4 November 2021

Mr Warwick Anderson
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra, ACT, 2601

By email to: tariffguideline@aer.gov.au

Dear Mr Anderson

Submission on export tariff guidelines consultation paper

Evoenergy owns and operates the electricity distribution network in the Australian Capital Territory (ACT). We are a leader in the implementation of cost reflective tariffs to provide choice to our customers while signalling the costs they impose on the network.

We welcome the opportunity to comment on the Australian Energy Regulator's (AER's) consultation paper on the export tariff guidelines for distribution networks. Evoenergy participated in the development of Energy Networks Australia's (ENA's) submission on the consultation paper, and we fully support the recommendations and themes of that submission, including that:

- the development and introduction of export charges should make use of the existing formal Tariff Structure Statement (TSS) process to provide a solid and tested basis for consultation with customers and other stakeholders on the design and timing of any export charges;
- a principles-based, rather than prescriptive, guideline will promote development of innovative tariffs that cater to the circumstances and preferences of the network's customer base.

We stress the importance of the final export tariff guideline not being overly prescriptive. Setting and implementing export charges is a complex undertaking with several variables where distribution network service providers (DNSPs) have not yet, except for in early trials, amassed any substantial experience. As well, consumer engagement on export charges is so far limited and we expect to learn a lot more over the next 12 months as DNSPs with 2024–29 regulatory periods engage on this topic. Evoenergy is planning a substantial consumer engagement effort in this area. We consider that limiting the scope for DNSPs to try new approaches, within the discipline offered by stakeholder engagement and AER approval, will likely result in sub-optimal outcomes, or even unintended consequences.

The consultation paper (p.20) states that export charges should predominantly reflect only the incremental cost of providing additional export capacity so that they will not be used to recover network costs associated with consumption services. We believe that there is a case also for including some expenditure that does not directly provide additional export capacity. For example, costs incurred in enhancing visibility of the low voltage parts of the network do not directly provide additional export capacity, but they help to identify when, and at what level, exports in weaker parts of the network may be driving costs and network augmentations. Other such examples include minimum capability required for providing export services, especially those that do not scale directly with the service, such as distributed energy resources management systems (DERMS). It should also be noted that it is possible to partly attribute costs across export and consumption services, for example, for distribution transformer upgrades.

It is implied in the consultation paper that the AER's initial position is that export charges should be limited to recovering future incremental expenditure and that no sunk costs associated with distributed energy resource (DER) enablement should be recovered from export charges. However, historical sunk costs are associated with network infrastructure that facilitates both import and export of electricity. We believe that limiting recovery of export driven sunk costs to import charges may therefore not be appropriate.

The guidelines should clarify that the basic export level need not remain at the same level over a ten-year period and instead be able to be updated. Distributors need time to develop a robust understanding of the basic export level and the opportunity to revise it within the regulatory period, for example, through a pricing proposal. It is possible that revisions may be driven by factors other than maturity, for example:

- decarbonisation through electrification (the ACT has a goal of net-zero emissions by 2045);
- uptake of electric vehicles and customer charging behaviour; or
- responsiveness of customers to new cost-reflective tariffs, especially solar-soak components.

Should you have any queries on this submission, please contact Emily Brown, Group Manager Regulatory Pricing, at [redacted].

Yours sincerely

[redacted]

Peter Billing
General Manager Evoenergy