

Export service inventive scheme

Explanatory Statement

June 2023

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Shortened forms

Term	Definition
AEMC	Australian Energy Market Commission
AER	Australian Energy Regulator
CESS	Capital Expenditure Sharing Scheme
CSIS	Customer Service Incentive Scheme
DER	Distributed energy resources
DNSP	Distribution network service provider
EBSS	Efficiency Benefit Sharing Scheme
ESIS	Export Service Incentive Scheme
NER	National Electricity Rules
STPIS	Service Target Performance Incentive Scheme

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1 Introduction

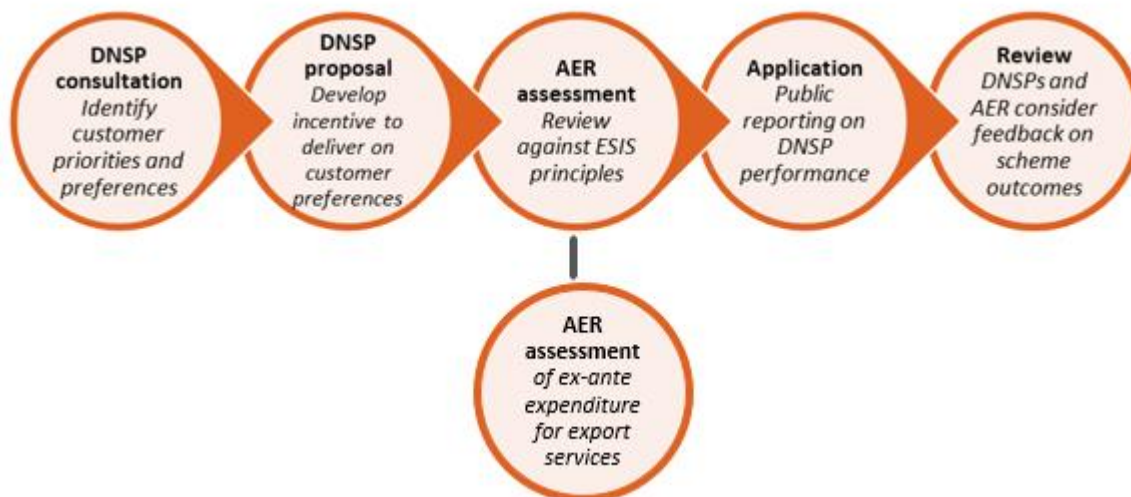
We, the Australian Energy Regulator (AER), regulate electricity distribution network service providers (DNSPs) to deliver the long-term interests of consumers in terms of price, quality, safety, reliability and security of supply. In accordance with our powers under clause 6.6.4 of the National Electricity Rules (NER) we have developed an Export Service Incentive Scheme (ESIS).

The ESIS is designed to encourage DNSPs to engage with their customers and provide export services in accordance with their preferences.¹ The ESIS allows us to set targets for DNSP export service performance and require DNSPs to report on performance against those targets. Under the ESIS DNSPs may be financially rewarded or penalised depending on how they perform against their export service targets.

The ESIS is a flexible ‘principles based’ scheme that can be tailored to the specific preferences and priorities of a DNSP’s customers. This flexibility will allow for the evolution of customer engagement and adapt to the introduction of new technologies. The principles of the ESIS target customer preferences and provide safeguards to ensure rewards/penalties under the scheme are commensurate with improvements/detriments to export services.

The ESIS will encourage DNSPs to meaningfully engage with their customers about the export service levels that they are seeking and propose incentives for it to respond to and address their customer preferences. We will publish raw performance data shortly after we receive it from DNSPs and consider this information in our performance reports.

Figure 1: Application of the ESIS



¹ The NER does not define ‘export service’, however the [AEMC’s Access, pricing and incentive arrangements for distributed energy resources rule determination](#) removed references in the NER that are specific to the direction of energy, making it clear that ‘distribution services’ relate not only to sending energy to customers (sometimes referred to as consumption services), but also to customers exporting the energy they generate (export services).

2 Why have we developed the ESIS?

On 12 August 2021 the Australian Energy Market Commission (AEMC) published its Access, pricing and incentive arrangements for distributed energy resources final determination (the Rule change).² The determination changed the NER and National Energy Retail Rules with the aim to integrate more distributed energy resources (DER³) such as small-scale solar, batteries and electric vehicles into the grid. The Rule change requires DNSPs to plan for providing export services and strengthens customer protections and our regulatory oversight.

