

17 December 2021

Dr Kris Funston
Australian Energy Regulator
GPO Box 3131
Canberra, ACT, 2601

Dear Dr Funston

RE Customer Export Curtailment Value Methodology Issues Paper

TasNetworks welcomes the opportunity to provide comments to the Australian Energy Regulator (**AER**) on the development of the customer export curtailment value (**CECV**) methodology. TasNetworks has contributed to and supports the Energy Networks Australia submission to the CECV Issues Paper and makes the following additional comments.

TasNetworks supports the AER's approach that CECVs represent the wholesale market benefits of DER integration expenditure, noting other benefit streams may not be applicable to all investments and should be calculated on a case-by-case basis. However, there are concerns if the CECV is used only to calculate the benefits of the marginal generator's avoided short run marginal costs.

In Tasmania, where the marginal generator is often hydro¹, the avoided short run marginal cost is likely to materially understate the wholesale market benefits of increasing DER hosting capacity. Wholesale market benefits will arise through hydro becoming available at different times of day, particularly during Tasmania's traditionally dry summer period, reducing the need for investment in generation to meet peak demand. Similarly, enabling hydro generation at peak times will indirectly avoid fuel costs of more expensive generation.

As the National Energy Market (**NEM**) transitions from centralised generators to renewable energy and storage sources, avoided generation capacity and indirect avoided short run marginal cost will become increasingly significant benefits of increasing DER capacity in all NEM regions.

It will be costly and inefficient for Distribution Network Service Providers to calculate avoided generation investment costs separately for each DER integration investment proposal. It may

¹ Australian Competition and Consumer Commission, Restoring Electricity Affordability and Australia's Competitive Advantage: Retail Electricity Pricing Inquiry - Final Report, June 2018, Pg 65

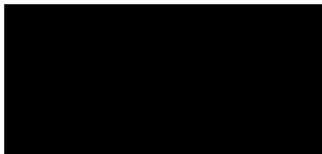
also lead to inconsistencies in how wholesale market benefits are calculated. As such, TasNetworks believes the CECV methodology should be robust enough to capture both avoided short run marginal costs and avoided generation investment. This can be achieved by using the longhand approach (electricity market modelling) identified in the Issues Paper. As flagged during the AER's online public forum on 29 November 2021, TasNetworks would welcome the opportunity to engage with the AER on CECV modelling issues prior to the release of the draft methodology.

In terms of aggregating CECVs, TasNetworks supports the development of CECV estimates for each NEM region.

The CECVs will be used to assess and justify DER integration projects as part of our 2024-29 regulatory proposal. We plan to engage on our capital expenditure proposal, including DER integration, throughout 2022. Release of draft values with the draft CECV methodology will assist engagement on our DER integration plans.

Once again, thank you for the opportunity to provide comments on the CECV methodology. To discuss views expressed in this letter, please contact Chris Noye, Senior Regulatory Analyst at [REDACTED] or [REDACTED]. We look forward to further contributing to the development of CECVs in 2022 as we prepare our regulatory proposal due in January 2023.

Yours sincerely

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Chantal Hopwood

Leader Regulation