

9 September 2022

Mr Warwick Anderson
General Manager, Network Pricing
Australian Energy Regulator



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Dear Mr Anderson,

Ausgrid submission re AER's Connection Charge Guideline review

Ausgrid is pleased to provide this submission on the Australian Energy Regulator's (AER) issues paper on the Connection Charge Guideline review: static zero limits for micro embedded generators (**Issues Paper**).

The Issues Paper provides a timely opportunity to provide clarity to distributors and customers concerning the circumstances when static zero limits may be applied to a connection.

Ausgrid currently only uses a static zero limit when requested by a customer. While called upon infrequently at the moment, we expect static zero limits will become an important option for managing network constraints and ensuring the safe operation of our network over the longer term.

We support distributors being able to apply static zero limits:

- When there is a reasonable prospect of a distributor not meeting a regulatory obligation or not maintaining the network within its technical limits (for example, to meet voltage level or power quality standards); and/or
- When it is not economically justifiable to undertake network augmentation investment to address curtailment.

We provide further detail on the above in our response to the consultation questions at Attachment A.

We thank the AER for the opportunity to provide this submission and look forward to continued collaboration with the AER on this issue. Should you wish to discuss any of the issues raised in this submission further, please contact Nathan Laird, Planning Policies and Procedure Manager at [REDACTED]

Regards,

Matt Webb

Head of Asset Investment

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Attachment A: Ausgrid's response to the Connection charge guideline review questions

Q1: Under what limited circumstances should distributors be able to impose static zero limits?

We support distributors being able to impose static zero limits where there is a reasonable prospect of a distributor not meeting a regulatory obligation or not maintaining the network within its technical limits (for example, not meeting the voltage level or power quality standards of the relevant jurisdiction).

While Ausgrid does not currently apply static zero limits except when requested by customers as part of their connection agreement, we envision that there may be circumstances in the future when it is appropriate to impose a limit. This may arise where there are issues meeting a regulatory obligation or technical considerations (as noted above) or where augmentation investment is not economically justifiable.

Q2: Under what circumstances should we take into account equity issues when considering the application of static zero limits?

We note that static zero limits will only be proposed where there is a technical constraint that is uneconomic to address through augmentation within a given network area. As such, we understand that equity issues will be limited in these circumstances.

However, where the network requires network augmentation then equity issues may become a relevant consideration. Ausgrid therefore supports removing static zero limits where additional export capacity becomes available. This is in preference to allowing all that capacity to be available to existing connections.

Q3a: What are your views on networks using a 'standard approach' to decide on whether to impose a zero export constraint for each individual application?

We consider that it is appropriate to use a standard approach to assess whether to impose a zero export constraint. While the Issues Paper indicates that a standard approach is 'necessarily crude', standard assessment frameworks are informed by the best available modelling and engineering information and reflect a standardised assessment process, rather than a standard outcome. The application of a standard approach can ensure that all customers have the same process applied to them when considering the technical constraints of the network. This limits the potential for unequal treatment for customers in areas experiencing similar technical constraints.

Q3b: If you consider a 'standard approach' to be inappropriate, what depth of analysis or study should networks be required to do in the limited circumstances where a static zero limit may need to be imposed? What would be the likely costs of this level of study? Should the costs of the study be charged on a requester or treated as a general network administration cost?

If a standard assessment approach was deemed inappropriate, then we consider that bespoke studies could be undertaken on a limited basis, where the economic impact of curtailment was material. However, we do not support bespoke studies being undertaken to assess individual connections where the costs associated with undertaking such studies is reasonably likely to exceed the benefits of doing so. We support allocating assessment costs to the requester where a static zero limit is reviewed and retained. This will provide incentives for customers to only seek review where there is a genuine concern that a limit has been inappropriately applied and constrain the potential for repeat or vexatious reviews being sought.

In the event a customer requests a review of a static zero limit, the assessment of economic costs and benefits could be undertaken by reference to the capacity of the installed solar unit and potential alleviation of curtailment that may flow from removing a static zero limit. This could be undertaken on a desktop basis by reviewing localised low voltage data and modelled results.

Q4a: What information should the distributor provide the connection applicant when a distributor proposes a static zero limit and how should that information be provided?