The AEMC found that incentive frameworks in the NER, if left unchanged, could incentivise DNSPs to reduce costs at the expense of export service quality. The Rule change required us to undertake a review to consider arrangements (which may include a service target performance incentive scheme (STPIS)) to provide incentives for DNSPs to provide efficient levels of distribution services provided to retail customers for supply from embedded generating units into the distribution network.⁴ Our review recommended that:

- we should not extend the STPIS to export services in the immediate term. This is due to differences in underlying incentives and network conditions and limited evidence that customers are experiencing export constraints across distribution networks. These factors mean that we cannot develop an incentive scheme that accounts for different network circumstances.
- we should enhance reputational incentives by reporting on the performance of DNSPs against a set of export service performance metrics. Our performance reports should also include qualitative information to account for differences in DNSP circumstances and jurisdictional requirements (which may impact performance), as well as differences in the availability of robust data to measure performance.
- we should develop a new small-scale incentive scheme to permit DNSPs to propose bespoke incentives. This will provide flexibility for DNSPs to demonstrate that their own network conditions and customer expectations warrant a financial incentive to improve export service quality.⁵ We expect that the ESIS will be a transitional measure until it is possible to introduce a standardised scheme for all DNSPs via the STPIS.

We published the draft ESIS in March 2023 and sought stakeholder submissions. The final ESIS has been refined based on these submissions and our own analysis. In section 4 we discuss how we considered submissions on key issues in finalising the design of the ESIS. Appendix A contains our full responses to submissions.

² AEMC, [Access, pricing and incentive arrangements for distributed energy resources](#), August 2021.

³ We have sought to replace the term 'distributed energy resources' (DER) with 'consumer energy resources.' These includes devices and systems (such as solar PV, batteries and electric vehicles) located on the customer's side of the network connection (behind the meter), that are connected to the electricity distribution network and capable of exporting electricity to the grid and/or responding to price and remote-control signals to change export or consumption patterns. These can include both residential and commercial/industrial devices. The NER refers to these devices as embedded generating units.

⁴ NER, cl. 11.141.3.

⁵ AER, [Incentivising and measuring export service performance](#), March 2023.

3 Design of the ESIS

The design of the ESIS is based on the existing Customer Service Incentive Scheme (CSIS), a type of small-scale incentive scheme which encourages DNSPs to improve customer service levels.⁶ Like the CSIS, the ESIS is principles-based and allows DNSPs to propose different ‘incentive designs,’ which must meet the scheme’s principles. The obvious difference is that the ESIS is designed to incentivise improvements in the delivery of export services, rather than customer service. We will not apply an incentive design unless a DNSP can demonstrate that its customers support the incentive design through genuine engagement.

In this section we discuss our rationale for a principles-based incentive scheme, how the principles will work, and the maximum amount of revenue at risk.

3.1 A principles based ESIS

We typically apply prescriptive incentive schemes that specify the components that can apply to a DNSP and the method of calculating rewards and penalties. For example, under the STPIS we specify precisely what is incentivised (such as service improvements as measured by the frequency and duration of unplanned outages), and how service improvements (or decrements) translate into rewards (or penalties).

This is simple to implement and provides certainty to stakeholders. However, it does not provide much flexibility. As a result, we consider that this approach is appropriate where the same measures are likely to deliver benefits to customers of all DNSPs and are likely to remain relevant over a long period. However, the ways in which DNSPs provide export services are evolving and DNSPs are developing different export service offerings. Therefore, we consider that a prescriptive approach to export service incentives is inappropriate. Further, export service measures that are relevant today may become less relevant in the future, as the uptake of newer types of consumer energy resources such as batteries and electric vehicles increases.

3.2 Scheme principles

The ESIS divides the principles into four ‘elements’ that reflect the necessary components of an incentive scheme. These elements cover:

- performance parameters – what customers want to be incentivised under the scheme
- measurement methodology – how performance is measured
- assessment approach – how performance is rated
- financial component – how rewards and penalties are calculated and applied.

We outline the principles for each of these four scheme elements below.

⁶ AER, [Customer service incentive scheme](#), July 2020.

