



PO Box 4136
East Richmond VIC 3121
T 131 806
F 1300 661 086
W redenergy.com.au

PO Box 4136
East Richmond VIC 3121
T 1300 115 866
F 1300 136 891
W lumoenergy.com.au



1 September 2022

Sara Stark
Director Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Ms Stark,

Re: Consultation paper - Incentivising and measuring export service performance

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to comment on the Australian Energy Regulator's consultation paper on incentivising and measuring export service performance.

Since the release of the final rule, the AER has undertaken a variety of work streams on the distribution regulatory framework to facilitate the efficient integration of Distributed Energy Resources (DER) into the grid. This consultation paper forms part of one workstream reviewing the incentives and measuring export performance of electricity distributors.

As part of the consultation paper, the AER explored several options that could be adopted to incentivise electricity distributors to provide an efficient level of export services. Unfortunately, a key conclusion from the consultation paper was there were significant challenges associated with implementing these options; they are difficult to develop and challenging to measure. Given these challenges and the lack of constraints on the network, we support deferring this work.

Red and Lumo would support revisiting this in the future once the networks have developed export pricing signals for DER. The AER could reconsider an incentive mechanism for export performance if the response to these signals fails to address congestion and there is evidence of networks reducing costs at the expense of service quality. However, we recommend that the AER incorporate any future export incentive scheme into the existing Service target Performance Incentive Scheme (STPIS). Given how directly related measuring both the duration (SAIDI) and frequency (SAIFI) of power outages for consumers are to export service, inclusion of an export scheme into the STPIS is a sensible approach.

Importantly, we would only support the introduction of an export service component into the STPIS if the total revenue at risk in the STPIS remained at $\pm 5\%$. We expect that the AER may need to adjust some of the weightings in the current STPIS.

Red and Lumo thank the AER for the opportunity to respond to this consultation. Should you wish to discuss, 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