

26 April 2024



Executive General Manager, Consumers Policy and Markets
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Dear Stephanie,

Ausgrid response to Draft Decision on Minor amendments to guidelines required following amendments to National Electricity Objectives (NEO)

Ausgrid is pleased to provide this submission to the Australian Energy Regulator (**AER**) in response to its *Draft Decision – Minor amendments to guidelines – National Electricity Objective (Draft Decision)*.

Ausgrid 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 note that the amendments to the small number of guidelines in Draft Decision appear relatively minor. However, the addition of emissions reduction to the NEO creates an opportunity for the AER to provide clear guidance to stakeholders on how emissions will be factored into the AER's decision making. Regulators are beginning to understand the increasing urgency to recognise that emissions reduction as a wider social good outweighs other economic factors typically considered in economic regulation decision making.¹ We consider it would be beneficial for the industry to understand whether a similar view will be taken in key decisions taken by the AER.

Comments on the proposed changes to each guideline are set out in **Appendix A**.

We look forward to engaging with the AER on updates to guidelines that will be subject to a separate, more substantive, review. Please contact me on 0479100519 or fiona.mcanally@ausgrid.com.au if you would like to discuss this submission.

Regards,

A handwritten signature in blue ink, appearing to read "Fiona McAnally", written in a cursive style.

Fiona McAnally
Acting Head of Regulation

¹ For example, ACCC decision on Brookfield LP and MidOcean proposed acquisition of Origin Energy Ltd. See: <https://www.accc.gov.au/public-registers/mergers-registers/merger-authorisations-register/brookfield-lp-and-midocean-proposed-acquisition-of-origin-energy-limited>

Appendix A

AER Guideline	Proposed change	Ausgrid comments
Capital Expenditure Incentive Guidelines for Electricity Network Service Providers	Section 5, p. 20 – Amend the paragraph starting "The capital expenditure objectives are contained in clause 6.5.7(a) and 6A.6.7(a) of the NER" to include "5) contribute to achieving emissions reduction targets through the supply of standard control services".	Agree
Network Service Provider Registration Exemption Guideline	Section 2.4.7, p. 27 – Amend our decision-making process for individual exemptions by replacing the NEO quote with: "to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to: a. price, quality, safety, reliability and security of supply of electricity; and b. the reliability, safety and security of the national electricity system; and c. the achievement of targets set by a participating jurisdiction— i. for reducing Australia's greenhouse gas emissions; or ii. that are likely to contribute to reducing Australia's greenhouse gas emissions."	Agree
Pipeline Regulatory Determination and Elections Guide	Section 5.1.1, p. 23 – Amend the regulatory determination test criteria by replacing the NGO quoted with: "to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to: a. price, quality, safety, reliability and security of supply of natural gas; and b. the achievement of targets set by a participating jurisdiction— i. for reducing Australia's greenhouse gas emissions; or ii. that are likely to contribute to reducing Australia's greenhouse gas emissions."	<p>Agree re section 5.1.1</p> <p>Suggest considering amendment to section 6.3.2 National Gas Objective to refer to emissions reduction:</p> <p><i>"In having regard to the National Gas Objective, we must consider whether making the classification or reclassification decision is consistent with the objective. We will therefore consider whether the change in classification is likely to affect the efficiency of pipeline access, the operation of gas markets, and the rights of third parties and the impact on emissions reduction."</i></p>
Retailer Authorisation Guideline	Footnote 14, p. 8 – Replace footnote 14 with "The objective of the Retail Law is to promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of	Agree

AER Guideline	Proposed change	Ausgrid comments
	consumers of energy with respect to: a. price, quality, safety, reliability and security of supply of energy; and b. the achievement of targets set by a participating jurisdiction— i. for reducing Australia's greenhouse gas emissions; or ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.”	
Retail Exempt Selling Guideline	Section 7.2, p. 19 and Appendix E, p. 61 – Replace with ‘The objective of the Retail Law is “to promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of consumers of energy with respect to: a. price, quality, safety, reliability and security of supply of energy; and b. the achievement of targets set by a participating jurisdiction— i. for reducing Australia's greenhouse gas emissions; or ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.”	Agree
Better Resets Handbook	None	<p>Section 2.1, page 3, footnotes 4 and 5:</p> <p><i>“To promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to: price, quality, safety and reliability and security of supply of electricity, and; the reliability, safety and security of the national electricity system.</i></p> <p><i>To promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.”</i></p> <p>Suggest replacing with:</p> <p><i>“To promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to: a. price, quality, safety, reliability and security of supply of electricity; and b. the reliability, safety and security of the national electricity system;</i></p>

AER Guideline	Proposed change	Ausgrid comments
		<p><i>and c. the achievement of targets set by a participating jurisdiction— i. for reducing Australia's greenhouse gas emissions; or ii. that are likely to contribute to reducing Australia's greenhouse gas emissions”.</i></p> <p>And:</p> <p><i>“To promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to: a. price, quality, safety, reliability and security of supply of natural gas; and b. the achievement of targets set by a participating jurisdiction— i. for reducing Australia's greenhouse gas emissions; or ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.”</i></p>
Network Resilience – A Note on Key Issues	None	Given the link between emissions and climate change, consideration could be given to how reduced emissions may be considered in the context of future resilience spend.
Industry Practice Application Note – Asset Replacement Planning	None	<p>Section 3.3.2 pages 17-18: <i>These requirements are framed within the context of the NEO and recognise the required service level obligations of quality, safety, reliability and security of electricity supply.</i></p> <p>Section 1.5, Table 1 Definitions page 8:</p> <p><i>the defined service quality for a particular activity or service parameter, against which performance may be measured. This typically encompasses the service attributes of safety, reliability, quality of supply, environmental and compliance and is reflected in the National Electricity Objective (NEO) and the requirements of the capital expenditure objectives (NER 6.5.7).</i></p> <p>Suggest both references to the NEO are updated to include:</p>

AER Guideline	Proposed change	Ausgrid comments
		<p><i>“to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to: a. price, quality, safety, reliability and security of supply of electricity; and b. the reliability, safety and security of the national electricity system; and c. the achievement of targets set by a participating jurisdiction— i. for reducing Australia's greenhouse gas emissions; or ii. that are likely to contribute to reducing Australia's greenhouse gas emissions.”</i></p>
Ring fencing Guideline (Electricity Distribution) V3)	None	<p>Consider whether amendments could be made to recognise where the prospect of emissions reduction outweighs competition concerns to enable customers' desire for a least cost net zero transition.</p>