3.2.1 Performance parameters

The relevant principles for performance parameters are that each performance parameter must be an aspect of the export service component of the DNSP's standard control services;

- (a) that customers of the DNSP particularly value and want improved, as evidenced by genuine engagement with, and support from, the DNSP's customers,
- (b) that is substantially within the control of the DNSP, and
- (c) for which the DNSP does not already have an incentive under another incentive scheme or jurisdictional arrangement.

The purpose of the first principle is to ensure that the incentive design will address services that customers value. We consider that demonstrating strong customer support for export service level improvements is a crucial aspect of the DNSPs' ESIS proposals. We have decided not to prescribe how customer value might be demonstrated. We want DNSPs to take ownership of their consultations and undertake them in a manner that best suits their customers. To demonstrate customer support, we expect that DNSPs will consider whether improvements to the proposed parameters will benefit export service customers exclusively or benefit all customers and consult appropriately with the impacted customers.⁷

For example, increasing the level of hosting capacity may benefit both export service and non-export service customers; export service customers would directly benefit by being able to export more electricity and receive more feed-in tariff revenue, whereas non-export service customers may indirectly benefit from lower wholesale electricity prices (since the additional electricity provided by the export service customers may reduce the need for electricity generated from costlier sources). The extent to which non-export service customers receive these benefits depends on the timing of the increase in hosting capacity, and whether additional electricity exports from consumer energy resources during this time result in benefits in the wholesale electricity market.

The second principle directs incentive designs to target services that are substantially in the control of a DNSP. This will ensure that the incentive designs do not reward or penalise DNSPs for outcomes that are outside their control.

The third principle ensures that the incentive design will not duplicate existing incentives. Duplication may over-incentivise a DNSP to pursue certain outcomes. To avoid this, we consider performance parameters should not duplicate incentives that DNSPs may already have under state or territory schemes.

3.2.2 Measurement methodology

Once the DNSP has identified performance parameters that their customers value, the next step is to consider how to measure performance. The measurement methodology principles govern this. The relevant principles for measurement methodology are that for each performance parameter, the proposed measurement:

- (d) accurately measures the features of the performance parameter,

⁷ The [Better Resets Handbook](#) provides our expectations on consumer engagement.

- (e) is compiled in an objective and reliable manner with data retained in a secure and logically indexed database, and
- (f) produces results that could be audited by an independent third party.

These principles are intended to ensure that the measurement methodology appropriately reflects the performance parameters. We consider that reliable and robust data is crucial to establishing baseline performance levels and accurately measuring performance over time. Principle (d) requires the methodology to accurately measure the aspect of performance that is of value to customers. For example, if the volume of export curtailment is a performance parameter, then a suitable measurement methodology may be to estimate the volume of electricity curtailed by (i) voltage-based curtailment, (ii) the imposition of static export limits, and (iii) flexible export limits (if applicable). To measure the volume of export curtailment, DNSPs could adopt their own measurement methodology or an independently developed methodology.

Principles (e) and (f) effectively require the DNSP to retain data in a way that can be independently reviewed, including by a third-party auditor. This ensures the integrity of the scheme. However, the benefits and costs of assurance must be weighed against each other. We have not specified the level or type of assurance, and DNSPs need to set this out in their incentive designs.

3.2.3 Assessment approaches

The assessment approach principles cover how performance is evaluated and then translated into an expression of improvement or deterioration, which can be used to determine a reward or penalty. These principles establish a baseline or neutral level of performance. We consider that the baseline or neutral level of performance should reflect assumed service levels funded via ex-ante expenditure allowances. These principles also govern that performance targets only reward genuine improvement in line with customer preferences, and DNSPs are not rewarded for delivering service levels commensurate with ex-ante expenditure allowances.

3.2.4 Financial component

The financial component covers how an incentive design delivers penalties or rewards for a given level of performance. Our objective is that penalties and rewards under the ESIS are commensurate with customer benefits and do not provide an incentive for DNSPs to over-invest in the provision of export services.

The financial component of the ESIS covers the overall revenue at risk and the incentive rate. The overall revenue at risk sets the maximum amount of revenue that a DNSP can gain or lose under the incentive design. The incentive rate determines the degree to which we will adjust a DNSP's revenue based on a given level of performance.

