the most. We feel that there is a conflict of interest in this proposal and their review is distorted. Again, we thank the AER for consulting with stakeholders on these matters and hope that this submission is of assistance in your considerations.

If you have any further queries or would like to discuss our submission in greater detail, please feel free to contact myself or Mussan. Energy Intelligence would be available to assist in providing any supporting data and insights in an embedded network aspect.

Yours sincerely,

[redacted]

[redacted]

Mardi Trezise
Managing Director
[redacted]

Mussan Larnach
Compliance Manager
[redacted]

About Energy Intelligence

Energy Intelligence is an energy consultancy providing advisory services to clients within the embedded sector. We offer complete embedded network solutions specifically designed for our clients who own embedded sites often supplied by traditional and renewable-based generation across the states.

Our compliance principle is to pursue best practice regardless of the minimum requirements of the jurisdiction and is evident in the embedded networks we manage.