

4 November 2021

Mr Warwick Anderson  
General Manager  
Australian Energy Regulator  
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[tariffguideline@aer.gov.au](mailto:tariffguideline@aer.gov.au)

Dear Mr Anderson

### **Consultation – Export Tariff Guidelines**

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex) welcome the opportunity to provide comment to the Australian Energy Regulator (AER) in response to its consultation on the Export Tariff Guidelines (Guideline). Ergon Energy and Energex are distribution network service providers (DNSPs) in Queensland.

In the Queensland setting, Ergon Energy and Energex support a country-leading rate of distributed energy resources (DER) adoption including:

- approximately 1,200 medium to large-scale DER (with more than 700MW of total capacity) already connected, four committed large-scale projects (with 205MW of total capacity) in construction and a further 91 large-scale projects (with a total of 3.95GW estimated capacity) in various stages of the application process; and
- in the small-scale residential and commercial-sized DER context, Ergon Energy and Energex have connected more than 625,000 photovoltaic systems with a total capacity of around 3,800MW.

With the forecast uptake of DER set to increase, we support tariff reforms and non-prescriptive guidelines that promote efficient investment in and operation of the network by DNSPs, fair and equitable allocation of costs and efficient use of the network by customers. We strongly support guidelines that are adaptable and principles-based, with standardised methodology to be applied to the unique aspects of networks and customers' needs.

In our view, there is a critical need for network tariff reform with solutions that consider the impact of technology driven, consumer-led transformation of the energy market. To support this view, Ergon Energy and Energex are currently considering tariff trials, in conjunction with customers and stakeholders, to help inform our next Tariff Structure Statement (TSS).

In this context, Ergon Energy and Energex express concern that the draft Guideline details that export charges only be used to signal Long Run Marginal Cost (LRMC). In our view, this precludes recovery of residual costs and ignores existing investments made to enable customer exports. This limits DNSPs' ability to comply with the National Electricity Rules pricing principles and restricts a broader suite of tariff options.



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We believe DNSPs should be permitted to use export kW in a way that satisfies the residual cost principle in the Rules through trials. For example, export kW as the basis of recovering residual cost where customers have minimal consumption (e.g. 1 kW) but require significant export capacity (e.g. 10 kW). As a matter of principle, DNSPs should not be prohibited from exploring and adopting this approach with the support of customers and stakeholders.

Ergon Energy and Energex agree on the scope of engagement topics outlined in the Draft Guideline and subscribe to the requirement to sincerely partner with consumers and retailers to develop tariff options that reward customers with appropriate signals. To this end, we suggest that DNSPs not proposing to introduce export tariffs should not be required to undertake additional customer impact analysis. Customer impact assessments for consumption charges are an important element of the existing TSS process and note this is not prescribed for consumption. Therefore, where DNSPs do not intend to develop export tariffs, there should be no requirement to undertake a prescribed analysis for a tariff that is not being considered.

Similarly, Ergon Energy and Energex note the draft Guideline overlaps with the AER Better Resets Handbook. We suggest the Guideline reflects any changes made to the final handbook. Furthermore, with the volume of changes underway in the sector, Ergon Energy and Energex suggest a regular review of the Guideline would be beneficial to ensure it remains relevant.

With regard to basic export levels, Ergon Energy and Energex maintain any Guideline should not be prescriptive, but instead provide guidance. Across Queensland, our networks are varied and diverse. It is these characteristics, variations in available technology, existing tariffs, and both customer and stakeholder needs that are key drivers in establishing any basic export level.

Should the AER require additional information or wish to discuss any aspect of this response, please contact me on [REDACTED] or Laura Males on [REDACTED].

Yours sincerely

[REDACTED]

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