Both components are required to be in line with the value that customers attribute to the level of service improvement or degradation observed. They also tie the incentive rate to the value customers place on those improvements or degradations. DNSPs must articulate how rewards (penalties) will be recovered from (returned to) customers via changes to the appropriate network tariff(s). For example, if the proposed performance parameter is supported by and primarily benefits solar PV customers, we expect that revenue adjustments (rewards or penalties) will be reflected in changes to export tariffs.

3.3 Revenue at risk and scheme application

Where we apply a small-scale incentive scheme to a DNSP, the aggregate rewards or penalties for a regulatory year in that regulatory control period that are provided or imposed under that scheme and any other small-scale incentive schemes that apply to the DNSP must not exceed 0.5% of the DNSP's annual revenue requirement for that regulatory year, or 1% where the DNSP consents.⁸

Our final position is to set a maximum level of revenue at risk of 0.5% for the ESIS, provided that DNSPs can demonstrate that their customers support this level of revenue to be placed at risk. In deciding the maximum level of revenue at risk we have considered stakeholder submissions and the relationship between the small-scale incentive schemes and the STPIS. We discuss this issue further in section 4.1.

Finally, we may require a DNSP to participate in a trial of a small-scale incentive scheme under which, for the duration of the trial, the DNSP is not required to bear any penalty and is not entitled to earn any reward.⁹ If we approve an ESIS proposal which contains performance parameters which we think may inform our future review of the STPIS, we may require DNSPs to participate in a paper trial for the purpose of better understanding the validity of potential export service metrics.

⁸ NER, cl. 6.6.4(d)(1).

⁹ NER, cl. 6.6.4(e).

4 Considerations in making this final decision

We sought stakeholder feedback on the design of the draft ESIS. We asked whether:

- a principles based ESIS is preferable to a prescriptive one,
- the proposed principles for each of the ESIS elements are suitable,
- we should consider any other elements or principles,
- the proposed level of revenue at risk (0.5% of the DNSP's annual revenue requirement) is appropriate, and
- there are any circumstances where we should require DNSPs to participate in a trial of the ESIS.

We received 11 submissions on the draft ESIS, which are published on our website. Submissions largely focused on the appropriate level of revenue at risk under the ESIS and other scheme element principles that require changes or clarification. In this section we discuss how we considered submissions on these issues in finalising the design of the ESIS. Appendix A contains our full responses to submissions.

4.1 Level of revenue at risk

Stakeholders raised concerns about limiting the maximum level of revenue at risk under the ESIS at 0.5% (of the annual revenue requirement). ENA noted that DNSPs could now apply two small-scale incentive schemes – the ESIS and the CSIS. However, not all DNSPs will apply a CSIS, and to ensure full flexibility and utilisation of the small-scale incentive scheme provision in the NER, it recommended that we increase the maximum level of revenue at risk under the ESIS from 0.5% to 1%. The ENA added that this higher level of revenue at risk will allow DNSPs to reflect their customers' preferences and, if both an ESIS and CSIS apply, balance the value that their customers place on the export service and customer service equally or place more value on the provision of the export service.¹⁰ Most DNSPs that provided submissions agreed with this position.¹¹

In principle we agree that balancing the value that customers place on different aspects of services will lead to better customer outcomes. We also recognise that increasing the level of revenue at risk under the ESIS to 1% will provide flexibility for DNSPs to tailor their small-scale incentive scheme proposals while remaining within an overall cap of 1%. However, in determining the appropriate level of revenue at risk we have considered not only the relationship between the two small-scale incentive schemes, but also the relationship between the CSIS and the STPIS.

The STPIS rewards DNSPs where they exceed their reliability targets and penalises them when they allow power supply to fall below the reliability targets. Reliability is based on the frequency of interruptions and the duration of interruptions and provides a total level of revenue at risk of 4.5%. There is also a customer service component of the STPIS which

¹⁰ Energy Networks Australia, [Submission on draft export service incentive scheme](#), April 2023.

