

8 December 2022

Mark Feather
General Manager, Strategic Policy and Energy Systems Innovation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Mr Feather

RE Review of regulatory framework for flexible export limit implementation

TasNetworks welcomes the opportunity to make a submission to the Australian Energy Regulator (AER) regarding the Flexible Export Limits Issues Paper consultation.

TasNetworks is the Transmission Network Service Provider (TNSP), Distribution Network Service Provider (DNSP) and Jurisdictional Planner in Tasmania. The focus of these roles is to deliver safe, secure and reliable electricity network services to Tasmanian and National Electricity Market (NEM) customers at sustainable prices. As such, TasNetworks is committed to ensuring efficient and increased utilisation of the shared hosting capacity of our network to maximise the benefit of their investment in Consumer Energy Resources (CER) including through the use of flexible exports.

The Issues Paper's focus, totally justifiably, is on ensuring customers' best interests are of paramount concern during the implementation of flexible export limits. TasNetworks fully supports this but notes the need for regulatory change to allow increased dynamic network operations are less urgent in Tasmania with CER penetration behind that observed in mainland jurisdictions. This will result in benefits to Tasmanian customers from the reforms taking longer to emerge. The risk is that, for the sake of national consistency, Tasmanian customers may face the additional costs well in advance of realising the benefits. TasNetworks urges the AER to take this into consideration as part of its assessment of all regulatory changes being considered to support these reforms.

TasNetworks' response to the specific questions and issues raised in the Issues Paper are provided in the attachment.

If you have further queries regarding this submission, please contact Tim Astley, Network Reform and Regulatory Compliance Team Leader on [REDACTED].

Yours sincerely

[REDACTED]

Chantal Hopwood
Head of Regulation

Attachment – TasNetworks’ responses to questions raised in Issues paper

Immediate actions

Capacity allocation

- *Do stakeholders agree with the DEIP Working Group principles for capacity allocation? Why / why not?*

TasNetworks supports the DEIP Working Group principles for capacity allocation, especially the second principle of maximising the use of network export hosting capacity while balancing customer expectations regarding transparency, cost and fairness. However, the methodology to calculate the export limit for each individual customer may need to be kept confidential since it is likely that third party software may be used to calculate both network capacity and site specific capacity allocations. The underlying intellectual property rights of the third party must be protected to ensure innovation in this area continues and customers can benefit from increased flexibility in export limits.

TasNetworks agrees that the higher level principles that underpin the allocation of capacity to customers can and should be transparent. These could detail such issues as:

- how capacity is allocated between existing legacy connections and new connections;
- what would trigger a review of individual customer limits, for example new customers connecting to the same transformer or augmentation to the network increasing capacity;
- how the AER’s customer export curtailment value (**CECV**) is used to determine the timing of network augmentations to increase export capacity; and
- how non-compliance and other factors requiring some capacity being reserved to maintain network security, flow through to reduced capacities.

Stakeholder consultation will be vital in gaining support for these high level principles. However, this should not be extended to how site specific limits are set as this will be very technical in nature and potentially expose critical network security information.

- *Should these principles for capacity allocation be binding for DNSPs?*

As noted above, TasNetworks supports the use of high-level principles that guide how distribution network service providers (**DNSPs**) establishing network capacity limits. TasNetworks would oppose making the principles binding if they were to be more specific especially in regards to the methodology used to calculate a site specific limit. This calculation would be situation dependent, very technical and open to innovative approaches developing over time. As such enforcing a specific solution could prevent the most effective outcome and therefore not be in the interests of customers.

- *Should the application of capacity allocation principles by DNSPs be auditable to assure consumers of fairness?*

TasNetworks understands the desire for transparency but notes the benefits must outweigh the costs to customers. DNSPs already have an incentive to use best practice

stakeholder engagement to minimise the costs of managing future complaints. And while the number of customers on flexible exports is in the minority, the costs of any audit will be borne by the wider customer base, and as indicated previously, in Tasmania that is predominantly made up of customers without consumer energy resources (CER). The assessment of whether there is a requirement for an audit should be deferred until the majority of customers have CER or there is an increasing number of customer complaints regarding the setting of flexible export limits.

