



Part of Energy Queensland

9 September 2022

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

Lodged via email

Dear Mr Anderson

Connection Charge Guideline review – Static zero limits for micro embedded generators - Issues Paper

Ergon Energy Corporation Limited (Ergon Energy Network) and Energex Limited (Energex), welcome the opportunity to provide comment to the Australian Energy Regulator (AER) in response to its consultation on the Connection Charge Guideline review – Static zero limits for micro embedded generators - Issues Paper.

Ergon Energy Network and Energex have provided responses to the consultation questions in the attached submission.

Should the AER require additional information or wish to discuss any aspect of this submission, please contact me or Peter Wall [REDACTED]

Yours sincerely

Alena Christmas
Acting Manager Regulation

Telephone: [REDACTED]

Email: [REDACTED]

Enc: Ergon Energy and Energex's responses to consultation questions



Connection Charge Guideline review - Issues Paper: Static zero limits for micro embedded generators

Joint response to the AER

9 September 2022



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ABOUT ERGON ENERGY

Ergon Energy Corporation Limited (Ergon Energy) is part of Energy Queensland and manages an electricity distribution network which supplies electricity to more than 740,000 customers. Our vast operating area covers over one million square kilometres – around 97% of the state of Queensland – from the expanding coastal and rural population centres to the remote communities of outback Queensland and the Torres Strait.

Our electricity network consists of approximately 160,000 kilometres of powerlines and one million power poles, along with associated infrastructure such as major substations and power transformers.

We also own and operate 33 stand-alone power stations that provide supply to isolated communities across Queensland which are not connected to the main electricity grid.

ABOUT ENERGEX

Energex Limited (Energex) is part of Energy Queensland and manages an electricity distribution network delivering world-class energy products and services to one of Australia's fastest growing communities – the South-East Queensland region.

We have been supplying electricity to Queenslanders for more than 100 years and today provide distribution services to almost 1.4 million domestic and business connections, delivering electricity to a population base of around 3.4 million people via 52,000km of overhead and underground network.

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1 DETAILED COMMENTS

Consultation Paper Feedback Question	Ergon Energy and Energex response
<p>1. Under what limited circumstances should distributors be able to impose static zero limits?</p>	<p>Energex and Ergon Energy Network consider that there are likely to be circumstances where distributors should be able to apply static zero export limits, such as where the network hosting capacity for an area is already at its limit, and where augmentation is not prudent or efficient.</p> <p>This also applies to instances where customers are supplied by a DNSP led standalone power system (SAPS). In these cases the SAPS will be sized and designed for the customer's energy needs. The DNSP needs to manage how the SAPS batteries are charged and therefore may need to impose a static zero export limit.</p>
<p>2. Under what circumstances should we take into account equity issues when considering the application of static zero limits?</p>	<p>Energex and Ergon Energy Network consider that while it may be desirable from an equity perspective for all connections to have access to a basic export limit, in practice, this may not always be practical or possible and will vary depending on network characteristics, for example, SWER vs CBD.</p>
<p>3a. What are your views on networks using a 'standard approach' to decide on whether to impose a zero export constraint for each individual application?</p>	<p>Each distribution network is different, featuring different technical and physical characteristics. For example, consider the differences between a connection in the CBD of a major city compared to a connection on a SWER line in a rural area. As such, Energex and Ergon Energy Network consider that it is appropriate for each DNSP to use their own approach which they have developed using their own testing or assessment methodology to determine the conditions where a static zero export limit may be appropriate, rather than an approach which the AER applies nationally.</p>
<p>3b. If you consider a 'standard approach' to be inappropriate, what depth of analysis or study should networks be required to do in the limited circumstance where a static zero limit</p>	<p>Energex and Ergon Energy Network currently use standardised tests and processes to assess embedded generator connections. We undertake a technical study for most applications that will receive a negotiated connection offer (i.e. connections that will not receive a model standing offer to provide a basic connection service). These applications are assessed against a published technical standard.</p> <p>The costs of this approach are borne by the connection applicant and are published on our websites¹. This approach ensures equity and avoids all</p>

¹ Energex: <https://www.energex.com.au/home/our-services/connections/business/connection-charges>;
 Ergon Energy: <https://www.ergon.com.au/network/connections/residential-connections/connection-services-charges>

**Consultation Paper
Feedback Question**

Ergon Energy and Energex response

may need to be imposed? What would be the likely costs of this level of study? Should the costs of the study be charged on a requester or treated as a general network administration cost?

customers contributing towards the assessment costs of an individual customer's connection (i.e. connection of micro embedded generation). This is consistent with the classification of 'Connection application and management services' as Alternative Control Services.

