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Submitted via email to [networkpolicy@aer.gov.au](mailto:networkpolicy@aer.gov.au)

Dear Mark,

### **AER's flexible export limits issues paper**

Jemena Electricity Networks (**JEN**) welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) flexible export limits issues paper (**the issues paper**). JEN supports the AER's continued engagement on matters relating to customer energy resources (**CER**), including the role that distribution network service providers (**DNSPs**) play in securely managing the performance of customers' export services.

The issues paper outlines that, given the limited experience of flexible export limits outside technical trials, the AER considers that it is appropriate during this early developmental period to provide some flexibility to DNSPs in determining their approach to implementing flexible export limits.<sup>1</sup> We support the AER's position and agree that DNSPs will benefit from flexibility regarding flexible export limits during these developmental stages.

The AER also notes that there is no need to mandate the implementation of flexible export limits at this stage as it would bring forward investment unnecessarily and that the question of whether or when to implement flexible export limits should be left at the discretion of individual DNSPs.<sup>2</sup> We also support this position, particularly as each DNSP is currently at different stages of planning to implement flexible export limits and may not have a need to implement these changes any time soon. We respond to other topics raised in the AER's issues paper below.

### **Primary use case for implementing flexible export limits**

The issues paper states that at this stage, the AER considers the primary purpose of implementing flexible export limits is to ensure the efficient and increased utilisation of the shared hosting capacity on distribution networks to enable consumers to obtain the benefits of exporting their excess CER, such as solar PV, to the grid.<sup>3</sup>

We agree that one goal of implementing flexible export limits should be efficiently utilising the shared hosting capacity on distribution networks. However, we also consider that flexible export limits will allow DNSPs to manage emerging system security risks such as minimum demand and under-frequency load shedding (**UFLS**).

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<sup>1</sup> AER, *Flexible export limits issues paper*, October 2022, p. 18.

<sup>2</sup> AER, *Flexible export limits issues paper*, October 2022, p. 18.

<sup>3</sup> AER, *Flexible export limits issues paper*, October 2022, p. 19.

Minimum demand occurs when solar PV generation is high and the operational load on the network is subsequently low. System security issues, including system black, could occur if demand in these instances decreases too much. These system security risks can be managed if DNSPs can flexibly manage customers' exports during these times and reduce/dial back the energy that is being exported to the grid.

Importantly, networks cannot be operated or utilised efficiently if they are not operated securely. Therefore, we consider the AER should consider the system security and network management implications when considering the use case for implementing flexible export limits.

## Opt-in vs opt-out

The issues paper discusses the option for customers to opt in to or opt out of flexible export limits:

*"It is expected at the early stages of adoption and implementation, flexible export limits will not apply to consumers with existing energy resources, but that these consumers could choose to opt-in to capture the benefits of the capability. This principle will also apply to new connections for consumers that choose to enter into a dynamic connection agreement."<sup>4</sup>*

We consider that these concepts of opting in or out of flexible export limits require further definition and clarification. We do not consider that these concepts are as clear or binary as presented in the issues paper. Most importantly, customers' decisions will be based on the underlying network characteristics at the time of connection.

For example, in one instance a customer might be given the option of opting in to a flexible export limit of 10 kW or remaining on a static export limit of 1.5 kW. In another instance, a customer might be given the option of opting out of a 6 kW flexible export limit back to a 5 kW static export limit. Both of these examples present choices of opting in and opting out, but customers' decisions clearly will vary in these cases based on the parameters presented and the underlying network conditions.

In these examples, we consider there are pros and cons for both an opt-in or an opt-out approach. For example, a broad opt-in approach could give customers more agency and choice in managing and benefiting from their CER devices. However, customer uptake under this approach is likely to be much slower compared with an opt-out approach, consistent with our experience with cost-reflective tariff uptake. This would reduce the system security risk reduction benefits we highlighted above compared with an opt-out approach.

Given these nuances, we consider that we should raise the opt-in vs opt-out decision regarding flexible export limits with our customers as part of our upcoming price reset stakeholder consultation. In some cases, customers may not have the appropriate technology and systems installed to participate in an opt-out flexible export limit scheme. This further supports our preferred approach of engaging with our customers on these complex and evolving issues.

## Capacity allocation

To guide DNSPs in developing capacity allocation approaches for DOEs, the Distributed Energy Integration Program (DEIP) working group developed five export hosting capacity allocation principles, which have been adapted for flexible export limits and raised in the AER's issues paper.<sup>5</sup> We respond to each of these allocation principles below.

### **1. DNSPs are responsible for setting flexible export limits, with the calculation methodology used to determine the limits being transparent and subject to stakeholder consultation.**

We agree with this principle.

### **2. Allocation should seek to maximise the use of network export hosting capacity while balancing customer expectations regarding transparency, cost and fairness.**

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<sup>4</sup> AER, *Flexible export limits issues paper*, October 2022, p. 18.

<sup>5</sup> DEIP, *Dynamic operating envelopes working group: Outcomes report*, March 2022, p. 53.

As noted above, we agree with this principle and consider that decisions regarding flexible export limits, including transparency, cost and fairness, should be discussed with our customers as part of our upcoming price reset stakeholder consultation.

**3. Capacity allocation can initially be based on net exports and measured at the customer's point of connection to the network.**

When considering this capacity allocation principle, it is critical to consider where the export limit may occur. For example, export limitations can occur for a range of reasons on both the distribution network and the transmission network. Importantly, any export capacity allocation will differ based on the location of the limitation.