¹¹ Including Ausgrid, AusNet Services, CitiPower, Powercor & United Energy, Endeavour Energy, SA Power Networks and TasNetworks.

relates to telephone answering and provides a further 0.5% of revenue at risk. When the STPIS is applied alone, the maximum level of revenue at risk is 5%. The maximum level of revenue at risk under the STPIS is reduced to 4.5% when a DNSP proposes the CSIS, as the CSIS is intended to replace the telephone answering component of the STPIS.¹²

If the maximum level of revenue at risk under the ESIS is increased to 1%, we would need to caveat that this is only in circumstances where both the CSIS and ESIS apply, otherwise the DNSP may propose the STPIS for 5% and the ESIS for 1%. However, doing this creates additional complexity in assessing and administering the small-scale incentive schemes. As an example, the DNSP may propose varied caps based on customer consultation (such as 0.2% for the CSIS and 0.8% for the ESIS). If we do not accept one of the proposed schemes, the DNSP will be incentivised to revise its small-scale incentive scheme proposals.¹³

Avoiding these scenarios would require us undertaking a dual assessment of the small-scale incentive schemes and providing discretion for changes to proposed levels of revenue at risk between initial and final proposals (provided they are commensurate with customer costs and benefits). However, we consider that each small-scale incentive scheme should be assessed on its own merits and changing the proposed level of revenue at risk is unlikely to be consistent with customer values.

For this reason, the final ESIS maintains the maximum level of revenue at risk of 0.5% of the annual revenue requirement.

4.2 Scheme element principles that require changes or clarification

Some stakeholders submitted that we should either remove or refine some of the scheme element principles. We provide our consideration of these submissions in this section.

4.2.1 Performance parameters

The performance parameters are the metrics of export service performance subject to incentives. Endeavour Energy submitted that the ESIS should allow performance parameters that are also conventionally considered as a measure of customer service, but which are only pertinent to an export service and/or export customers (e.g., consumer energy resource connection application approval times). It suggested that we confirm that – unlike the CSIS – there is no equivalent requirement or expectation that the revenue at risk should be offset from the customer service component of the STPIS.¹⁴

We agree with Endeavour Energy's submission and confirm that proposed performance parameters may be customer service-like in nature if they only relate to the export service (in addition to meeting the other performance parameter principles). However, we expect that in practice, these types of parameters may not necessarily be valued as much as traditional

¹² We first made this decision in [AusNet Services' 2021-26 distribution determination](#).

¹³ Under this example, not accepting the proposed CSIS would lead to the DNSP proposing the STPIS (containing the telephone answering component) and ESIS for a total of 5.5% rather than 5.3%. Not accepting the proposed ESIS would lead to the DNSP proposing only the STPIS (containing the telephone answering component), for a total of 5% rather than 4.7%.

¹⁴ Endeavour Energy, [Submission on draft export service incentive scheme](#), April 2023.

export service measures, such as reducing export constraints. We have not made any changes to the performance parameter principles.

4.2.2 Measurement methodology

The measurement methodology is the means by which performance against the performance parameters is quantified. Some stakeholders submitted that we should remove the principle that for each performance parameter, the proposed measurement is sufficiently independent, in that it is either conducted by an independent third party or based upon an independently developed methodology.

The ENA submitted that this requirement precludes DNSPs from taking advantage of the subject matter expertise within their businesses and mandates the involvement of a third party, where the additional costs would ultimately be borne by customers but not necessarily result in better measurement design. It suggested that rigorous customer consultation on scheme design and the AER's subsequent approval process should provide sufficient safeguards and ensure the integrity of performance measurement under an ESIS.¹⁵ SA Power Networks suggested that this principle risks disincentivising DNSPs from conducting their own research to develop an export service metric, as this may not be considered sufficiently independent. It added that this would likely delay development of measurement methodologies and inhibit DNSPs from utilising what in practice is their own industry leading expertise in the integration of consumer energy resources.¹⁶

We recognise that this principle provides customers with confidence that the proposed measurement methodology is genuine and will not unfairly reward or penalise the DNSP. However, we agree that it may inhibit DNSPs from utilising their own specialist knowledge and prevent potentially unique or innovative approaches to incentive design. We have removed this element from the scheme. We will consider independently developed or independently reviewed methodologies favourably, however DNSPs are not precluded from developing and proposing their own measurement methodologies. Proposed measurement methodologies will remain subject to customer consultation and our approval process. In consulting with customers, DNSPs should be explicit about how the proposed measurement methodology has been developed, including whether it has been developed independently.

4.2.3 Assessment approach

The assessment approach is how performance against a performance parameter is evaluated. The draft ESIS specified the assessment approach principle that for each performance parameter, the incentive design established a baseline or neutral level of performance, which in normal circumstances should be at least equal to the historical performance of the DNSP. SA Power Networks suggested that this principle should be refined, noting that as the penetration of consumer energy resources increases, historical performance may no longer be appropriate as a network's intrinsic hosting capacity is exhausted and additional expenditure is required.¹⁷

¹⁵ Energy Networks Australia, [Submission on draft export service incentive scheme](#), April 2023.

