

18 January 2024

Mr Mark Feather
General Manager
Strategic Energy Policy and Energy System Innovation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

AER reference: #16033341

Submitted online: AERinquiry@aer.gov.au

Dear Mr. Feather,

Australian Energy Council – Response to AER Interim Guidance Note on Export Limits

The Australian Energy Council (AEC) welcomes the opportunity to respond to AER Interim Guidance Note on Export Limits.

The Australian Energy Council (AEC) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. Our members collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to millions of homes and businesses, and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 percent emissions reduction target by 2035 and is part of the Australian Climate Roundtable promoting climate ambition.

Overview

In our view the purpose of the interim guidance note is misaligned. There is a need to first consider the required rule change to examine the broader issues and objectives rather than publish another guideline.

We are also concerned that the interim guidance is being used as a substitute for rule change processes, by passing the genuine need to test any framework for export limits for either its necessity or effectiveness. Of further concern is that Distribution Businesses already use Connection & Service Manuals and other documents outside the review to avoid genuine agreement with Guidelines. The most recent example of this being the approach of Energy Queensland to import constraints for Electric Vehicle charging.

The AEC has made the point in its earlier submissions that consultation on orchestration is primarily seen through the lens of network benefits and not as to how to provide value back to the customer. This has already seen the narrowing of “market” solutions and the ability for customers to benefit from these value streams in the future. If policy wants customers to fill the gap, there needs to be sufficient incentive available for them to invest in the technologies to do so.

The AEC has also previously said that whilst we acknowledge that some dynamic export limits may be required but that it is not an appropriate model that this be distribution led. The *long-term* interests of customers will be best met by;

- The creation of a market led approach to the rollout *and* integration of DER;
- Limiting the scope and incentives for regulated distribution businesses to undertake vertical integration (markets not regulation being the best approach to efficient investment); and,

- Ensuring that all the legitimate DER owner benefits from potential grid support services are preserved.

Specific comments are provided as follows.

Compliance with technical standards:

The AEMC's review into CER technical standards and the recommendation that DNSPs introduce a commissioning process to better standardise verifying correct device installation before connecting any new CER devices to the grid (recommendation 8). The AER also expect the benefits to consumers from this will outweigh costs.

There is merit to a positive obligation on distributors to notify consumers of non-compliance with flexible export limits upon their becoming reasonably aware of the issue, but there needs to be a clear decision on who is responsible for resolving these matters. A great deal of further work is required in this regard.

Connection policies

The requirements for disclosure that the AER propose in connections policies appear broadly complete, but there is reasonable doubt in our experience that consumers could understand them even if they cared enough to read them. It is also likely that a party other than the DNSP will ultimately be accountable for the absence of the necessary consumer comprehension, leaving the DNSP with an all care no responsibility outcome.

By far the biggest gap in the proposed requirements is that it does not capture reference documents to the connections policy. By way of example, when Energy Queensland updated their Queensland Energy Connection Manual (QECM), it required for either EV charging equipment to be subject to flexible import limits or be capped at 20 amps. Whilst the QECM is referenced in the Model Standing Offer as a compliance requirement, it is outside the AER's Model Standing Offer review and may be altered during the offer period without AER oversight. This is an unworkable situation.

The AER Guidance Note requirement that the Model Standing Offer is reviewed by the AER should therefore require a "whole of" approach that protects consumers from changes to flexible exports or imports given effect by reference documents.

Consumer awareness.

The AER considers means to uplifting consumer awareness throughout the consumer energy resources journey to help them make more informed decisions by providing accessible and consistent information to support consumer confidence and uptake.

DNSPs are not the first contact point for consumers when they consider purchasing consumer energy resources systems, and yet they design the export limit product. The AER expect DNSPs to work more closely with retailers and installers who they enthuse are "well-positioned to inform consumers about the operation of flexible export limits, including payback periods", providing retailers and installers with the opportunity to explain the inexplicable. To make sure that retailers take on this burden, changes to the NECF to bolster consumer protections in relation to flexible export limits is proposed.

The concern however is not that the AER's expectations are unbalanced, but that sufficient scope for evolution over time is missing. Grasping changes to peak and off peak periods is sufficiently difficult for many consumers, and this is a far more complicated change. We observe that the old argument that CER owners are more engaged with their energy environment is now misplaced -

many solar PV customers are not actively engaged. Many purchase residences with solar already installed, with none of the information provided originally by the solar retailer or installer.

The AER's intended policy outcomes that the information DNSPs provide to consumers (probably via a retailer or other third party) to promote informed decision-making and consumer understanding and confidence in the operation of flexible export is sufficient in that no practical alternative exists. However more rigour needs to surround DNSP reference documents and general consistency requirements in terms across those businesses.

Retailer engagement

Over time, how retailers engage with distributors is relevant. Retailers are required to balance all of the customer needs of each of the wholesale market, the network costs and the customer benefit and experience. Network businesses largely consider their own requirements (as per the EQ EV example above). There is also a difference between the obligation to consult and the genuine consideration of stakeholder views, and it is not clear how the AER proposes to monitor its consultation requirements to ensure the latter. There is clear scope for the AER to investigate and improve its understanding of the experiences of retailers, and hence inform its monitoring of these requirements, by consulting directly with retailers and other stakeholders and by conducting its own research into the stakeholder experience of distribution business consultation and what's worked (the Victorian TSS consultations with retailers) and what didn't (the QECM for example).

Finally, annual reporting by distributors on how often and specifically where exports have been limited, and importantly the trade-offs that were considered, is also required to both provide important information to customers and industry on the opportunities for export capacity, as well as to provide the regulator with information on network performance in a pre and post export limits environment.

Please contact the undersigned at [REDACTED] should you wish to discuss.

Yours sincerely,

David Markham
Australian Energy Council