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Dear Ms Elkins

### **Ausgrid submission to the Default Market Offer prices 2025–26 issues paper**

Ausgrid is pleased to provide this submission to the Australian Energy Regulator (**AER**) in response to its Default Market Offer (**DMO**) prices 2025–26 issues paper.

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. Our network tariffs form part of the retail electricity charges received by small customers and make up around a third of an average residential customer's bill.

We provide below responses to three questions raised in the issues paper:

- how to best estimate an assumed load profile for residential customers given various ongoing data changes to the net system load profile (**NSLP**);
- how to best estimate a load profile for controlled load customers in NSW given the removal of the NSW Controlled Load Profile; and
- whether the AER should determine residential customer network costs under a blended network tariff approach.

#### **How to best estimate an assumed load profile for residential customers given various ongoing data changes to the NSLP**

We support the AER's focus on refinements to how NSLP and interval meter data is used to ensure simulated load profiles for the DMO are as reflective of market conditions as possible. Around half of the small customers located in our network area either have a smart meter or a manually read interval meter installed. We anticipate that by 2030 most small customers in our network area will have a smart meter installed, in line with the Australian Energy Market Commission's draft determination for the Accelerating Smart meter Deployment rule change.

We agree that the considerations specific to one network area should not change the load profile calculation across all regions, and that there is a need for consistency in constructing the DMO profiles. We also believe there are merits in using at least two years of historical data given the impact on the profiles from variable weather.

As the development of DMO 7 progresses, we welcome the opportunity to assist the AER in its calculation of small customer load profiles. This includes assessing the merits of separate profiles for residential and small business customers, observed differences in consumption profiles across installed meter types, and whether customers with rooftop solar should be considered separately to customers without solar.

#### **How to best estimate a load profile for controlled load customers in NSW given the removal of the NSW Controlled Load Profile**

Ausgrid has more than 450,000 customers on controlled load tariffs and 40% of these customers have smart meters. On 1 July 2024 Ausgrid introduced changes to its controlled load

switching times to allow all customers with on controlled load tariffs with smart meters to heat their hot water in the middle of the day. This change supports further customer energy resources (**CER**) take up by delivering a lower cost network.

Ausgrid is also conducting controlled load orchestration trials with two energy retailers. In these trials the participating customers agree to have amended hot water switching times, which can be enabled via their smart meter. This initiative helps retailers manage customer demand without reducing the level of service received by the customer.

The changes described above are likely to produce load profiles that are materially different to the historical Controlled Load Profile (**CLP**) produced by AEMO. Ausgrid welcomes the opportunity to provide the AER with further information on its controlled load customers to inform the development of DMO 7.

### **Whether the AER should determine residential customer network costs under a blended network tariff approach**

We note the AER's proposal to blend the DMO network costs across different tariff structures. If the AER chooses to do this it should carefully consider which network tariffs are included for each network area, rather than only considering flat or time of use tariffs. For example, Ausgrid currently has more than 400,000 small customers on network demand tariffs, which represents about a quarter of the small customers located in our network area. It will become increasingly important to include the actual network tariffs customers are assigned to in the DMO calculation as more customers are assigned to these structures over time.


We agree that if the AER uses a blended network tariff, its approach should consider any changes to tariff charging windows that apply for the DMO 7 period. Ausgrid recently made several changes to the tariff charging windows for its small customers and these will continue to apply in 2025/26:

- the seasonal peak energy period is now 3pm to 9pm (for 8 months of the year)
- the seasonal peak energy period extends to weekends for residential customers
- the shoulder energy period was removed (and the off-peak period was extended)

We welcome further engagement with the AER regarding the suitability of the published annual network price change model data, and whether additional information is available to assist its calculations.

Please contact Bill Nixey on (02) 9037 7556 or [bill.nixey@ausgrid.com.au](mailto:bill.nixey@ausgrid.com.au) if you would like to discuss this submission.

Regards



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