



Government
of South Australia

Department for
Energy and Mining

Our Ref: D21049072

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

Dear Dr Funston

Issues Paper – Customer Export Curtailment Value methodology – AER212903

Thank you for the opportunity to comment on the Australian Energy Regulator's (AER) issues paper on the Customer Export Curtailment Value (CECV) methodology.

The Energy and Technical Regulation Division (the Division) acknowledges the potential value to Distributed Energy Resources (DER) integration associated with developing a CECV methodology. As with all proposals for new energy infrastructure, we expect that proposals for capital expenditure that increase the hosting capacity of the network should undergo rigorous economic assessment and that all other credible investment options are considered. Given that DER integration expenditure guidance is not currently provided by the AER, and that the pace of growth in DER business models is expected to continue, the Division agrees that estimating CECVs should be used to justify a Distribution Network Service Providers (DNSP) proposal and the AER's assessment of expenditure for DER integration.

Reflecting the challenges in both implementing and communicating the CECV methodology, the Division considers that the CECV should not attempt to estimate the impact on specific customers or identify specific instances of export curtailment. Including value streams in the CECV that are not investment-specific or dependant on DNSP discretion, but rather are able to be independently estimated may lead to less contentious outcomes. While the views of stakeholders are expected to better shape the position of the Division, measuring changes in generator dispatch costs would appear to be a good starting point in establishing how CECVs can capture wholesale market benefits and costs to consumers.

In determining which class of customer the curtailment of DER exports should apply to when developing a CECV methodology, the Division suggests that the AER carefully consider the ways in which each possible CECV could be used in practice:

Energy Policy and Projects/Energy and Technical Regulation Division

Level 8, 11 Waymouth Street, Adelaide 5000 | GPO Box 320 Adelaide SA 5001 | DX452

Tel (+61) 08 8226 5500 | Email DEMEnergyMarketReform@sa.gov.au | www.energymining.sa.gov.au | ABN 83 768 683 950





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- For economic assessments of proposed DER integration investments associated with **revenue allowances**, DNSPs should use CECVs to quantify the value of avoided dispatch costs. As such, because the curtailment of exports eventually impacts wholesale prices broadly, the CECV should reflect the detriment to all customers from lower levels of exports, rather than just for DER customers.
- There are vulnerable customers who have not had the capacity to invest in DER and the risk of cross-subsidisation by these customers should be a paramount consideration. As such, when **setting network tariffs**, the Division agrees with the AER that, as any tariffs need to be consistent with the pricing principles of the National Electricity Rules (NER), CECVs specific to DER customers may be more useful for only indirectly developing two-way and export tariffs.

While the views of other stakeholders will be important, the Division initially considers that CECVs should be estimated annually by NEM region and reflect the costs to customers in other NEM regions, provided that interconnector behaviour can be appropriately and accurately modelled. To ensure CECVs reflects consumer behaviour as much as possible, without introducing undue complexity, the Division considers that CECVs should reflect seasonality and the 'time of day'. However, unless they could be demonstrated to be robust, CECV forecasts beyond one year should be left to the discretion of DNSPs.

The Division considers that the methodology adopted should strike an appropriate balance between accuracy and complexity and seek to be transparent and understandable. Adopting a complex market modelling approach may not be the best approach in achieving these outcomes. As illustrated by examples such as recent work from Energy Consumer Australia¹, the agreed development of a Consumer Risk Assessment tool as part of the Post-2025 Market Design, and the proposed export tariff transition strategy, it is important that consumers understand how options for pricing, expenditure and other strategies can be brought to bear on the DER challenges and drivers of network costs.

Should you have any questions in relation to this submission, please contact Mr Andrew Schultz, Senior Policy Officer, Energy Policy and Projects, Department for Energy and Mining on [REDACTED]

Yours sincerely

[REDACTED]
Vince Duffy

EXECUTIVE DIRECTOR, ENERGY AND TECHNICAL REGULATION DIVISION

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¹ Including: Energy Consumers Australia, Social Licence for Control of Distributed Energy Resources, December 2020, <https://energyconsumersaustralia.com.au/wp-content/uploads/Social-Licence-for-DER-Control.pdf>

