

28 April 2023

Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Kris

RE Draft Export Service Incentive Scheme

TasNetworks welcomes the opportunity to comment on the draft export service incentive scheme (**ESIS**) released by the Australian Energy Regulator (**AER**) on 10 March 2023.

As Tasmania's distribution network service provider (**DNSP**) TasNetworks is preparing its network to help customers maximise the benefits they can derive from investments in consumer energy resources, in ways that support the delivery of safe, secure and reliable electricity network services at lowest sustainable prices for all our customers. TasNetworks supports the Energy Networks Australia (**ENA**) submission and makes the following additional comments.

TasNetworks welcomes the AER's recognition that a prescriptive approach to export service incentives is not appropriate at this time. As a DNSP serving communities with a comparatively low take-up of consumer energy resources by Australian standards, we also support the decision by the AER to implement a principles-based incentive scheme for export services. Customers are not experiencing widespread export constraints across the Tasmanian distribution network, and enabling differing network circumstances and customer expectations to be reflected in each ESIS is a feature that may be worth retaining in future iterations of export service incentives.

In terms of the draft scheme's design, there are, however, a number of aspects that require clarification or amendment.

TasNetworks considers DNSPs are best placed to develop measurement methodologies in relation to export performance and that there is no need to incur additional costs of introducing an independent third party to measure export performance. Measures of export service performance are likely to be data-based and draw on information captured by DNSPs' systems during the normal course of business. Therefore, the requirement that any ESIS performance parameters be compiled in an objective manner and that the results be

auditable by an independent third party should be sufficient to ensure the integrity of performance measurement under an ESIS.

The proposed review of incentive arrangements for export services by 2027 (or sooner if data is available) does not allow DNSPs sufficient time to properly implement and consider the effects of export tariffs and flexible export limits on export service quality. TasNetworks is already a considerable way through the regulatory determination process for the regulatory control period commencing on 1 July 2024, having submitted its 2024-2029 regulatory proposal in January of this year. The timing of the introduction of the ESIS effectively precludes TasNetworks (and potentially other DNSPs on the same regulatory cycle) from developing an ESIS for the 2024-2029 regulatory control period, in part due to the level of customer engagement involved in developing an ESIS.


Further, TasNetworks does not plan to introduce export charges during the coming regulatory control period, making a review of export service incentives by the AER in 2027 premature, at least in a Tasmanian context. Even if TasNetworks were to implement an ESIS in 2024-25, along with export charges, a review of the incentive arrangements for export services conducted in 2027 would only have two to three years' of experience to draw on.

Based on the timeframes discussed in the AER's report, it appears possible that the AER could potentially develop a common financial incentive scheme for export services before TasNetworks has even had an opportunity to work with its customers to consider the application of an ESIS in Tasmania. Therefore, in the interests of consistency and better serving the long term interests of our customers, we suggest that this aspect of the proposed ESIS be reconsidered, so that any future reviews of export incentive arrangements can also take into account each network's circumstances and the preferences of their customers.

Lastly, greater clarity is needed about the level of revenue at risk under the ESIS and under small scale incentive schemes in aggregate, particularly when multiple schemes are being applied to a DNSP.

Once again, TasNetworks appreciates the opportunity to provide feedback in relation to this new service incentive scheme. To discuss the views expressed in this letter, please contact Chris Noye, Leader Regulation, at [REDACTED] or on [REDACTED]

Yours sincerely



Chantal Hopwood
Head of Regulation