

# Consultation Paper: **Export Tariff Guidelines**

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Online Forum



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# Background

- The **Australian Energy Market Commission** made a rule change to integrate solar, batteries and other technology to the grid
  - The rule change allows distribution networks to offer two-way pricing
- The rule change requires the **Australian Energy Regulator** to develop **Export Tariff Guidelines**

# Key milestones

Task	Date
AEMC published final Access, Pricing and Incentive Arrangements for Distributed Energy Resources	12 August 2021
AER published Export Tariff Guidelines Consultation Paper	23 September 2021
Online public forum – Consultation paper	5 October 2021
Submissions on Consultation paper due	4 November 2021
AER publishes draft Export Tariff Guidelines	19 January 2022
Submissions on draft Guidelines due	8 March 2022
AER publishes final Guidelines	16 May 2022

# What is two-way pricing?



# How will the AER protect consumers when export tariffs are proposed?

- Any export tariffs must be approved by the AER through the TSS process (see section 2.1.1)
- There are also new rules for network distributors with these reforms:
  - They must offer a **basic export level** for a 10-year period – customers cannot be charged below this level
  - They must have an **export tariff transition strategy**
  - Existing customers will not face two-way pricing until 1 July 2025 at the earliest, unless they elect to participate earlier

# What we consider should go in the Guidelines

- The Guidelines will outline what we will look for and consider when assessing two way pricing proposals, including:
  - The importance of distribution networks' consultation with customers in developing proposals
  - The AER's expected approach to pricing, including which costs may be signalled by any export charges
  - Expectations in developing export tariff transition strategies
  - Methodologies for determining basic export levels

## Importance of stakeholder consultation (sections 3.1, 3.2)

- The nature of network engagement with their customers
- The breath and depth of engagement
- Clearly evidenced impact
- The provision of information about stakeholder concerns and how they've been taken into account

## Expected approach to pricing (section 3.3)

- Export tariffs will have to be based on the network pricing objective and pricing principles:
  - Each tariff must be based on the cost of providing additional capacity (long run marginal cost)
  - Revenue expected to be recovered must reflect total efficient costs
  - Distribution networks must consider the impact on customers
  - The structure of export tariffs must be reasonably capable of being understood or incorporated in retail offers



## Export transition strategy (section 3.4)

- We think tariff transition strategies may include:
  - evidence that two-way pricing promotes customers' interests
  - evidence of how the distributor has taken into account the impact of its proposed two-way pricing on customers
  - assignment policies and transitional measures to phase-in two-way pricing over time
  - the distributor's ongoing customer engagement approach

# Methodologies for determining basic export levels (section 3.6)

- In developing basic export level guidelines we will have regard to:
  - differences between networks
  - different levels of demand for network export capacity
  - inter-jurisdictional differences
  - fairness and equity for consumers
  - the network pricing objective and the pricing principles
  - different connection types
  - whether the basic export level would be based on the network's feeder type with the lowest hosting capacity, an average, or another methodology

# Key focus areas on which we would like to hear from stakeholders

## Section 3.1 – Stakeholder engagement in relation to proposed export tariffs

1. Are there additional steps distributors can take or consider when engaging with their customers on export tariffs? Please explain them.

## Section 3.3 The AER's approach to applying the network pricing objective and pricing principles in relation to export tariffs

2. What are the drivers of the costs of expanding network export capacity?
3. Is the efficient cost of providing an export service different to the efficient cost of a consumption service? If yes, how are these costs different?
4. What can distributors do in practice to demonstrate they have considered customer impact analysis when setting tariffs? For instance, how should distributors explain or quantify a negative customer impact analysis? Please give examples.

## Section 3.5 Other Matters

5. Are there other matters not listed in this section that stakeholders think should be included in the Guidelines? Please list them in order of importance, and explain why they should be included in the Guidelines.

## Section 3.6 Provision of basic export level and export level guidelines

6. How should distributors define basic export level thresholds? What matters should be taken into account when defining basic export level thresholds?

## How to make submissions

You are invited to make submissions on our consultation paper by **Thursday, 4 November 2021**.

Submissions should be emailed to: [tariffguideline@aer.gov.au](mailto:tariffguideline@aer.gov.au)

Alternatively, submissions can be mailed to:

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

You will be able to make submissions again when we release the draft Guidelines.

## Question and answer session

- Please use the chat function to ask questions or raise your Teams 'hand' if you would like to speak

