



SolarCitizens

A community voice for solar

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4 November 2021

To the Australian Energy Regulator,

Export tariff guidelines for distribution network export tariffs Consultation Paper

Solar Citizens welcomes the opportunity to make a submission on the development of Guidelines for export pricing.

Solar Citizens is an independent community organisation that aims to protect and grow renewable energy in Australia. We work with our volunteers and supporters to stand up for the rights of Australia's 2.7 million solar homes and businesses, and the millions more who want to go solar.

Distributed energy resources like rooftop solar and batteries have a vital role to play in Australia's energy transition and will be crucial to the electrification and decarbonisation of households, supporting the growth of electric vehicles, and transitioning from fossil fuels. Rooftop solar enables households and businesses to reduce their power bills, lowers wholesale electricity prices for all energy users, and provides significant environmental and health benefits by reducing fossil fuel consumption.

Solar Citizens opposes the introduction of export pricing, as we do not believe there has been sufficient evidence to justify their introduction on the basis that solar exports are responsible for issues, such as high voltage, that require significant network expenditure, or that the network costs outweigh the economic and broader benefits. There has also been a lack of modelling on what impact export pricing could have on consumer behaviour, including how much consumers will continue to export, or choose to invest in rooftop solar.

Our concern is that this rule change has been implemented without adequate evidence, and that export pricing may be similarly introduced without insufficient evidence backing. We understand that the Australian Energy Regulator was not responsible for the rule change, but

was supportive of it. We are anxious to see that export pricing will be stringently regulated and require adequate evidence to justify introducing new charges for consumers.

In that regard, Solar Citizens welcomes Guidelines that inform and regulate the development of export tariff structures that are evidence-based, fair and transparent for consumers. Solar Citizens broadly supports the scope of the Guidelines. However, we hold some concerns about their potential limitations.

We welcome the indication in the Guidelines that the Australian Energy Regulator (AER) would only approve export charges where distribution networks can demonstrate that supporting exports is increasing network costs. However, the use of weak or open-ended language in the Consultation Paper, if included in the Guidelines, could undermine this critical objective. Key examples are the following:

"We envisage that, in order to obtain our approval for two-way pricing options, distributors will need to demonstrate that supporting additional solar exports is increasing the costs of operating the network." (p. 7)

"Importantly, we would not expect distributors to charge customers to export if the network can host it without requiring further investment." (p. 24)

As the purpose of introducing export pricing is to support and fairly allocate costs for solar exports, the above should be the most important requirement in the Guidelines, and the language used to stipulate it should be explicit and unequivocal.

We would also like to see the Guidelines broadly reflect that export pricing should encourage, and not in any way limit or impede, the continued growth of rooftop solar. Export pricing should not, intentionally or unintentionally, result in a significant number of households choosing not to export; such that the portion of rooftop solar in the grid reduces or stagnates. This could be the case if, for example, distribution networks seek to avoid additional export service expenditure with tariffs that disproportionately discourage exports, or if consumers choose to limit their exports rather than engage with export pricing.

Ultimately, the Guidelines should provide a framework for export pricing that encourages, and does not constrain, the continued growth of rooftop solar.

Response to questions in the Consultation Paper

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

Solar Citizens supports the Guidelines requiring sincere and robust stakeholder engagement by distribution networks, including proactively seeking a cross-section of consumers and consumer advocacy groups. We support the stakeholder engagement principles in the Guidelines, including stipulating breadth and depth of engagement, clearly evidenced impact, and particularly providing information on stakeholder concerns and how they have been taken into account.

To achieve meaningful breadth and depth of engagement, the Guidelines for distribution networks should include developing targeted strategies to engage consumers from a spectrum of demographics, particularly vulnerable consumers, such as those in lower socio-economic households with solar, who may be most impacted by export charges. Distribution networks should also aim to reach people who may not typically engage in such stakeholder engagement processes. Proactive consumers who seek to participate in stakeholder engagement may not be representative of typical or vulnerable consumers. This breadth of engagement is particularly important as the function of export charging is to elicit behaviour change from consumers and ensure a fair allocation of costs.

While Solar Citizens understands that the AER does not prescribe specific kinds of engagement so it can be tailored to stakeholder needs, we believe the Guidelines should outline minimum thresholds for engagement that distribution networks must reach to satisfy AER requirements.

To ensure consumer faith in export pricing, the Guidelines should also consider how distribution networks can demonstrate to consumers that export charges reflect only expenditure to deliver export services, not to provide consumption services or address legacy network issues, and that no-cost and low-cost measures have been implemented in the first instance, in a way that is transparent and accessible for all consumers.

Distribution networks should also provide detailed information to consumers on how the introduction of export prices will explicitly help address issues attributed to excess solar, such as zero export limits, and solar switch off, and how export pricing will support the continued growth and integration of solar and other DER. Network expenditure to support the growth of solar exports should be made transparent and publicly available for consumers to instill confidence that the additional revenue is not captured as distribution network profits.

What are the drivers of the costs of expanding network export capacity?

Voltage management has been identified as a key issue underpinning network capacity, and voltage issues are often attributed to excess solar exports, with export pricing proposed as a remedy. However, research from the University of New South Wales in 2020 found high voltage issues to be widespread, including in the absence of rooftop solar, and that management of voltage issues has been poorly regulated.¹

The AER must ensure that voltage management is effectively regulated before export pricing is implemented to ensure that costs do not include expenditure to address legacy or current voltage issues that are not attributable to solar exports.

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?

Solar Citizens strongly supports the Guidelines stipulating that distribution networks must be prevented from using export tariffs to recoup costs for consumption services or legacy network issues, and that distribution networks must consider and account for potential overlaps to avoid double counting or unfair allocation of costs. This must be demonstrated transparently with evidence to consumers to ensure good faith in the allocation of export tariff revenue.

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.

Distribution networks should consider that consumers may have varying capacity to respond to pricing signals, and consider how to ensure consumers can easily understand how to derive benefit from responding to tariffs. For example, customer impact analyses should include measures to address instances when consumers are unable or unwilling to respond to export tariffs as expected, as the price signals may not be targeted or clear enough.

Although the AER and distribution networks are not responsible for retail offers provided to customers, distribution networks should partner with retailers to understand and convey how export pricing may ultimately translate into retail options for consumers. Where possible, engagement with consumers should consider what the resulting retail options may be as it will determine the actual experience and impact of export pricing.

¹ Anna Bruce, Phoebe Heywood, Iain MacGill, Rob Passey, *Voltage Analysis of the LV Distribution Network in the Australian National Electricity Market*, 2020.

Analysis of the impact on consumers must also holistically consider other consumer cost factors, such as the relationship between export tariffs, feed-in tariffs and electricity prices, to meaningfully understand and assess how consumers will be impacted.

Solar Citizens appreciates the opportunity to contribute to the development of Guidelines that ensure export pricing is fair for consumers and supports the growth of rooftop solar in Australia. We will continue to stay engaged with further opportunities for stakeholder input.

Kind regards,



Ellen Roberts
National Director at Solar Citizens