¹⁶ SA Power Networks, [Submission on draft export service incentive scheme](#), April 2023.

¹⁷ SA Power Networks, [Submission on draft export service incentive scheme](#), April 2023.

We consider that the previous wording of “in normal circumstances” clarifies that baseline performance should not necessarily reflect historical performance. However, we also consider that further clarification is necessary to address concerns that financial incentives could be duplicative given that ex ante expenditure allowances will also address export service levels. For example, PIAC suggested that financial incentives could inappropriately reward DNSPs, will be duplicative and exacerbate inequalities between consumers with and without consumer energy resources.¹⁸

Therefore, we have amended this principle to specify that the baseline or neutral level of performance should reflect assumed service levels funded via ex-ante expenditure allowances. For example, if a DNSP’s expenditure proposal provides a 90% service level (and we accept the expenditure proposal), the baseline level of performance will be 90%. In practice, this means that we will assess ESIS proposals alongside proposed expenditure for the provision of export services, as follows:

- Where a DNSP proposes the ESIS, it should specify the forecast impact of any proposed ex-ante expenditure on the proposed performance parameter(s) in the ESIS.
- If we accept the proposed performance parameter under the ESIS, our capex and/or opex decisions related to expenditure for the provision of export services will be accompanied by our view on the appropriate baseline service level, which will be consistent with the ESIS.

We consider that this amendment removes the risk of duplicative rewards for DNSPs.

4.2.4 Financial component

The financial component is how the outcome of the assessment approach is translated into a reward or penalty for the DNSP. Aside from deciding on the appropriate level of revenue at risk, stakeholders commented on how potential DNSP rewards may be recovered from customers (and conversely how potential DNSP penalties may be returned to customers). The Clean Energy Council (CEC) suggested that asking DNSPs to engage with customers on what encompasses a “good” export service appears to present an unacceptable level of risk to all customers, since the ESIS does not appear to be explicitly funded by customers with consumer energy resources.¹⁹ SACOSS raised similar concerns in its response to our preliminary position paper on the Framework and Approach for the 2025-30 electricity distribution revenue proposals. It noted that it does not support incentives for additional network expenditure that would result in non-solar customers paying to enable solar customers to recoup greater feed-in tariffs through increased export service capacity.

We recognise that this issue was unclear in the draft ESIS, and so in the final ESIS we have added a principle for the financial component related to how rewards may be recovered from customers (and how penalties may be paid to customers). We consider that this amendment is in line with the scheme objectives.

¹⁸ Public Interest Advocacy Centre, [Submission on draft export service incentive scheme](#), April 2023.

¹⁹ Clean Energy Council, [Submission on draft export service incentive scheme](#), April 2023.

Appendix A: Stakeholder submissions and responses

#	Description of issue	Stakeholder	AER response
1	The maximum level of revenue at risk be modified from 0.5% to 1%.	ENA, SA Power Networks, TasNetworks, Ausgrid, AusNet Services, Endeavour Energy, CitiPower, Powercor & United Energy	The final ESIS maintains the maximum level of revenue at risk of 0.5% of the annual revenue requirement. Further discussion is provided in section 4.1.
2	Remove the principle that for each performance parameter, the proposed measurement is sufficiently independent, in that it is either conducted by an independent third party or based upon an independently developed methodology.	ENA, TasNetworks, SA Power Networks, AusNet Services, Endeavour Energy, CitiPower, Powercor & United Energy	This principle is not included in the final ESIS. Further discussion is provided in section 4.2.2.
3	The ESIS should allow performance parameters that are also conventionally considered as a measure of customer service, but which are only pertinent to an export service and/or export customers (e.g., CER connection application approval times)	Endeavour Energy	We agree and confirm that proposed performance parameters may be customer service-like in nature (without offsetting the customer service component of the STPIS), if they only relate to the export service (in addition to meeting the other performance parameter principles).
4	The proposed review of incentive arrangements for export services (to be initiated by 2027) should be contingent on the availability of sufficient data.	ENA, Evoenergy, TasNetworks	We accept that learnings and data from reporting against bespoke incentive arrangements may not be widely available by 2027. However, the future review of incentive arrangements for export services will also consider other sources of information, including annual reporting against export service performance metrics and learnings from electricity distribution revenue determination processes.
5	Principle for assessment approach on baseline performance being equal to historical performance is not appropriate. This principle should be refined, noting that as CER penetration increases, historical performance may no longer be appropriate as a network's intrinsic hosting capacity is	SA Power Networks	This principle is amended in the final ESIS. Further discussion is provided in section 4.2.3.