- *Should principles for static export limits also be developed for use by DNSPs going forward?*

TasNetworks recognises benefit in a consistent approach to the broad principles used for setting static export limits, noting jurisdictional differences and good engineering practice must take precedence.

- *Do stakeholders have a view as to whether existing AER guidance material is sufficient to communicate expectations regarding capacity allocation principles for flexible and/or static export limits?*

As discussed above, TasNetworks notes the high-level principles should take into account stakeholder consultation to ensure they meet expectations regarding transparency, cost and fairness. Guidance from the Australian Energy Regulator (**AER**) as to how it interprets those principles apply to capacity allocation and the setting of export limits would be beneficial.

Capacity allocation methodology

- *Is the approach outlined above [see section 3.3.2] in allowing flexibility for DNSPs to develop their capacity allocation methodologies appropriate?*

TasNetworks agrees that the approach outlined in section 3.3.2 is appropriate.

- *Do stakeholders agree that DNSPs should include their capacity allocation methodology in their CER integration strategy?*

Once TasNetworks starts utilising flexible exports, and provided that no intellectual property rights of a third party capacity allocation methodology are breached, there should be no issue with including our capacity allocation methodology in our CER integration strategy.

- *Should DNSPs be required to publish their capacity allocation methodologies, clearly outlining the trade-offs considered in setting their approach?*

TasNetworks does not perceive an issue with publishing our capacity allocation principles, including an explanation of the trade-offs in approach. However, detailing the specific methodology used to arrive at a customer specific limit does not seem warranted and may not be possible if DNSPs make use of third party software to calculate capacity and determine allocations. In addition, as with all additional obligation on DNSPs, a cost benefit analysis should be undertaken to ensure the costs borne by the broader customer base are less than the benefit they gain.

- *Should the AER have a role in approving DNSP capacity allocation methodologies? If so, what form should this mechanism take?*

TasNetworks does not support the AER having a role in approving DNSP capacity allocation methodologies. The decisions will be technical in nature, and the risks of errors are best managed by DNSPs who will have to manage network security issues and the ensuing complaints from customers who feel aggrieved by perceived errors in capacity allocation. Similarly, the broader principles also should not require approval as they can be shaped by the AER's guidance as described above.

Consumer participation (opt-in or opt-out)

- *Do stakeholders agree with the expectation that over the near to medium term, consumers should continue to have the option of static export limits?*

In the near to medium term it is most likely that it will not be necessary to use flexible export limits to a significant extent in Tasmania. Given the potential difficulty for customers to understand flexible export limits it is likely that static export limits will remain the preferred option. As long as the principles for allocating capacity take into account the need for static export limits then the principles of equity and fairness should address any concerns. At some future point the need to balance the costs of network augmentation against maximising CER investment may challenge the use of static export limits.

- *Should consumers be expected to opt-in or opt-out of flexible export limits (where available)?*

TasNetworks currently favours providing customers with the ability to opt-in to flexible export limits but can also identify scenarios where an opt-out may be appropriate. Rules governing either option must consider the technical limits of the local network in question, the benefits provided to customers from using flexible export limits, and exactly what the alternatives to the option chosen are. More information on the arrangements, taking in to account the issues listed above, is required before a detailed response can be provided.

- *Is it necessary for this expectation to be captured in the Model Standing Offer?*

Due to the potential for jurisdictional differences it is preferable to not include in the Model Standing Offer.

Governance of traders and consumer energy resources

- *Do stakeholders require further guidance with regards to the interactions of retailers and aggregators and flexible export limits outside of what is being explored through the existing workstreams?*

The existing workstreams are addressing the concerns TasNetworks has identified to date.

Connection agreement

- *Should DNSPs be required to set out expectations of flexible export limit operation within the connection agreement where there is no trader, or third party involved*

in the operation? Do stakeholders agree with the rights and obligations outlined above?