Notwithstanding this consideration, we agree that export capacity allocation should initially be based on net exports and measured at customers' network connection points. Self-consumption from customers' CER devices, i.e. where customers are drawing energy from a device such as solar panels rather than drawing energy from the grid, would only then be curtailed if the export curtailment was insufficient to address the network limitation or constraint such as system security risk we highlighted above.

Export capacity allocation raises questions regarding fairness and equity. For example, customers' exports could be curtailed based on an absolute value or proportional to their installed CER systems. Similarly, in many cases, the most economic solution could be curtailing a small number of customers at the end of a low-voltage circuit. However, a more equitable or fair solution would be curtailing a greater total volume of exports and distributing these volumes across a larger customer base.

Overall, as noted above, we consider that these decisions regarding export capacity allocation, equity and fairness should be discussed with our customers as part of our price reset stakeholder consultation.

**4. Capacity should be allocated to small customers irrespective of the size or type of customer technology (e.g., solar or batteries) at the customer premises.**

We broadly agree with this principle but consider alternative wording could be used to add clarity to the intent and avoid confusion. Currently, the drafting could be interpreted that export capacity should be allocated to all small customers in all cases. However, this is inconsistent with the AER's recent connection charge guidelines review, which stated that there are certain instances where DNSPs can impose static zero export limits.

To address this, we consider this capacity allocation principle should be: "when allocating export capacity, capacity should be allocated to small customers irrespective of the size or type of customer technology (e.g., solar or batteries) at the customer premises". Further, as noted above, we consider that these decisions should be discussed with our customers as part of our price reset stakeholder consultation.

**5. In the near term, flexible export limits should be offered on an opt-in basis with capacity reserved only to make good on legacy static limit connection agreements, with efficient incentives provided for customers to transition to flexible export limits over time.**

As previously noted, we consider that these decisions should be discussed with our customers as part of our price reset stakeholder consultation.

### Connection agreement

The issues paper outlines that the AER considers that the current connection agreement framework is the most appropriate existing mechanism to set out the terms and conditions, as well as performance expectations for flexible export limits for both the consumer and DNSP.<sup>6</sup> We consider that DNSPs' model standing offers (MSO) are the most appropriate mechanisms for establishing and managing any relevant terms and conditions and performance expectations for flexible export limits.

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<sup>6</sup> AER, *Flexible export limits issues paper*, October 2022, p. 26.

The issues paper also considers that the following information should be specified to inform consumers and establish rights and obligations:<sup>7</sup>

1. Operating parameters, such as the length of the interval, notification period and how often the limit will be changed, and expectations of performance (e.g., 10kW export limit 95 per cent of the time).
2. Conditions for the revision of the flexible export limit, including the options for the consumer to change to a static export limit (i.e., there is more than one connection agreement option available).
3. Communication processes for changes to the flexible export limits.
4. Consumers' compliance obligations, including DNSPs' approaches to identifying non-compliant devices.
5. Related commercial implications, including direct compensation or rebates on network charges, if service levels are not achieved.

We agree that this information is reasonable and should be outlined in DNSPs' MSOs.

### **Governance arrangements**

The issues paper states that to acknowledge the role of a trader in the tripartite relationship between them, the DNSP and the consumer, a new governance framework is expected to be necessary.<sup>8</sup> Further, it notes that in the future when a consumer enters into an arrangement with a trader to control their CER, the AER expects that traders will be responsible for complying with flexible export limits. The AER also expects this may be reflected in agreements between the DNSP and the trader or the customer and the trader but will be outside of the connection agreement.<sup>9</sup>

We do not agree with these proposed governance arrangements. Any contractual arrangements relating to flexible export limits should be between DNSPs and customers. Beyond that, customers may enter into separate agreements with traders, but ultimately customers should be responsible for complying with the obligations of their flexible export limit. Importantly, customers cannot novate or pass their obligations onto a third party under their MSO or deemed distribution contract. Therefore, we consider the same approach should be adopted for flexible export limits and any issues between customers and traders or aggregators should be managed through their contracts.

### **Performance reporting and data provision**

The AER publishes reports and data on the performance of each network it regulates. The issues paper highlights the AER's view that it could be useful to define or establish performance monitoring processes specific to DNSP functions regarding flexible export limits to provide transparency and accountability.<sup>10</sup>

We agree that transparency and accountability are important and understand the need for performance monitoring processes specific to DNSP functions regarding flexible export limits. However, consistent with our feedback to the AER's networks information requirements review, we consider that the AER should provide a clear use case for any data that DNSPs are required to report regarding flexible export limits. We also consider that our customers should have a role in determining the metrics and data that they consider are important, and we would conduct this stakeholder engagement as part of our price reset proposal. This will ensure that we are measuring and reporting the information that our customers value most.

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<sup>7</sup> AER, *Flexible export limits issues paper*, October 2022, pp. 26-27.

<sup>8</sup> AER, *Flexible export limits issues paper*, October 2022, p. 27.

<sup>9</sup> AER, *Flexible export limits issues paper*, October 2022, p. 28.

<sup>10</sup> AER, *Flexible export limits issues paper*, October 2022, p. 35.

If you have any questions regarding this submission, please contact me on [REDACTED] or

[REDACTED]

Kind regards,

[REDACTED]

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Jemena Electricity Networks