A similar approach as outlined above should be considered for requestors of any analysis/studies where a static limit is imposed.

4a. What information should the distributor provide the connection applicant when a distributor proposes a static zero limit and how should that information be provided?

In our view, DNSPs should provide information to the applicant on which aspects of their application failed the assessment (for example, network capacity), and the options available to avoid the imposition of the static zero limit for their proposed connection (this could include connection via a dynamic standard or network augmentation to accommodate the export).

Energex and Ergon Energy Network provide applicants with the technical reasons to clearly explain why an application does not pass the standard assessment, including where a static zero export limit was offered².

We do not provide details of economic considerations to applicants, but applicants may request details of the cost for an upgrade to accommodate the requested level of export. We would not support such a requirement for every assessment with a lower than requested export level due to the complexity and cost of the calculation and analysis.

4b. What's the best way to communicate the steps to inform customers' investment decisions? For example:

- What type of information should customers be provided with, when should it be provided and by whom?
- Who is best placed to provide effective

Energex and Ergon Energy Network recognise that in an ideal situation a distributor would be able to publish hosting information to provide indicative information about all points in the network. However, unfortunately, the data currently available is not sufficient to determine this in advance.

In the meantime, it may be possible for DNSPs to consider introducing an optional detailed enquiry stage to provide this information, similar to a detailed response provided under the Chapter 5 connection process

² Energex: <https://www.energex.com.au/home/our-services/connections/business/connect-solar>;
Ergon Energy: <https://www.ergon.com.au/network/contractors-and-industry/solar-pv-installers/applications-that-fail-assessment>

Consultation Paper Feedback Question	Ergon Energy and Energex response
customer education before a customer makes an investment decision?	
5. Are there exceptional circumstances where it would be appropriate for a distributor to impose a static zero limit where it has already been funded under revenue determinations to augment the network?	Distribution networks are not homogenous, and it is unreasonable to exclude the use of static zero export limits merely because the DNSP has been funded to augment its network. Network augmentation decisions are complex and feature different technical and physical characteristics throughout their networks. While Energex and Ergon Energy Network strive to avoid the use of static zero export limits, they remain a necessary mechanism in appropriate circumstances
6a. What conditions must be met in the limited circumstance that a static zero limit is applied? Do you consider the above controls adequate?	Energex and Ergon Energy Network considers that the initial set of conditions listed in the issues paper appear to be a reasonable starting point.
6b. In the limited circumstance that they are imposed, should static zero limits be subject to regular review? If so, what should the length of the period be?	<p>While we appreciate the intent of such a proposal, carrying out regular reviews is likely to place a substantial administrative burden on DNSPs. In Queensland the conditions for interconnection of generating units with the network must be included in an agreement so this type of change may require a contractual amendment, or a new contract being entered into, which is likely to be burdensome to manage.</p> <p>If a review mechanism is introduced, we suggest that this requirement should be limited to connections no older than two years that are directly affected by the augmentation. For example, if the limiting plant, such as a distribution transformer, is replaced.</p>
7. At locations where it is not prudent nor efficient to augment the local network to increase the rooftop solar hosting capacity, should customers bear the cost for network augmentation if they wish to avoid export limitation?	<p>As a general principle, Energex and Ergon Energy Network consider that it is reasonable for customers to bear the costs of local network augmentation simply to avoid the application of static zero export limits. This generally aligns with the approach DNSPs use for applications for additional network capacity for load.</p> <p>We also note that the cost of network augmentation is likely to be greater than the cost of alternative investments a customer could consider behind their connection point.</p>

**Consultation Paper
Feedback Question**

Ergon Energy and Energex response

8. Do you consider that the above charging practice is reasonable? If not, what do you consider is a reasonable charging practice?

We consider that the proposed charge practice is reasonable, that is, the net cost to the distributor between the actual cost to remove the static zero export constraint netted off by the net present value of the export charge revenue received from the connection applicants and the projected future additional PV connections. However, further consideration may be required in terms of the details of the calculation, such as the anticipated life of the technology, which may be less than thirty years. We also note that the energy exported from additional technology types, such as batteries and electric vehicles could also be included.