AUSGRID RESPONSE TO NSW ELECTRICITY DISTRIBUTION BUSINESSES PUBLIC FORUM QUESTIONS FROM STAKEHOLDERS

1. **You've mentioned the 'indirect subsidy for embedded networks'. In what way does an embedded network NMI represent greater costs to the DNSP compared to a single large customer? If the concern is the availability or profitability of the business model of embedded network operators, is that not a question for our regulators, not our regulated businesses?**

   Our embedded network tariff proposal seeks to remove the existing incentive that our tariffs create for developers to install private networks. We are not seeking to target the profitability or the viability of the business model for embedded networks. However, while there are many reasons why an embedded network may be established, our tariffs should not be one of them. We are proposing to reduce this inefficiency over a transition period and improve fairness outcomes across all our customers. Our proposal for embedded network tariffs is subject to Australian Energy Regulatory (**AER**) approval.

2. **The AEMC is currently undertaking a Review of the Power of Choice (Metering) Reform - though its largely through the lens of accelerating the rollout (with a new object of 100% by 2030). This seems to ignore that the biggest impediment to rollout is a lack of consumer benefits. The current control of metering data by FRMPs is totally unacceptable and blocks consumers access to their data BTM and networks to it so they can assist consumers. Does the AER, and the DNSPs, strongly support that customers should have unfettered access to their/all meter data in real time and that they can support Realtime distribution of that data (using their broadband internet connections) to their agents (innovators) and to networks so that DOE and DSM technologies can maximise consumer/customer benefits?**

   The purpose of the Power of Choice metering reforms was to further enable customers to manage their energy services in a flexible and manner. Customer access to cost-effective real-time data services supports this objective.

   Access to real-time data on meter status would also assist distribution network service providers (**DNSPs**) manage network connectivity enquiries and supply restoration prioritisation after planned and unplanned outages. Monitoring of supply characteristics can also pick up potential safety issues at a customer's premises. For example, our current smart meter data trial has already enabled Ausgrid to use data analytics to proactively identify a number of customer and network earthing issues that may have led to customer electric shock incidents). NSW DNSPs submissions to the Australian Energy Market Commission's (**AEMC**) Review of the regulatory framework for metering services provide detailed case studies about the customer benefits of real-time data access.[1] This data is a novel and efficient way for DNSPs to proactively identify potential safety risks before incidents occur.

[1] See: https://www.aemc.gov.au/market-reviews-advice/review-regulatory-framework-metering-services/.

3. NSW has a unique environment with ASPs building the overwhelming majority of assets for new and upgraded customer connections. The ASP fraternity need to be included as a specific specialised partner in the delivery of new customer connections. Will the AER and/or DNSPs work directly with ASPs and their member associations to help them better understand what the impacts of these Reg Resets will have on costs to do business and to connect customers, transition arrangements to allow existing projects to proceed without being impacts by cost increases?

Ausgrid engages regularly with Accredited Service Providers (**ASPs**) and their member associations through online forums, emails and newsletters. We notify ASPs of price changes each year, and keep ASPs informed of key business changes through our business-as-usual (**BAU**) channels, including the regulatory reset.

In relation to transition arrangements for existing projects, these generally continue as quoted under their contract terms and conditions until any validity period expires, as defined in the contract terms. However, our contract terms can allow for charging rates set by the AER for the financial year in which the service was provided and as published on Ausgrid's website.[2]

4. What is the view of the AER - and the DNSPs - on making Network Tariffs mandatory pass-through and transparent (and retailers adding a margin if they want)?

In our view the network is a platform for the creation of new energy markets and potential new and enhanced value streams for customers into the future. Customer empowerment is central to this vision. As a platform, we consider that customers and their agents (whether they be retailers or aggregators) are best placed to ultimately design and compete in the delivery of energy products and pricing options to customers. We note that a number of retailers are offering innovative pricing options, including in response to our trial tariffs. This may result in different approaches to passing through network pricing signals.

[2] See this link for an example of one of the notifications from last regulatory period: https://cdn.ausgrid.com.au/-/media/Documents/ASP/design-news/ASP-Newsletter-051-AER-Determination-19-24.pdf?rev=705d38fb82474695be51ff70e861e981&hash=62E253B72BA788786EEF32F55FC64F64

Ausgrid Specific questions

1. **Does Ausgrid see Solar Soaker tariffs as only being able to be accessed by EV users and battery users, all available to all users?**

   Our moves toward solar soaking prices (via combining the off-peak and shoulder periods) will be available to all small customers.

2. **Ausgrid proposes to increase Capacity charges for embedded networks (EN) Parent Meter connection points, and this is stated to help achieve greater fairness for other customers. Given Ausgrid's cost to serve does not vary between non-EN & EN multi-tenanted buildings, i.e. the relationship ends at the MSB (noting contestable small market metering), how is the increase Capacity charge justified? It appears to be a derived opportunity to restore Ausgrid NUoS revenue lost due to the introduction of EN than actually covering a cost to serve.**

   Ausgrid operates under a revenue cap and does not lose revenue when a new embedded network is introduced. Without our proposed changes non-embedded network customers would pay for the tariff arbitrage opportunity that an embedded network receives. To ensure consistency of our charging components across all medium and large business customers, we seek to use the capacity charge as the means of reducing the tariff arbitrage that occurs between embedded networks and other users of the network.

