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Dear Mr Feather

Ausgrid submission to the AER's Draft Interim Export Limit Guidance Note

Ausgrid thanks the Australian Energy Regulator (**AER**) for the opportunity to respond to its Draft Interim Export Limit Guidance Note (**Guidance Note**).

Ausgrid is a distribution system operator (**DSO**) which operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter.

We see DSO as an evolution of the role of the distribution network system provider (**DNSP**) with a greater focus on the end-to-end energy system and facilitating active customer participation in markets to reduce costs for everyone. With more active customer and network energy resources connected to the distribution network, DNSPs dynamically manage and optimise network capacity. This allows DNSPs to support the clean energy transition at a lower cost than would otherwise occur, though solutions like flexible exports limits.

We support the introduction of the Guidance Note to provide principles and guidance to DNSPs on dynamically managing customer exports. However, we do not support making the Guidance Note binding on DNSPs. This is because DNSPs need flexibility in the way in which flexible export limits are applied given the significant diversity of customer energy resources (**CER**) and CER's impact on their given network.

DNSPs are adopting different mechanisms to manage CER exports, guided by customer engagement. For example, Ausgrid engaged extensively with customers and stakeholders in its 2024-29 Regulatory Reset, during which they agreed with applying two-way tariffs for residential and small business customers after a one-year transition period. These tariffs will work by providing a payment or credit for the energy customer's export during peak demand period. This tariff is providing an incentive for CER customers to self-consume or time their exports to minimise the costs to the network through avoided augmentation. It enables customers to maximise the benefits that they receive through the payment or credits for peak demand period exports.

Ausgrid is also developing dynamic network pricing in Project Edith, which offers near-real-time, location-based export and import pricing for virtual power plants. Ideally, this will help reduce future reliance on export limits. The two-way tariffs and Project Edith show how Ausgrid is innovating to provide customers with options to be rewarded for their exports, while encouraging energy use patterns that support capacity management.

We recognise however that other DNSPs who currently have a greater penetration of CER in their networks need flexible export limits now, to efficiently manage network capacity through the continued deployment of distributed rooftop solar. Project Edith, together with the DSO investments in our 2024-29 Regulatory Proposal, will help to deliver the technical capability required for flexible export limits.

As we observe the growth in CER and our customers' behaviour in response to the new two-way tariff and Project Edith over the coming years, we will develop appropriate plans for introducing flexible export limits together with our customers and stakeholders. With this in mind, Ausgrid supports the AER's approach to the Guidance Note where it allows for flexibility in how DNSPs choose to apply the capacity allocation methodology. Ausgrid also supports the requirement for DNSPs to consult with customers to develop the capacity allocation methodology.

Due to the current pace of market change, technology and service innovation, the CER Integration Strategy – a five-yearly-document – is not the ideal place to regulate the application of flexible export limits. Instead, the AER's existing ability to approve any amendment to, or new, Model Standing Offers (**MSO**) provides sufficient oversight to ensure that there is appropriate customer and industry consultation and that DNSPs have appropriately applied the capacity allocation principles.

For clarity, it would be helpful for the AER to confirm that the Guidance Note only applies to a widespread application of export limits. Trials involving a low proportion of customers remain crucial to the development of efficient and equitable CER policy. We recommend that each DNSP should continue to have flexibility to develop options on a timeline and scale appropriate for their customers and network, in order to inform broader implementation.

We would be happy to discuss our submission with the AER. Please contact Naomi Wynn, Regulatory Policy Manager at [redacted] with any questions.

Regards

[redacted]

Jonathon Dore
Acting Head of DSO