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16 May 2022

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

Submitted electronically: AERInquiry@aer.gov.au

Dear Dr Funston,

Re: Draft Customer Export Curtailment Value Methodology

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to provide feedback to the Australian Energy Regulator's (AER) Draft Customer Export Curtailment Value Methodology (CECV) methodology.

At a high level, we support an AER CECV methodology which quantifies the benefit to all customers from the alleviation of curtailment to allow more DER exports. The use of a granular CECV methodology will help to ensure that only efficient augmentations are developed for DER exports.

The CECV will deliver more efficient augmentations where the CECVs themselves are, to the maximum extent possible, granular to the location of the proposed augmentation. This is important for network areas that cover a sparse area or areas with diverse characteristics. For example, Ausgrid's network in the Sydney CBD will presumably have different characteristics and export considerations than in the far west of Essential Energy's network.

In our view, the CECV is akin to the assessment of Value of Customer Reliability (VCR) undertaken by the AER. Both of these assess what value a customer places on the reliability of their electricity supply (or lack thereof) in both cases. In the context of the broader reforms, networks must ensure that their regulated asset base is reflective of the electricity needs of the consumers within their area.

As such, Red and Lumo recommend the following changes to be made to the CECV methodology:

- CECVs would need to be captured at five minute intervals consistent with the NEM dispatch process to capture the value of curtailment values more accurately.

- CECVs would be developed on an intra-regional level reflecting demand at the regional level. By doing this, the CECV methodology would more accurately reflect demand at the regional level improving the accuracy of the CECV's methodology's outputs in order to justify any augmentation.

- Given the latest NEM developments, CECVs would need to be developed accounting for increased levels of negative price periods in the NEM. DER exports which are made during negative price periods do not create any economic value.

- CECVs would be published with upper and lower bounds for CECV values and include some accommodating analysis explaining the key drivers for results. Given the difficulty of relying on a single CECV, publishing upper and lower ranges for the CECV values would help understand how reliable the numbers would be.

- CECVs to be developed with qualitative analysis explaining the key drivers for results to facilitate the market's understanding of the results.

When combined these changes to the CECV methodology will increase the reliability of the CECVs over the long term. While there is the potential for these changes to be costly, the increased costs would be insignificant compared with the costs to consumers of paying for augmentations justified on the basis of potentially unreliable information.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria, New South Wales, Queensland, South Australia and in the ACT to over 1.1 million customers.

Red and Lumo thank the AER for the opportunity to comment on the issues paper. Should you wish to discuss aspects or have any further enquiries regarding this submission, please call Con Noutso, Regulatory Manager on [redacted]

Yours sincerely

[redacted]

Stefanie Monaco
Manager - Regulatory Affairs
Red Energy Pty Ltd
Lumo Energy (Australia) Pty Ltd