

18 April 2024



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Australian Energy Regulator
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Dear Stephanie,

Ausgrid welcomes the opportunity to provide this submission to the Australian Energy Regulator (**AER**) in response to its Initial Value of Emissions Reduction (**VER**) Draft guidance (**Draft Guidance**). We support the Energy Networks Australia (**ENA**) submission on this matter and provide some additional context below.

We note that the methodology to calculate the value has been prescribed by the Energy and Climate Change Ministerial Council (**ECMC**) and is therefore not the subject of this consultation. However, we are supportive of the methodology and see it as an important step to facilitate our customers' ambitions for a decarbonised grid that contributes to the achievement of Australia's emission reduction targets.

With respect to inclusion of the table of values, we consider that it should be included the final guidance. A single published source of values brings transparency for all stakeholders and avoids confusion as to the values that should be used. However, we recommend that the final guidance makes clear the period to which each value applies. For example, when applying the value to financial years, whether the average of two calendar years be used. It should also be made clear whether CPI indexation applies to the values and the method to calculate indexed values or the method to convert to real values for a particular year (as real values for particular years are used in cost-benefit analysis modelling).

With respect to the Regulatory Investment Test for Distribution (**RIT-D**), we are concerned that the minimal guidance linking the approach to the integrated system plan (**ISP**) as far as practicable does not clarify how VER should be used in modelling. It is expected that the ISP will only estimate emissions changes associated with generation. This does not adequately provide guidance for RIT-Ds that may reduce greenhouse gas emissions in other ways, for example SF6 emissions. We recommend that the final guidance explicitly allows for this to avoid confusion.

If you have any questions regarding this submission please contact Fiona McAnally at fiona.mcanally@ausgrid.com.au or 0479 100 519.

Regards,

A handwritten signature in blue ink, appearing to read "Fiona McAnally".

Fiona McAnally
Acting Head of Regulation

Connecting communities,
empowering lives