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#	Description of issue	Stakeholder	AER response
	exhausted and additional expenditure is required		
6	The final decision on the design of the incentive scheme should explain in easy-to-understand language how this incentive scheme will be beneficial to consumers in the future.	Essential Energy	The ESIS provides a framework for DNSPs to propose their own incentive designs based on customer consultation. This will occur as part of the revenue proposal process, and the onus will be on DNSPs to demonstrate how their proposals will provide customer benefits. We do not expect DNSPs to propose the ESIS if there is insufficient customer support and data to support the potential incentive designs.
7	There is a need for DNSPs to have access to relevant data that enables DNSPs to determine hosting capacity, to understand their performance and for customer experience.	Clean Energy Council	We recognise that DNSPs are at different stages with respect to the provision of export services. DNSPs are improving network visibility to better understand hosting capacity and network performance. We consider that introducing the ESIS will allow DNSPs to collect reliable performance data reflective of customer choices, develop baseline performance levels and forecast service improvements. The learnings from this scheme can inform the development of a consistent approach across DNSPs in the future.
8	Any export tariff should only be applied where a DNSP can demonstrate a “harm” to the network, that is, an export tariff should not be applied to all export use of system, but to export use of system that results in a constraint.	Clean Energy Council	The export tariff guidelines provide DNSPs with guidance on the design and application of export tariffs.
9	Asking DNSPs to engage with customers on what encompasses a “good” export service appears to present an unacceptable level of risk to all customers, since the ESIS does not appear to be explicitly funded by customers with consumer energy.	Clean Energy Council	In the final ESIS we have added a principle for the financial component related to how rewards may be recovered from customers (and how penalties may be paid to customers). Further discussion is provided in section 4.2.4.
10	The ESIS provides no assurance that investment in improving export services is efficient nor that those services are efficiently priced and are of benefit to all consumers.	Public Interest Advocacy Centre	As discussed in section 3.2.4, the level of revenue at risk and the incentive rate are required to be in line with the value that customers attribute to the level of service improvement or degradation observed. DNSPs must also articulate how rewards

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#	Description of issue	Stakeholder	AER response
			(penalties) will be recovered from (returned to) customers via changes to the appropriate network tariff(s).
11	Financial incentives such as the ESIS will be duplicative as DNSPs are already able to fund improvements to export services through expenditure allowances.	Public Interest Advocacy Centre	See response to #7. We have amended the assessment approach principle that for each performance parameter, the incentive design established a baseline or neutral level of performance, which in normal circumstances should be at least equal to the historical performance of the DNSP. Instead, the principle specifies that the baseline or neutral level of performance should reflect assumed service levels funded via ex-ante expenditure allowances Further discussion is provided in section 4.2.3.
12	Any approved scheme should be accompanied by a broadly symmetrical guaranteed service level (GSL) for export. If consumers are paying for an ESIS and network businesses are being rewarded to provide it, network businesses should be required to compensate consumers when export service falls below promised levels.	Public Interest Advocacy Centre	The final ESIS does not require the introduction of guaranteed service levels (and associated customer payments). However, as discussed in section 3.2.4, DNSPs must articulate how rewards (penalties) will be recovered from (returned to) customers via changes to the appropriate network tariff(s). For example, if the proposed performance parameter is supported by and primarily benefits solar PV customers, we expect that revenue adjustments (rewards or penalties) will be reflected in changes to export tariffs.
13	The AER should clarify that the ESIS is available to the DNSPs that have already submitted their 2024-29 regulatory proposals. With less than six months between the final ESIS being published and the submission of revised regulatory proposals, a condensed ESIS consultation process would be unavoidable.	Endeavour Energy	The AER will consider ESIS proposals in the revised 2024-29 regulatory proposals. We will assess proposals against the scheme principles and consider customer engagement already undertaken with respect to expenditure proposals for the provision of export services.