

NSW electricity distribution businesses public forum

2024-29 Regulatory Proposal

General Questions –

- 1. You've mentioned the 'indirect subsidy for embedded networks'. In what way does an embedded network NMI represent greater costs to the DNSP compared to a single large customer? If the concern is the availability or profitability of the business model of embedded network operators, is that not a question for our regulators, not our regulated businesses.**

Does not apply to Essential Energy as we are not proposing embedded network tariffs.

- 2. What flexibility is being considered during the 5-year period? While 5 year reg periods made sense in a one-way energy system (esp. for distribution) - but this is not the case anymore. We need to have the ability to be dynamic - especially if we are to gain the benefits of developing technologies like Dynamic Operation Envelopes (DOE) and the rapidly developing IoT/Matter, Home Energy Management Systems (HEMS) that enable Demand Management and consumers/customers to truly participate for their, and the Community's benefit.**

Essential Energy acknowledges that the future energy transition requires more agility by business' and communities, than has previously been needed. There is an onus on regulators and legislators to therefore ensure the frameworks are flexible enough to consider all the benefits of new technologies which will flow through to customers.

- 3. The AEMC is currently undertaking a Review of the Power of Choice (Metering) Reform - though its largely through the lens of accelerating the rollout (with a new object of 100% by 2030). This seems to ignore that the biggest impediment to rollout is a lack of consumer benefits. The current control of metering data by FRMPs is totally unacceptable and blocks consumers access to their data BTM and networks to it so they can assist consumers. Does the AER, and the DNSPs, strongly support that customers should have unfettered access to their/all meter data in real time and that they can support Realtime distribution of that data (using their broadband internet connections) to their agents (innovators) and to networks so that DOE and DSM technologies can maximise consumer/customer benefits?**

Essential Energy strongly supports increased scope and access to real time data.

Please refer to Essential Energy's submission to the Australian Energy Market Commission's (AEMC's) review: <https://aemc.gov.au/sites/default/files/2023-02/Essential%20Energy%20submission%20AEMC%20Metering%20Review%202023%20-%20Final.pdf>

- 4. NSW has a unique environment with ASPs building the overwhelming majority of assets for new and upgraded customer connections. The ASP fraternity need to be included as a specific specialised partner in the delivery of new customer connections. Will the AER and/or DNSPs**

work directly with ASPs and their member associations to help them better understand what the impacts of these Reg Resets will have on costs to do business and to connect customers, transition arrangements to allow existing projects to proceed without being impacted by cost increases?

Essential Energy welcomes further discussion and engagement with ASP's. Please contact us at yoursay@essentialenergy.com.au.

5. What is the view of the AER - and the DNSPs - on making Network Tariffs mandatory pass-through and transparent (and retailers adding a margin if they want)?

This is a question for regulators and legislators.

Essential Energy Specific questions

1. Interested to know how the two-way pricing works with regard to HV and Sub-transmission for larger grid-scale batteries? I have read that they are still in review for storage of this scale. And we are looking for more certainty to inform our investment decisions.

Essential Energy is trialling tariffs for large scale-scale batteries connected at LV and planning to trial tariffs for batteries connected at HV and Sub-transmission. Further detail can be found at https://www.aer.gov.au/system/files/Essential%20Energy%20-%20Attachment%206%20-%20Intention%20to%20use%20sub-threshold%20tariffs%20-%2031%20March%202022_0.pdf

Subject to AER review and approval, the trials will lead to the inclusion of battery tariffs for all voltages of the network in our 2024-29 Tariff Structure Statement (TSS).

Essential Energy welcomes further discussion and engagement on our plans to introduce battery tariffs. Please contact us at yoursay@essentialenergy.com.au.

2. Why have Ausgrid and Essential decided not to include a transitional policy in their TSSs that would give consumers the time they require to understand and respond to the tariffs.

Essential Energy is not proposing a grace period before applying the default cost-reflective tariff to new smart meter installations. This reflects the interests of our customers - the majority of whom are better off on the default Sun Soaker two-way tariff than the anytime tariff (as shown in our Tariff Structure Explanatory Statement (TSES), and the strong preference of our Pricing Collaboration Collective (PCC).

In our engagement prior to the Draft TSS, one retailer submitted that it would prefer a one-year grace period before two-way prices are applied to existing customers, following a faulty meter change or a retailer led move to a smart meter. Customers also supported this concept, although discussion indicated that this was also about choice and the desire for customers to opt-in to the two-way price earlier if they desired.

Prior to the Draft TSS, our PCC's view was that two-way prices should be automatically applied to customers who would be better off on them. As part of our Phase 4 engagement, we specifically asked the PCC to help develop the principles against how such divergent views should be assessed. They agreed with our existing focus on customers' interests and alignment to the National

Electricity Objective (NEO), the network pricing objective and our pricing principles. They also suggested that we consider the impact of any change on retailers and other market players who develop products and services for electricity consumers - to the extent that it can be done without obstructing customers' interests. Using this lens, we are not proposing to implement a one-year grace period before moving customers who receive a new smart meter to the appropriate default cost-reflective price. This is because:

- it is inconsistent with customers' and stakeholders' preference for a faster transition to two-way prices;*
- deferring its application is not in customers' best interests, given the significant administrative burden (cost) and the fact that our modelling indicates that small customers with and without solar of various sizes are better off on the Sun Soaker two-way price (see the charts included in our TSES);*
- Retailers' concern in this area arises when customers are moved to demand charges, which we are not proposing to do;*
- Retailers have no obligation to pass on our network tariff to customers in their retail offers, and can implement a grace period for customers themselves;*
- solar installers may inadvertently model their propositions on the tariff offered in the grace period, which could provide an inaccurate price signal and lead to customers over-sizing their system or facing it in a less 'valuable' direction; and*
- the AEMC can implement such a policy in its metering contestability review, and associated rule changes, and we would comply with these rule changes through the 2024–29 TSS period. If our binding TSS included a mandatory grace period which the AEMC review determined was either not required, or should apply at a retail tariff level, then the TSS would have inappropriately bound the due process of finding the optimal solution for advancing the NEO amid the transition to full smart meter deployment.*