Where a distributor proposes a static zero limit, we consider that the customer should be provided with a summary of the reasons for the proposed static zero limit. This summary would include information on the type of technical constraint driving the restriction.

We do not support distributors providing additional independent technical expertise to customers to support a review of a distributor's analysis. We consider that this is likely to entail material costs, and require sharing detailed NMI level information which is subject to strict confidentiality obligations.

Noting that we do not currently impose zero static limits on our network, we would support including information for customers on how to access dispute resolution processes in the event that dispute resolution procedures are necessary.

Q4b: What's the best way to communicate the steps to inform customers' investment decisions? For example:

- **What type of information should customers be provided with, when should it be provided and by whom?**
- **Who is best placed to provide effective customer education before a customer makes an investment decision?**

Those best-placed to provide information at least-cost within the overall value chain should do so as early as possible to help the customer make an informed decision. While distributors may be able to provide information about local network conditions (where low voltage visibility information allows), the overarching responsibility for engaging with customers about their prospective investment in DER assets lies with retailers and installers. Therefore, we consider retailers and installers may be best placed to provide this information or a peak body, like the Clean Energy Council (CEC).

It may also be efficient to offer broader customer education at scale by a trusted source or sources. Accordingly, government, distributors or peak bodies, like the CEC could play a role in helping to co-ordinate for customer education to support customers in their investment decisions. For distributors this could be part of the work they are doing around DER integration.

Q5: Are there exceptional circumstances where it would be appropriate for a distributor to impose a static zero limit where it has already been funded under revenue determinations to augment the network?

Yes. Just because a distributor has been funded to augment the network does not mean the need for static zero limits will be removed straight away or that the augmentation will remove all of the constraints, as some of these constraints will not be efficient to resolve from a location and time perspective. Accordingly, the ability to apply static zero limits until network augmentation can alleviate a specified constraint is a necessary component of a staged and economically justifiable augmentation approach.

We do not support expressly linking augmentation funding and static zero limits, as this may drive inefficient expenditure towards eliminating static zero limits. This may also lead to lower overall benefits for energy consumers, by incentivising the allocation of funding to alleviate a

static zero limit, in preference to projects that may provide greater benefits to a wider pool of customers.

Q6a: What conditions must be met in the limited circumstances that a static zero limit is applied? Do you consider the above controls adequate?

We consider the three conditions proposed in the Issues Paper at pages 14-15 to be broadly adequate.

We recommend the AER clarify what constitutes a 'reasonable export capacity level' requires further definition as this will be critical to aligning customer, distributor and AER expectations of the conditions under which augmentation should be considered.

Q6b: In the limited circumstances that they are imposed, should static zero limits be subject to regular review? If so, what should the length of the period be?

Reviews should occur when there has been a material augmentation of the network that may allow for the removal of a static zero limit, or when there is a material improvement in the low voltage modelling that underpins the original assessment. While the imposition of a periodic review may provide a clear framework for review, it would provide limited value to customers or distributors where there is no change to the underlying network conditions or network visibility. Accordingly, we recommend that the best approach is to link the review of static zero limits to a material augmentation of the network where the constraint is located.

Q7: At locations where it is not prudent nor efficient to augment the local network to increase the rooftop solar hosting capacity, should customers bear the cost for network augmentation if they wish to avoid export limitation?

Customers should bear the cost of the augmentation when a customer drives network augmentation to avoid export limitations. This approach provides efficient arrangements for the funding of non-economic network augmentations.

Q8: Do you consider the above charging practice is reasonable? If not, what do you consider is a reasonable charging practice?

We consider the proposed charging arrangements at page 16 of the Issues Paper are reasonable and that the proposed charging practice will reflect the economic costs associated with removal of a static zero limit. We recommend the AER provide further guidance on how these arrangements would interact with existing service classifications.

We foresee the proposed charging practice to have an extremely limited application if it were adopted. This is primarily because the cost of co-funding a non-economic network augmentation to allow for export is likely to be materially higher than the cost of investing in behind-the-meter assets (for example, battery storage). Accordingly, it is foreseeable that customers will prioritise investments in behind-the-meter storage over co-funding augmentation.