30 January 2023

Mr Kris Funston
Executive General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email to: exportservicesreview@aer.gov.au

Dear Mr Funston

**Re: Incentivising and measuring export service performance – draft report**

Evoenergy welcomes the opportunity to make a submission to the Australian Energy Regulator's (AER) draft report on incentivising and measuring export services performance.

Evoenergy owns and operates the electricity distribution network in the Australian Capital Territory (ACT) and gas distribution networks in the ACT and the Queanbeyan–Palerang Regional Council and Shoalhaven City Council local government areas of New South Wales.

At this time, Evoenergy does not support including export services in the Service Target Performance Incentive Scheme (STPIS). Instead, Evoenergy supports the introduction of a new small-scale incentive scheme (SSIS) which would permit DNSPs to propose bespoke export service incentive schemes in their regulatory proposals.

Evoenergy supports a future review of incentive arrangements for export services and recommends the AER publish guidance on the common performance metrics DNSPs are expected to develop over the next few years to enable development of a future incentive scheme, or amendment to the STPIS. It is critical that robust data sets for export services performance measurement be available for proper analysis and benchmarking and that data is standardised across DNSPs.

Further, Evoenergy also supports an increase to the Demand Management Innovation Allowance (DMIA) to support innovation in both import and export services.

The attachment to this letter provides Evoenergy's response to questions asked in the draft report. If you wish to discuss any of the matters raised in this submission further, please contact Cameron Shields, Group Manager Regulatory Finance & Strategy, at [redacted]

Yours sincerely

[redacted]

General Manager Evoenergy

## Attachment 1: Evoenergy's response to the AER's consultation questions

*Q1. Do you agree that no amendments to the Distribution Reliability Measures Guidelines (DRMG) are necessary?*

**Response:**

Yes, Evoenergy supports the draft decision to not make amendments to the DRMG.

*Q2. Do you agree with our proposed timeline for a future review of incentive arrangements for export services? What factors may prompt an earlier or later review?*

**Response:**

Evoenergy notes a key reason why an extension to STPIS (or introduction of another common incentive scheme) is not being developed at this stage is because of a lack of robust data. Evoenergy recommends the AER provides guidance, subject to industry consultation, on the common metrics that DNSPs should develop to inform performance metrics in a future incentive scheme for export services.

The development of export tariffs and flexible export limits are currently, to a large extent, at the discretion of each DNSP. The enabling capabilities (performance metrics, export tariffs, and flexible export limits) are as important for the actual performance of export service as they are for the development of incentive arrangements. Further consideration should be given to how consistency can be achieved across DNSPs.

*Q3. Do you agree that developing a new small-scale incentive scheme is the best way to facilitate DNSPs proposing bespoke incentives?*

**Response:**

Evoenergy agrees that a new SSIS is the best way to facilitate DNSPs proposing bespoke incentive arrangements and export service performance metrics.

*Q7. Do you agree that no amendments to the demand management innovation allowance mechanism (DMIAM) and demand management incentive scheme (DMIS) are necessary?*

**Response:**

Evoenergy recommends that the AER consider increasing the Demand Management Innovation Allowance (DMIA) as the remit of the DMIS will expand from managing demand of consumption services to include export services management. An increase would support innovation to manage export services more efficiently.

*Q9. Do you foresee any challenges in collecting the new data for the key metrics? Can you identify any additional costs associated with data collection?*

**Response:**

Limited access to smart meter data reflects:

1. Low penetration of smart meters;
2. High costs associated with procuring data from metering coordinators; and
3. High costs to store and manage data.

Additional costs are also incurred analysing meter data to realise and maximise its benefits. The cost of analysing data is partly dependant on the complexity of the metrics being derived or estimated.

Evoenergy agrees that DNSPs are currently limited in their capability to guarantee the accuracy of the data reported by Distributed Energy Resources (DER) installers. Investment in analytical capabilities would help validate and increase confidence in this data and help estimate inverter and DER compliance with device standards and DNSP requirements, respectively.

*Q10. Do you agree with the proposed base year for 2020-21 for most metrics and 2022-23 for metrics where data may be less available? Please suggest an achievable timeframe for metrics where the proposed reporting date is not feasible.*

**Response:**

Some metrics, for example, *total utilised consumer energy resources generated*, need data procured from third parties. Evoenergy is proposing expenditure to increase visibility on the network in our 2024 regulatory proposal. If the AER seeks to propose additional metrics this may impose additional costs on DNSPs that will need to be recovered through regulated revenue.

The proposed base year for most metrics and timeframe for other advanced metrics will be greatly affected by the infrastructure in place, and should be the driver of choosing a base year and other milestone years.

*Q12. Is any of the proposed data ambiguous? If the information request would benefit from additional definitions or specification, please provide your suggestions.*

**Response:**

- C3: Inverter compliance to AS4777.2 does not guarantee Volt/VAR and Volt/Watt response modes to be enabled. If response mode compliance is the intent, Evoenergy suggests making this clear in a future Regulatory Information Order (RIO). It is also unclear how this metric would help the AER monitor network readiness for flexible export limits (as suggested by the "Reason for inclusion in consultation paper" cell).

- C8: This data would not be readily accessible to DNSPs. Data from a subset of exporting customers can be procured through DER aggregators and inverter manufacturers. Evoenergy would recommend that the AER provides further guidance on:
    - What level of data would be sufficient; and
    - How to assess the efficient cost of procuring this data.

**Evoenergy's response to the AER's draft position on Benchmarking**

Evoenergy agrees with the AER's draft position to not proceed with developing an export service Operating Environment Factor (OEF) for the reasons outlined in Evoenergy's 2024–29 regulatory submission, including the reliance on post-modelling adjustments. Evoenergy considers that focusing on understanding whether the impacts of export services have a material impact on benchmarking outcomes is a pragmatic initial step to establishing an evidence-based case for change. Data availability and quality constraints related to measuring the impacts of export services will have an impact on incorporating performance metrics into benchmarking analysis.

Evoenergy supports the AER's suggested approach of undertaking a comprehensive review of the benchmarking models. Evoenergy notes that there are complexities associated with defining model outputs, including capturing utilised network capacity with increasing DER while accounting for unique network design characteristics associated with providing dual function services to support the National Electricity Market's transmissions system, to ensure that the defined model specification adequately captures services delivered on a comparable basis.