



21 November 2022

Mr Warwick Anderson
General Manager, Network Pricing
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email: connectionchargeguidelinereview@aer.gov.au

Dear Warwick

Connection charge guideline review —static zero export limits — draft guidelines

CitiPower, Powercor and United Energy appreciate the opportunity to respond to the Australian Energy Regulator (AER) draft guidelines proposing the conditions when a distributor may impose a static zero export limit on a customer who is seeking to connect a micro embedded generator to the network.

We are pleased the AER has taken our feedback to the Issues Paper into account in preparing the draft guidelines.

At a high level, we support the draft guidelines, subject to the following comments:

- As discussed with AER staff, we disagree that a cost-revenue test should be applied if a connection applicant wishes to pay to remove an export constraint under the alternative control service category. The cost-revenue test should only apply to standard control services where a Regulatory Asset Base exists.
- In the event the AER maintains draft clauses 7A.1.10 and 7A.1.11 relating to the cost-revenue test, we are concerned by the assumptions the micro-embedded generator will be connected for a time period of 30 years (residential) or 15 years (non-residential). Assumptions about export charge revenue over this time period is uncertain, as is any projection of future additional micro embedded generator connections. We note micro-embedded generators degrade and/or there will be changes in technology over time. In the future customers may also seek varying levels of access to export capacity through time which will impact future revenue. We suggest a more realistic time period of five years.
- The standard assessment for micro embedded generator connection applications should not be contained within the connection policy as it is subject to AER approval and cannot be amended during a regulatory period (draft clause 7A.1.3). As technology changes, and access to more meter data becomes available, a distributor may want to amend the assessment framework more frequently than every five years. The AER may wish to consider requiring the connection policy to contain principles for a standard assessment, with the actual framework published on the distributor's website that is consistent with the AER-approved principles.
- Further clarity is requested on the standard assessment framework. Draft clause 7A.1.3 proposes that the standard assessment framework must contain particular principles, including that a cost-benefit analysis be undertaken to identify that a static zero export limit is the least cost option for address the network constraints. We seek clarity as to whether the cost-benefit test can be standardised, or whether it must be specific to each and every connection where a static zero export limit is proposed. Detailed technical design for individual connections would be prohibitively costly.

- Finally, we do not oppose providing customers with “the reasons” regarding the technical and economic considerations that led to the static zero export limit, per draft clause 7A.1.5. However, the explanatory statement suggests this could include such information as the methodology, data and calculations used in the assessment; access to independent technical expertise and how to access dispute resolution. Given our use of a highly sophisticated tool using data from other customers, we do not consider it appropriate to provide such data. We request the AER clarify in the explanatory statement that the examples are for guidance only, and only where appropriate.

Should you require any further information on this matter, please contact [REDACTED], Manager Regulatory Projects, on [REDACTED] or [REDACTED]

Yours sincerely,

[REDACTED]

Brent Cleeve
Head of Regulatory Policy and Compliance
CitiPower, Powercor and United Energy