TasNetworks can see the value in setting out expectations for flexible export limit operation within the connection agreement.

- *Do stakeholders agree with the rights and obligations outlined above?*

TasNetworks agrees with the wording in the Issues paper that *'conditions for the revision of the flexible export limit, including the options for the consumer to change to a static export limit'* can be included in the connection agreement. However, the other rights and obligations highlighted are either not suitable for inclusion in the connection agreement or not suitable at all.

For example, the *'operating parameters, such as the length of the interval, notification period and how often the limit will be changed, expectations of performance (e.g., 10kW export limit 95 per cent of the time)'* will be influenced by the amount of CER in the same network area and if we are to provide new customers with the same performance level as existing customers, then the performance level for existing customers must change. Therefore, the on-going performance level cannot be guaranteed. However, TasNetworks does see the value in providing this information in another transparent format that is non-binding.

TasNetworks agrees that the *'Consumers' compliance obligations'* should be included in the connection agreement, while the *'Communication processes for changes to the flexible export limits'* and the *'DNSPs' approaches to identifying noncompliant devices'* may not be well placed in the connection agreement because the approaches to identifying non-compliant devices and the communications processes to customers may change over time, particularly when technology changes. For example, a DNSPs' approach towards identifying noncompliance with a static export limit may change significantly if the customer utilises a smart meter.

However, while these may not be well placed in the connection agreement, they should be transparent and made available to customers. This may be through a mechanism similar to the *SAPS Customer Engagement Strategy* requirement found in NER clause 5.13B.2.

TasNetworks requires more information on the service levels in question before feedback can be provided on the *related commercial implications, including direct compensation or rebates on network charges, if service levels are not achieved.*

Governance arrangements for flexible export limits

- *Do stakeholders have concerns about the approach to governance outlined above, particularly embedding elements of the rectification process in the connection agreement?*

TasNetworks has a number of concerns with the proposed approach to governance.

For example, given the assumption that the DNSP is the party responsible for identifying non-compliance with a set export limit, there is a concern how we would inform the trader. The DNSP does not have a direct relationship with the trader and therefore the ability to necessarily identify a specific site has a trader. The DNSP would

have to use a platform like Market Settlement and Transfer Solutions (**MSATS**) to identify the link to be able to pass on notification of non-compliance to the trader.

Given identification of non-compliance will most likely come from metering data there are other parties just as able to do this (meter data provider, metering coordinator, retailer and the Australian Energy Market Operator (**AEMO**)), some of which may be better placed to interact with the trader.

As identified in the paper when non-compliance is identified it is unclear what the customer can often be expected to do. However, it is also unclear what powers other parties would need to resolve issues, especially if the customer is not supportive of any form of intrusion.

If the non-compliance is due to problems with the inverter, it is likely the body most able to enforce compliance will be the jurisdictionally specific safety regulator. These parties will need additional funding to perform this task.

Often then only action an enforcement body will have is to disconnect the party, which will usually require both load and export to be disconnected which could be excessive.

Another option is to set the value of exports to zero during times of non-compliance. This should provide a signal to the customer that there is an issue to resolve and original equipment manufacturer (**OEM**)). This approach should be relatively simple to introduce from a technical perspective but may require legislative changes to be made.

- *Is it appropriate for a technology provider/OEM be held responsible for devices that do not conform to the export limit set by the DNSP (i.e., where this is no active control)?*

While it would appear appropriate to hold technology provider/OEM responsible it is not obvious how to hold them account without punishing customers at the same time.

- *What is the appropriate governance arrangement for managing flexible export limits?*

As noted above this is a difficult issue. It is key to identify the scale of the problem as it may be the issue does not warrant significant investment to manage.

- *Is it necessary to develop a separate framework to manage governance where a trader or technology provider is involved in passing-through the flexible export limit (i.e., where there is active control)?*

There needs to be some extra customer protections in these circumstances.

