

21 November 2022

Mr Warwick Anderson
General Manager, Pricing
Australian Energy Regulator

Sent via email

AER Connection Charge Guideline Review – Draft Guideline and Explanatory Statement

Dear Mr Anderson,

Energy Networks Australia (**ENA**) welcomes the opportunity to provide a response to the Australian Energy Regulator's (**AER**) Connection Charge Guideline Review's Draft Guideline (**Draft Guideline**)¹, which is determining the circumstances under which a distribution network service provider (**DNSP**) may offer a customer a static zero export limit.

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Prohibiting DNSPs from being able to set static zero export limits under any circumstance would limit the tools available to DNSPs to manage their networks, and without this option, customers would face higher than efficient charges. While ENA broadly supports the AER's proposed positions included in the Draft Guideline, we have provided some feedback to ensure that it is fit-for-purpose once implemented.

Assessment and information requirements

To avoid raising costs for all consumers, and slowing down the connection process for applicants, via costly and time-consuming full individual assessments, ENA supports the Draft Guideline's proposed use of a DNSP-specific standard assessment framework to assess whether a static zero export limit should be applied.²

In considering the principles that the standard assessment framework 'must contain'³, ENA recommends the following amendments to clause 7A.1.3 of the Draft Guideline:

- » to ensure consistency with clause 7A.1.4, the principles should reflect that a DNSP is not prevented from applying a static zero export limit to a customer if the network has not made available and activated for use a dynamic response system at that location irrespective of the capability of the customer's equipment,

¹ AER, [Connection charge guidelines for electricity customers – Draft version 3.0 for consultation](#), October 2022.

² AER, [Connection charge guidelines for electricity customers – Draft version 3.0 for consultation](#), October 2022, clause 7A.1.3.

³ It may be useful to reword clause 7A.1.3 from "The standard assessment framework must contain the following principles" to "The standard assessment framework must adhere to the following principles".

- » to align with the proposed use of a standard assessment framework, a DNSP should not be required to undertake an individual cost benefit analysis before applying a static zero export limit. As outlined in the Issues Paper consultation, bespoke assessments would be timely and costly for all consumers.
- » to remove any potential ambiguity, the ‘network expenditure that has not already been undertaken to relieve these network constraints’ principle may benefit from further clarity – the AER’s (assumed) intent may be achieved by the removal of ‘that’ from the sentence.

ENA supports the Draft Guideline’s requirement for DNSPs to display their assessment framework on their websites, however, we recommend that the AER reconsider the requirement to also include the assessment framework in a DNSP’s connection policy.

A connection policy is developed during the regulatory determination process and established for a five-year regulatory control period. Standard assessment frameworks are informed by the best available modelling and engineering data, which may improve over a five-year period and therefore appropriately trigger an update to the assessment approach. The requirement to publish the assessment framework on a DNSP’s website balances transparency with flexibility and allows DNSPs to continue to refine processes as data visibility improves.

In addition, we welcome continued engagement with the AER as the Guideline drafting is further refined to ensure that it is fit for purpose. For example, to ensure that Clause 7A.1.7 is targeted at material augmentation undertaken by a DNSP to increase DER hosting capacity.

Network augmentation that does not meet the economic test

At locations where it is not prudent or efficient to augment the local network to increase the DER hosting capacity, if customers wish to avoid a static zero export limit, we support the AER’s draft position that those customers should contribute to the costs of the required network augmentation.

We do, however, recommend that the AER give further consideration to the timeframe over which residential connections are calculated. Thirty years is a considerable time period (six regulatory control periods in length) and may present challenges to forecasting accuracy. Instead, we recommend aligning the time period with that of non-residential connections (fifteen years).

We would also appreciate further clarification and discussion with the AER on the intent of, and interaction between, clauses 7A.1.10 to 7A.1.13 of the Draft Guideline.

If you wish to discuss any of the matters raised in this letter further, please contact [REDACTED], Head of Regulation, on [REDACTED]

Yours sincerely,

[REDACTED]

Garth Crawford
General Manager, Economic Regulation