

17 December 2021

Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator

Sent via email

Customer Export Curtailment Value Methodology – AER Issues Paper

Dear Dr. Funston

Energy Networks Australia appreciates the opportunity to make a submission to the Australian Energy Regulator's (AER) consultation on the development of Customer Export Curtailment Values (CECVs)¹, following the Australian Energy Market Commission's (AEMC) *access, pricing and incentive arrangements for distributed energy resources* final rule.²

Energy Networks Australia (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.

ENA strongly supports the AEMC's final rule, which explicitly recognises the changing role of the electricity grid; from one of traditionally providing consumption services to one of facilitating the two-way flow of energy.

The AEMC's final rule requires the AER to develop CECVs, which, as recognised by the AEMC, will help guide the efficient levels of network expenditure for the provision of export services and serve as an input into network planning, investment and incentive arrangements for export services. It is important then, particularly with the phased introduction of export pricing, that networks are enabled to invest in a level of distributed energy resource (DER) hosting capacity that reflects customers' willingness to pay.

CECV methodology

The AEMC notes that the CECVs are expected to play a similar role to the Value of Customer Reliability under the current framework³, and, when proposing expenditure relating to export services, networks would likely need to know ahead of time the value to customers and the market of relieving network export constraints.

¹ AER, *Customer Export Curtailment Value Methodology – Issues Paper*, October 2021.

² AEMC, *Access, pricing and incentive arrangements for distributed energy resources*, Rule determination, 12 August 2021.

³ AEMC, *Access, pricing and incentive arrangements for distributed energy resources*, Rule determination, 12 August 2021, page 61.

The AER recently released a draft DER Integration Expenditure Guidance Note⁴ that provides an overview of DER value streams, including wholesale market benefits, network sector benefits, environmental benefits and customer benefits.

The AER's initial position is that the CECV will only capture the wholesale market benefits to customers, and only those measured by changes in generator dispatch costs. Under this approach, there is a concern that the CECV may under-value the detriment to DER customers arising from curtailment to their energy exports.

Therefore, if this approach is to be adopted, it is important that the CECV is recognised as one value stream in the overall value stack, and when considering investments relating to export services, networks are enabled to consider all value streams, including wholesale market benefits, network sector benefits, environmental benefits and customer benefits. If not, there is a risk that investment in least-cost DER may not occur.

DNSPs should then be able to test with customers their willingness to pay for higher levels of DER hosting capacity, particularly as export tariffs, applied to DER hosting capacity that is incremental to the intrinsic hosting capacity of the network, are introduced.

1.1 Estimating CECV

If the CECV represents the wholesale market value stream, then ENA supports the AER's initial position that CECVs reflect the detriment to all customers from the curtailment of DER exports, rather than particular types of customers.

We support the development of CECV estimates for each National Electricity Market (**NEM**) jurisdiction, and do not consider a NEM-wide CECV will accurately reflect the value to customers within their respective jurisdiction.

As highlighted by the AER, the advantage of using electricity modelling (i.e., the longhand approach) is its ability to minimise errors in modelling and provide a more robust forecast. However, as also highlighted by the AER, this approach may be less transparent and, therefore, less understood by stakeholders. While at this stage, ENA supports the use of full electricity market modelling to estimate CECVs given the likelihood of it producing more accurate and complete values, its potential use needs to be carefully considered against its limitations.

Next steps

The CECV methodology and end values are important inputs into the regulatory reset process and the NSW, ACT, NT and Tasmanian distribution network service providers are currently developing their regulatory proposals for the 2024-29 regulatory control period. ENA therefore strongly encourages the AER to publish the proposed draft values when the draft methodology is published for consultation.

At the same time, it would be particularly useful for stakeholders to understand how the AER is intending to integrate prior stakeholder feedback into the final DER Integration Expenditure Guidance Note, given that the two documents are interrelated.

⁴ AER, Draft DER integration expenditure guidance note [and associated explanatory statement], July 2021.

ENA strongly supports the AER undertaking additional stakeholder engagement on modelling issues prior to the release of the draft CECV methodology, and considers February 2022 is an opportune time for this to occur.

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

Yours sincerely,

[REDACTED]

Garth Crawford
General Manager Economic Regulation