5 May 2022

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

Consultation – *Draft Customer Export Curtailment Value (CECV) Methodology and Explanatory Statement*

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex) welcome the opportunity to provide comment to the Australian Energy Regulator (AER) in response to its consultation on the *Draft CECV Methodology and Explanatory Statement* (Consultation). Ergon Energy and Energex are distribution network service providers (DNSPs) in Queensland.

Ergon Energy and Energex remain generally supportive of the AER's approach but continue to be concerned about the potential data requirements on DNSPs. Consistent with previous feedback provided to the AER, Ergon Energy and Energex recognise the value in locational and temporal CECVs. However, we anticipate the complexity of providing DNSP inputs into such a model will be very data intensive, particularly considering the analysis period, scenarios and number of assets involved.

Our preference remains that the CECV is a single value, or range of values, that can be applied by the DNSP in their own planning tools, similar to the current Value of Customer Reliability values.

Until further detail and comparable methods are more extensively considered and greater clarity is provided, it is difficult for Ergon Energy and Energex to fully support the draft methodology. We therefore look forward to further engagement and collaboration with the AER on the development of the CECV methodology.

Should the AER require additional information or wish to discuss any aspect of this response, please contact me on ▮▮▮▮▮▮▮▮▮ or Laura Males on ▮▮▮▮▮▮▮▮▮

Yours sincerely

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Encl: *Ergon Energy and Energex responses to consultation questions*

Draft Customer Export Curtailment Value Methodology

	Consultation Paper Feedback Question	Ergon Energy and Energex Comments
1	What are your views on the value streams to be captured in the CECV?	Ergon Energy and Energex suggest it is reasonable that network sector value streams are left to the DNSP to determine.
		As acknowledged previously by the AER, DNSPs are best placed to determine the type of analysis most relevant to their network and customers. In our view, this includes the identification of relevant network value streams.
2	What are your views on our interpretation of customer export curtailment and the concept of the alleviation profile?	Ergon Energy and Energex note that in future curtailment may also be required for system-wide stability purposes, as already required in some jurisdictions, rather than specific to local network conditions.
		We suggest that while the hosting capacity and future capacity are profiles in the Consultation, the operational methodology most DNSPs use is likely to be static values which may only change on a seasonal basis.
		The complexity that an alleviation profile requires to assess data (current and forecast penetration, sizes, export potential, amount and timing of curtailment), compared to using a generation duration curve scaled to the installed capacity and determining mathematically the percentage of time curtailment would occur based on existing and future hosting capacity, will not, in our view, necessarily provide added benefit.
3	What are your views on our interpretation of the distribution costs and benefits, including the relationship between CECVs and export charges?	Ergon Energy and Energex agree that export charges should be considered independently from the CECV calculation as this will be specific for each DNSP and their customers.
		We also agree that the common distribution service is classified as a standard control service and benefits all customers regardless of customer type. Further, we agree it is the cost that the DNSP recovers and not the value. The benefit of the CECV is that it helps to justify that a network investment project provides a tangible benefit and should be considered.
4	Do you agree that half-hourly CECV estimates are appropriate?	Ergon Energy and Energex suggest more granularity is unlikely to provide additional insight. Indeed, EQL's view is that less granularity would not materially impact the accuracy of the benefit calculation. We also suggest a single average value should be provided for CECV for each year of the forecast, similar to what is used for Value of Customer Reliability. In our view, providing further granularity does not significantly increase the accuracy but adds significantly to the complexity. We would appreciate a

		worked example demonstrating the significance of more granular values to justify the additional effort required to use half hourly values.
5	Do you agree that CECV estimates for each NEM region are appropriate?	Given that they are based largely on wholesale energy prices, Ergon Energy and Energex agree estimates by region are most appropriate.
6	Do you have any views on the model inputs and assumptions and the process of estimating CECVs?	As the energy market evolves, we suggest further refinement of wholesale energy costs and increased requirements to provide essential system services may be required.
7	Do you have any views on the factors we should consider in updating CECVs annually, as well as potential triggers for reviewing the CECV methodology prior to the five-yearly review?	Ergon Energy and Energex provides no comment.
8	Do you support the DNSP model allowing for the self-selection approach?	Ergon Energy and Energex believe flexibility is important to ensure that the benefits captured are relevant for each proposed project. In our view, it is likely that analysis will be required to determine potential benefits, so expanding this to an additional CECV benefit calculation is unlikely to be overly onerous.
		The proposed methodology is simple to calculate the benefits. However, the development of an accurate alleviation profile is difficult to produce and review. Therefore, we are not supportive of this element in the Consultation.
		We suggest the benefits of this model will need to be considered and that a simpler model would be beneficial. For this approach it would be more useful for the workbook to contain a single column of half hourly data such that the alleviation profile could be added in the adjacent column.
9	Do you support the DNSP model allowing for the characteristic day approach?	In our view, analysis is still needed to determine the number of days in each characteristic day, and the alleviation of curtailment required for each type of day. However, this may reduce the analysis required when analysing a larger area. As such, Ergon Energy and Energex are supportive of an average value across the year, or by characteristic day.
		Provision of the aggregated PLEXOS would be helpful to understand how this approach compares to the self-selection outputs. As the characteristic days appear to be only dependent on demand and solar PV generation, we request clarity as to whether other types of generation have been considered. In our view, any approach should also consider night-time generation such as wind, battery or pumped hydro.

10	Do you support the DNSP model allowing for the ranking of characteristic days approach?	It is our understanding the DNSP will need to determine the initial data, using half-hour data over the year, in order to determine the number of days where curtailment would apply, and the potential alleviation. We therefore suggest the benefit of this method over the characteristic day is unclear.
11	Do you have any views on the ranking of characteristic days?	As suggested in the response to question 10, the benefit is unclear. In our view, the total number of curtailed days cannot be determined without analysis of either each half-hour, or the characteristic days.
Suggestion/additional comment		Ergon Energy and Energex suggest a clearer comparison of each method, using the same proposal, would be helpful in determining the most appropriate methodology. For clarity, we also suggest a statement be included as to the connection size the AER is intending the CECV will be used for, e.g. large-scale registered generators. For method two, we would also appreciate additional clarity as to whether the average marginal wholesale energy cost provided is for a 24 hour period or daytime data, as this is not clear.