

9 September 2022



Mr Warwick Anderson
General Manger, Network Pricing
Australian Energy Regulatory (AER)
GPO Box 3131
Canberra, ACT, 2601

Dear Mr Anderson,

AER ISSUES PAPER: STATIC ZERO LIMITS FOR MICRO EMBEDDED NETWORKS

Endeavour Energy appreciates the opportunity to provide feedback to the AER's Issues Paper (the paper) which considers the amendments to the Connection Charge Guideline required to reflect the circumstances where a DNSP can apply a static zero export limit. We appreciate imposing static zero export limits can impose significant constraints on customers and we agree they should only be applied where necessary to protect the integrity of the broader network. Our views on the issues raised in the paper are outlined below.

Circumstances where a static zero limit may be imposed

Prior to the AEMC's August 2021 rule change, DNSPs were not obligated to facilitate requests to export into the network. Although we sought to accommodate these requests as best we could, static export limits emerged as an important measure to support growth in connecting new embedded generation while mitigating network risk in power quality issues and impacted consumers' consumption services.

With a framework now in place to allow DNSPs to propose investment to relieve these constraints and allow efficient exports into the grid, we expect the use of static zero exports will reduce over time. Smart technologies which allow DNSPs greater control to vary exports within agreed dynamic operating envelopes will further reduce the need to impose static zero limits. Therefore, we agree static zero limits should generally not apply where a project to increase hosting capacity in a location is proposed and funded in a determination.

Nevertheless, static zero limits will still be needed where dynamic control is not available, and the distribution network has insufficient capacity to host additional exports without the risk of an adverse impact on the safe operation of the network. This would also protect customers from inefficient network augmentation that would otherwise be required to enable these exports but not deliver benefits sufficient to offset the investment cost. In addition to economic considerations, the decision to impose zero limits should be informed by requirements to comply to the relevant technical standards for power quality, safety and network asset management.

Equity considerations

The paper indicates the connection of new embedded generation could increase voltages beyond safe limits and impact the export benefits to other customers. Where network augmentation is not efficient or technically feasible, a static zero limit may be prudent and justifiable. The new connection may be approved if the customer agrees to fund the cost of accommodating their connection¹ or by installing a system that accepts dynamic response commands from the DNSP. However, during peak export times the exports from these customers would likely be curtailed ahead of existing customers with older systems without the same dynamic control capabilities.

This situation is likely to be temporary until the older inverters either fail or are proactively replaced or upgraded with units capable of smart, dynamic functionality.

Equity concerns and cost cross-subsidisation are notoriously contentious issues and are challenging to manage. However, we do not consider there is significant scope to address these within the context of static zero limits but rather should be progressed through the transition to cost reflective pricing and the

¹ In NSW, these works are contestable and administered under the Accredited Service Provider (ASP) scheme except in circumstances where the DNSP is required to carry out this work due to safety or other considerations.

development of export tariffs, facilitated by the metering reforms to increase the penetration of smart meters, to incentivise the right export and consumption behaviours.

Assessing connection applications

The paper suggests DNSPs apply bespoke processes when assessing embedded generation applications. We agree there could be benefits mainly in the form of reduced administrative burden and cost for DNSPs and improved transparency and predictability for applicants if a standardised approach is adopted.

However, there remains significant variance among DNSPs in how easily the requisite operational information of their low voltage network can be accessed. The opportunities for a common approach may be limited and it may be appropriate to balance the desire for consistency with the need to provide DNSPs flexibility in determining the criteria against which the decision to apply a static zero limit is made.

Noting DNSP connection policies need to set out the circumstances where a zero limit would apply, there may be scope to improve transparency of the assessment process by also including in these policies details on how it would be applied. Alternatively, it could be made more transparent by including details on the DNSPs website.

Providing information to customers

We agree that when imposing a static zero limit, DNSPs should be required to explain to customers the reason for this decision. This is best provided within the “permission to connect” letter issued by the DNSP once the application is approved. Where a static zero limit has been offered, we suggest the following information be included at a minimum:

- The criteria used to assess the application
- The technical constraints triggered by connecting the embedded generation.
- References to technical standards and regulations that apply (to the DNSP and customer).
- Options available to the customer (if any) including revisions that would enable a resubmitted application to be approved.

Furthermore, most customers make DER investment decisions prior to approaching the DNSP providing little scope for the distributor to provide them with information at the point of sale. One option to improve the quality of information may be to introduce obligations for Clean Energy Council accredited solar installers and retailers to provide accurate and timely information ahead the purchase agreement, thereby avoiding premature expenditure prior to distributor application and approval. However, we acknowledge this could be outside of the AER’s remit.

Finally, we consider the AER’s proposed set of high-level technical and economic conditions which NSPs should follow in reaching a decision to apply a static zero limit is reasonable. In regard to DNSPs undertaking periodic reviews to check whether the static zero limit can be lifted, we suggest these are best reviewed when a DNSP undertakes augmentation that would have the effect of changing the network conditions that the original decision to impose a zero export constraint was based upon.

To discuss our submission further please contact Joe Romiti, Regulatory Analyst and Policy at Endeavour Energy [REDACTED]

Yours sincerely,

Colin Crisafulli
Head of Network Regulation