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ENA submission to AER Flexible export limits issues paper

Energy Networks Australia (ENA) welcomes the opportunity to provide input to the AERs Flexible export limits (FEL) issues paper. FELs are a promising new technology that has the potential to maximise the economic benefits of customer-owned Distributed Energy Resources (DER), and better enable the network to support more DER and contribute to a net zero future.

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.

Key messages

- » ENA supports a principles-based approach that allows DNSPs flexibility in the practical implementation of dynamic operating envelopes (DOEs) or FELs
 - The roll-out of FELs may not be as simple as 'opt-in' or 'opt-out', as different networks will likely provide different and various connection offers to their customers. A 'one size fits all' approach in the implementation of flexible networks is unlikely to be effective
 - Jurisdictional differences and considerations will play a role in determining what is best for different groups of consumers
- » DNSP data transparency
 - The proposed level of data sharing and transparency around FELs and the conditions under which they are developed is unnecessary, would be costly to implement and may compromise customer privacy
 - Aggregate data sharing and performance reporting to the AER is more appropriate; however data sharing should be limited at first to minimise cost and only grow in proportion to its usefulness to customers
- » Compliance with FELs is crucial to its efficient implementation
 - There needs to be a broader focus on developing a holistic framework for compliance of DER connecting to the network
 - The compliance framework should consider the role of distributors in enforcing compliance, including allowing more proportionate options to manage varying levels of non-compliance

- » ENA and our members consider it is not appropriate or efficient for the Australian Energy Market Operator (AEMO) to have a role in setting, administering or monitoring distributors' FELs or parameters.

We support a principle-based approach that allows flexibility

Dynamic operating envelopes (or “flexible export limits” as they are referred to in this paper) are an exciting technological development which has the potential to provide customers with many benefits. These include maximising the economic benefits from solar investments, maximising the use of the electrical network, and more broadly supporting the energy transition.

A principles-based approach, centred on promoting the long term interests of customers with respect to the efficient use and development of the network, would likely better promote good customer outcomes.

FELs are inherently complex and the approach to maximise long term customer benefits will depend on the specific circumstances. Allowing DNSPs optionality and flexibility to adapt as we continue to learn more about this new technology is the best approach for customers going forward. The implementation of FELs and similar approaches should be undertaken in consultation and collaboration with customers. Currently regulatory processes are appropriate vehicles for, and are broadly capable of, facilitating this engagement.

There is no need to prescribe an “opt-in” or “opt-out” model

The problem statements and value propositions for FEL participation are likely to be different across different networks in Australia, due to varying levels of CER connections and different network attributes.

Implementing a single participation model is unlikely to result in the best outcomes for customers in aggregate or over the long term as circumstances change. For example, an opt-out model may result in significant benefits in a network with strong CER growth and tighter constraints, while networks without the same challenges may bear similar costs while having lower benefits. Accordingly, and consistently with a principles-based approach proposed in the section above, various participation models can and should apply across Australia.

It is also important that any approach taken to the implementation of FELs is customer centric. As the cost-benefit equation for the approach to implementing FELs will vary by network and location, any approach taken should be tailored in consultation and collaboration with customers through engagement on regulatory proposals and other processes. Furthermore, customer choice should always be informed through sufficient information and data sharing, and customers should be able to make their own decisions.

DNSP data transparency

ENA supports providing the AER with transparent, aggregate FEL data that will allow the regulator to be well-informed of decisions on behalf of customers now and into the future. This includes FEL data as part of the new export service performance reporting.

We do not support the proposed levels of data sharing and transparency due to the likely cost and complexities involved. FELs will generate an enormous amount of data now and into the future. For

example, if a FEL is calculated daily, at intervals of 30 minutes for every single connection in the NEM would result in upwards of *half a billion* calculations *per day*.

It is impractical, costly, and provides little value to share this level of data with the customers, third parties or the AER. Data sharing should be implemented progressively and based on merit, starting with sharing of information customers are likely to find most useful, which may include daily limit data.

From time to time the AER may see a need to investigate an issue that requires granular FELs data, and if this occurs the AER has appropriate information gathering powers to achieve this.

Aside from the sophistication needed to manage this data, we also do not support the public provision of individual FELs or aggregation of small customer numbers as it would compromise the privacy of our customers and because it would not provide demonstrative value for society at large.

A holistic compliance framework for CER connections is required

Effective and pragmatic approaches to compliance are needed to ensure the smooth operation of the market and distribution networks as the power system transitions. Compliance with technical standards and network requirements, including compliance with static or flexible export limits, is an ongoing issue for the sector. Compliance matters are separately being considered in a range of concurrent forums, including:

- the Australian Energy Market Commission's (AEMC) Review into consumer energy resources technical standards. We support this review being undertaken and any consideration of compliance related to FELs should be considered in the context of the aspects of the compliance framework under review in this process
- the Energy Security Board's (ESB) interoperability policy work program. The ESB's recent directions paper on interoperability policy has begun to look at this issue and encourage as much cooperative effort as possible.

We believe the use of FELs may introduce new compliance considerations, such as compliance with communications requirements, which depends on the telecommunications network. This will require more holistic thinking regarding what constitutes compliance in various circumstances.

Further, one of the challenges in the current regulatory framework is lack of options for networks to enforce compliance. Under the existing rules DNSPs have a restricted ability to address non-compliance i.e. only the ability to disconnect customers in response to non-compliance. We believe a holistic compliance framework should also consider introducing various enforcement measures for distributors that are more proportionate to varying levels of non-compliance.

FELs should be managed by those best placed to do so

Distributors are best placed to plan for, set, administer and monitor FELs, including forecasting future limits which may need to be provided to AEMO for wholesale market management. While AEMO plays a critical role as the system operator, it is unclear what role AEMO needs to play in setting the forecasting methodology for FELs.

AEMO do not have the experience of and expertise for running a vastly more complex LV network and hence the ENA does not support oversight from AEMO in developing a forecasting methodology or any other elements considering the implementation of FELs.

This is consistent with the need for distinct roles and responsibilities in the energy sector as part of the post-2025 NEM design. The operation of a high variable, renewable power system requires actors with clear roles and responsibilities working together. Overlapping roles and responsibilities will only serve to confuse critical decision making in relation to the safe and secure operation of the power system and significantly complicate the compliance landscape for the AER.

The existing governance and contractual arrangements between the DNSP and the customer should remain

The ENA considers that no changes are required to the current governance or contractual arrangements between the distributor and the customer to implement FELs. FELs can be implemented through changes to the Model Standing Offer (MSO).

We also do not support the introduction of new contractual arrangements between the networks and customers traders that would pass on the liability of compliance with network limits to the trader. This would introduce significant complexity to the current framework and network operations, particularly as customers can change traders frequently.

Liability of compliance can be passed on from the customer to the trader through a bilateral contract between the two parties, thereby minimising the need for wider changes to the existing framework.

If you have any questions or would like to discuss specific topics further, please do not hesitate to contact Dor Son Tan, Head of Distribution [REDACTED].

Yours sincerely

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