

9 September 2022

Mr Warwick Anderson
General Manager, Network Pricing
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Send by email to: [REDACTED]

Dear Mr Anderson

RE Issues Paper: Connection Charge Guideline review

TasNetworks welcomes the opportunity to respond to the Issues Paper that was released by the Australian Energy Regulator (**AER**) as part of the Connection Charge Guideline review - Static zero limits for micro embedded generators limits for micro embedded generators.

TasNetworks is the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider (**DNSP**) and Jurisdictional Planner (**JP**) in Tasmania. Our focus is to deliver safe and reliable electricity network services to Tasmanian and National Electricity Market (**NEM**) customers at the lowest sustainable prices. As such, TasNetworks is committed to ensuring customers can maximise the benefit of their investment in the various customer energy resources (**CER**). TasNetworks is supportive of the AER's review of the Connection Charge Guideline and especially the circumstances under which a DNSP may offer a static zero export limit (static export limit) to a micro embedded generator to connect to the network.

There are only limited situations where TasNetworks would impose a static zero export limit. This would only occur after TasNetworks had followed its technical and economic assessment of the export connection application (its 'standard approach'). The DNSP would need to determine the connection would cause voltage management, network equipment safety or power quality issues (the technical assessment) and the cost of any augmentation to relieve these issues outweighs the benefits (through the economic prudence and efficiency assessment). In these scenarios the DNSP should then seek to reduce the requested export amount, with reduction to zero only being required in a few extreme situations. TasNetworks proposes that the standard approach should be defined in DNSP's Connection Charging policy, to allow for jurisdictional variations, for example the ability to access meter data at a cost effective price.

The alternative to allowing DNSPs to use its 'standard approach' is to use specific parameters to describe the situations where static zero export limits were allowable. This runs the risk of

either including more scenarios than required or being so specific they are difficult to replicate. If, as a consequence of setting the parameters on the basis of poor assumptions, the requisites for a static zero export limit were not met, TasNetworks questions how expenditure required to provide for a non-zero export level would be treated by the AER should it fail to meet the prudence and efficiency requirements for expenditure.

Trying to develop an approach to setting zero static export limits applicable to all jurisdictions will be difficult while access to metering data is so variable. For TasNetworks access to metering data would be a barrier due to the current costs of accessing this data.

A DNSP's determination on the export capacity of the network is limited to just that. It does not take into account any other factors that a customer may prudently consider in determining the risks and benefits of their proposed CER expenditure. A DNSP is not in a position to provide overall investment advice.

Once the DNSP's assessment is made and communicated to the customer, an investment decision by the customer will follow, which, once made, is unlikely to benefit from any change in the export capacity limit being changed. Therefore, a review a year later indicating a change in the export limit will be of little value to the customer. For customers, it is only when they upgrade or otherwise change their installation (e.g. the addition of a battery) that there would be value in reviewing the export limit. A review in these circumstances could provide valuable information to the customer for assessing investment options. Given this, TasNetworks would support customers being able to initiate a review of the export limits rather than there being a requirement for routine reviews. Given these reviews are for the sole benefit of the customer, the costs for undertaking the review should be recovered directly from the customer.

The Issues Paper raises equity considerations from the application of static zero exports limits. As noted above, as part of the DNSP's assessment of any augmentation the potential for broader customer benefits should be explored. If these prove to be insufficient to outweigh the costs then the customer should have their exports limited. If the imposition of a zero static export limit was prohibited then, currently, all customers would have to fund the augmentation. This is seen as a bigger equity issue than limiting one customer's export since, in Tasmania, around 85 per cent of customers currently do not have export capable devices.

An alternative approach to solving the equity issue raised at the stakeholder forum, a pioneer type scheme, has substantial challenges. For most customers the cost of augmenting the network to increase export capacity (usually requiring a transformer upgrade) would be prohibitively expensive (of the order of \$25 to \$50k) and most likely greater than the cost of installing their own battery to store excess generation. Even if the customer went ahead, only customers in the local area making new export connections would be easily identified by the DNSP and therefore able to be asked to contribute.

The Issues paper questions if a static zero export limit can be imposed where it has already been funded under revenue determinations to augment the network. Where a DNSP has included CER integration expenditure in its regulatory allowance, this will be based on the number of projects forecast to pass the assessment for prudent and efficient expenditure. Therefore an export connection application that requires augmentation to alleviate a constraint but fails to meet this prudent and efficiency assessment should face an export limit.

Should you have any questions or wish to discuss any aspect of TasNetworks' submission, please contact Chantal Hopwood, Leader Regulation on [REDACTED] or via email at [REDACTED]

Yours sincerely

[REDACTED]

Michael Ash

Executive Stakeholder