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Mr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Via Email: AERInquiry@aer.gov.au

Dear Mr Funston

Re: AER Consultation on Customer Export Curtailment Value (CECV)

Power and Water Corporation (**Power and Water**) welcomes the opportunity to provide feedback and comment in response to the Australian Energy Regulator's (**AER**) Issue Paper on establishing a customer export curtailment value (**CECV**) methodology.

We support guidance and certainty for efficient levels of investment to support distribution energy resource (**DER**) integration, and enable greater levels of solar export. This will not only provide greater certainty for DNSPs in preparing expenditure business cases, but will also provide greater transparency to stakeholders on how investment benefits have been quantified.

While we support the AER's policy intent, appropriate consideration must be given to whether the methodology and values can apply to unique operating circumstances in the Northern Territory (**NT**), or whether alternative approaches need to be developed. We note in particular that the Issues Paper solely focuses on considerations relating to the National Electricity Market (**NEM**), and is currently being developed based on the assumption of an interconnected market system and assumptions contained in the Australian Energy Market Operator's (**AEMO**) Integrated System Plan (**ISP**).

Power and Water operates in an environment vastly different to the NEM. We would be concerned with the application of a methodology being applied to Power and Water that did not address key market and operating differences between the NT's Northern Territory Electricity Market (**NTEM**) and the NEM.¹ Specifically:

- The NT does not have an interconnected electricity market, and instead operates three stand-alone networks (the Darwin-Katherine interconnected system, Alice Springs system, and Tennant Creek system) which are subject to regulatory oversight under the National Electricity Rules.
- The operation of the NTEM is overseen by the Northern Territory Electricity System and Market Operator (**NTEM**) rather than AEMO.

¹ It is important to note that the Northern Territory electricity market is currently operating under interim market arrangements (**I-NTEM**). Priority market reforms are being progressed by NT Government to establish long term market arrangements in the Territory and includes work aimed at establishing new market arrangements governing reliability, dispatch, essential system services, and settlement. For further details refer to <https://industry.nt.gov.au/reforms/northern-territory-electricity-market-priority-reform-program>

- The size of the electricity market and customer density numbers in the NT are significantly smaller than the NEM. Power and Water’s Darwin-Katherine, Alice Springs and Tennant Creek systems service a total population of 185,000 people which is only slightly more than the total population of Randwick (156,619).²
- Not all obligations under Chapter 5 of the National Electricity Rules (**NER**) apply in the Northern Territory. In particular, obligations relating to AEMO and the requirement to develop ISP do not apply under the Northern Territory Electricity Rules (**NT NER**) and are instead governed by jurisdictional arrangements such as through the system control technical code and network technical code which are approved by the Utilities Commission.³

While there is no equivalent requirement under the NT NER for NTEM SO to develop an ISP, NT Government has recently published its Darwin Katherine Electricity Market System Plan which sets out key assumptions, scenarios, and a least cost transition path achieving the NT’s renewable energy target of 50% renewable energy by 2030.⁴ This would be a more appropriate basis for developing CECV for the NT, as opposed to the AEMO’s ISP, which is based on very different market circumstances. Importantly, modelling underpinning the Darwin Katherine Electricity Market System Plan suggests that adopting the ‘Seek Different’ scenario, rather than the Business As Usual scenario, where retiring generation is replaced with equivalent technology, would result in approximate total system savings of \$30million per year by 2030.⁵

Power and Water looks forward to engaging with the AER further to understand the best methodology to guide investment in DER integration. Consistent with the consultation process outlined in the Issues Paper, we would urge the AER to engage with our jurisdictional regulator (Utilities Commission) and NT Government (Office of Sustainable Energy), to better understand how to pragmatically resolve the issues identified in our submission. Preliminary issues that could be discussed with these stakeholders include but are not limited to:

- The complexity involved in calculating a CECV for each electricity system in the NT
- Issues in limiting the CECV to only the Darwin-Katherine system given existing limitations with visibility of generator costs for Alice Springs and Tennant Creek and significant differences in locational costs between the different systems
- How the CECV will take into account low customer density numbers.

We note that as a result of these discussions the AER may form the view that it may be more appropriate to develop an alternate method for determining the efficient level of DER integration investment in the NT given the materiality of operating differences between the NTEM and NEM.

If you would you like any clarification regarding our response, please contact Brendon Crown, Senior Manager, Regulation, Economics and Pricing by phone on [REDACTED] or by [REDACTED]

Yours sincerely

[REDACTED]

Jodi Triggs
**Acting Executive General Manager,
 Customer Strategy and Regulation**

² Australian Bureau of Statistics, Estimated Population: Randwick City, 30 June 2020.

³ Refer to [Power Water Corporation, ‘System Technical Code’, version 6.0, 30 March 2020](#) and [Power Water Corporation, ‘Network Technical Code and Network Planning Criteria,’ Version 4, 30 March 2020.](#)

⁴ Refer to Northern Territory Government, [‘Darwin Katherine Electricity System Plan: Cleaner, more affordable and secure electricity system by 2030,’](#) October 2021.

⁵ Ibid, see pages 15-16 and 67-68.