   Capacity charges reflect the maximum peak demand falling within the peak period window over the prior 12-month period. They offer a cost reflective price signal for the medium to large business users of our network. Our assets typically have long asset lives which must always ensure a reliable electricity supply. Given the nature of these assets, a charging component reflective of a customer's 12-month demand peak can be considered cost reflective.

3. **Can you describe how the extraordinary work undertaken by Ausgrid in Project [Edith] will be developed during the regulatory period - we don't want to 2029 to start delivering benefits to your customers?**

   Background information on Project Edith can be found on our website: https://www.ausgrid.com.au/About-Us/Future-Grid/Project-Edith/. We are currently commencing the expansion phase of Project Edith to gain more customers, more customer agents and include additional networks. During the 2024-29 regulatory period, we plan to transition from an off-market tariff demonstration (reconciled by comparison to the customers actual tariff) to a formal sub-threshold trial tariff. Under such a tariff, we may grow to up to 1% of total revenue, enabling 10,000 or more customers to benefit from more cost-reflective pricing through this arrangement and extending those benefits to all national electricity market (**NEM**) customers through greater flexible participation in the energy markets.

   We will also develop the core dynamic service capabilities required to execute Project Edith at scale – specifically uplifts to billing systems and development of the engines required to calculate dynamic pricing and dynamic operating envelopes – and pursue a rule change and appropriate guidelines to support the Project Edith tariff as part of our proposed 2024-29 Tariff Structure Statement from 2029. Our 2024-29 Regulatory Proposal includes $126.1 million (real FY24) in customer energy resources (**CER**) total expenditure, of which, we are proposing to spend $12.1 million (real FY24) to improve our dynamic service capabilities to enable dynamic pricing capability to be added to our billing system and unlock the value of price responsive CER in our network.

4. **Both Ausgrid and the AER have spoken about the move to cost reflective demand tariffs. Currently large energy consumers in the Ausgrid area are charged a rolling demand capacity charge whereby even if such a consumer were to only operate for one hour in the first month of a 12-month period they would be charged for that demand of the preceding 11 months. Such a rolling capacity is not applied to Ausgrid's small market customers. How is the cost reflective and or equitable? My understanding is Ausgrid are the only DNSP to apply a rolling capacity charge in Australia and only one of several in the world.**

   Our demand charges reflect the prior month peak while capacity charges reflect the 12-month prior peak. This provides our small customers on demand tariffs with greater flexibility than larger customers on capacity charges. We believe this approach achieves an appropriate balance between need for fairness, efficiency and flexibility in our tariff assignment policy. We consulted on this approach for the current 2019-24 regulatory period and it was approved by the AER.

   Other Australian DNSPs apply their demand or capacity charging components over a 12-month period for their large business customers. This is the case for SA Power Networks and Evoenergy. Other DNSPs, such as Ergon Energy, apply an authorised demand approach which reserves capacity for their largest business customers and use this value in the component charges. We also note that Ausgrid's network tariff policy document (ES7) allows capacity resets for customers where there are extenuating circumstances. This includes where a customer has implemented a demand management initiative which will permanently reduce the demand that would occur, such as power factor correction.

5. **Ausgrid is proposing a merge of the existing Off Peak and Shoulder periods so that there will only be Off Peak and Peak time of use periods in their network. Both Ausgrid and other DNSPs have highlighted the fact that residential PV is causing voltage control levels at a local level. Ausgrid and others are addressing this by introducing solar export tariffs. On the other hand why have Ausgrid not introduced a solar soak tariff whereby consumers are either charged nothing or paid to consume during this period? This could actively incentivise EVs to charge during that time as opposed to later in the evening after the peak period ends which Ausgrid have stated that may try to push to 10pm due to the shifting demand period. EVs and other smart home appliances used during the daytime will further drive decarbonisation of the grid and also help if done intelligently can alleviate voltage control issues.**

   Combining our off-peak and shoulder windows not only simplifies charging arrangements for our retailers but also creates a lower energy change in the middle of the day. This is a significant move towards solar soaking as it encourages more customer load during peak solar times. Additionally, we are introducing export charges (and rewards) to encourage CER-enabled customers to use the network at the most favourable times.

6. **Why have Ausgrid and Essential decided not to include a transitional policy in their TSSs that would give consumers the time they require to understand and respond to the tariffs?**

   Many of our pricing reforms for the 2024-29 period are being introduced via a transition period. This includes the export tariff, which will not be mandatory for small customers until the second year of the regulatory period. We propose to retain our introductory demand tariffs for small customers which will give them a 12-month period before they are assigned to the full demand tariff. Our embedded network tariffs will transition to cost-reflective levels by the final year of the 2024-29 regulatory period. Finally, the energy threshold at which capacity charges apply will be lifted over three successive years.