- *Do stakeholders agree with our view of that consumers should not face significant penalties for non-conformance of their energy resources for flexible export limits?*

It does seem reasonable to place compliance obligations on those parties best placed to manage them, but eventually the decision to purchase CER is made by the customer. There needs to be some incentives to comply otherwise the DNSP will have to build the risk of non-conformance into its processes and this will result in higher costs to other customers. The concept of reducing the value of exports to zero while a site is non-conforming may be worth consideration.

- *Do stakeholders believe there needs to be a standardised approach to enforcement for consumer energy resources under the control of a trader? For example:*
 - *If notified by the DNSP of an issue with device conformance (where no trader is involved), it is appropriate for the responsibility of rectification to rest with the consumer?*

TasNetworks agrees with this approach.

- *Where a trader is involved, should responsibility for rectification rest with the trader?*

TasNetworks agrees with this approach.

- *What should be the responsibilities of traders in ensuring consumer energy resources do not exceed any export limit set by the DNSP?*

There needs to be some incentive on traders to comply, but non-compliance may not always be as a result of their action. If one of its customers is deliberately being non-compliant it is unclear what the trader can do. If the non-compliance is as a result of the trader's actions then they could lose their ability to operate in the market. If not, they may be required to inform the jurisdictional safety regulator to use its power to make a 'site safe'. This may require local jurisdictional legislation changes as non-compliance may not be deemed a safety issue.

Notification period for a dynamic limit

- *Does the issue of a framework for providing forecast information on expected dynamic limits need to be considered in the short term?*

TasNetworks will not be enabling dynamic limits in the short term. As such, we have no concern about the availability of a framework in the short term.

- *Do stakeholders consider this will be sufficiently addressed through the Scheduled Lite workstream?*

TasNetworks has yet to form a view on the suitability of the Scheduled Lite workstream to address this issue.

Broad questions regarding immediate actions

- *Do stakeholders agree with the areas identified above as requiring immediate attention?*
- *Do stakeholders consider there are additional matters requiring immediate attention not covered here? If so, what are they, and what specific factors should we be considering?*

TasNetworks has not identified any other areas requiring immediate attention.

Leverage existing work

Monitoring export limit performance and information provision

- *Are there any additional metrics that should be considered that have not been incorporated into the broader export services review?*

TasNetworks has not identified any additional metrics that should be considered.

- *Should the AER publish data on the performance of individual DNSPs in terms of their flexible export service for consumers?*

TasNetworks could only support collection and publication of data where the measure is accurate in measuring the service, reflects jurisdictional differences fairly and is easy to collect. This will be difficult to achieve, at least in the short term. As such TasNetworks has concerns about the benefits of reporting on the performance of DNSPs in this way.

Device capability to respond to flexible export limits

- *Regarding the governance of a potential CSIP-Aus requirement, do stakeholders consider there should be a mandate for devices to be CSIP-Aus compliant for new connections in the NEM?*

In principle, TasNetworks is committed to the safe operation of the network in a way that doesn't place an unnecessary cost burden on our customers, both those with CER and those without.

CER penetration in Tasmania is currently relatively low and while growth is forecast to increase with the uptake of electric vehicles, a mandate for CSIP-Aus compliance is not expected to be required in Tasmania in the short term.

However, there may be value in building up a population of CSIP-Aus compliant devices in a network even if they are not immediately needed provided they can be enabled at a later date. Additionally, the cost concerns outlined above may be alleviated by the economies of scale provided by a national CSIP-Aus compliant mandate.

- *Do stakeholders have views on how this mandate could be most effectively implemented?*

TasNetworks has not formed a view on the most effective way to mandate a potential CSIP-Aus requirement.

Interval length

- *Do stakeholders agree that DNSPs are best placed to determine the interval length of flexible export limit operation? If not, what guidance would stakeholders like to see on this issue?*

TasNetworks agrees that DNSPs are not only best placed to determine the interval length of flexible export limit operation, but may be the only entity able to accurately determine the most efficient interval length.

Demonstrating investment need

- *Do you agree the AER has sufficient guidance on what information DNSPs are expected to provide to justify specific flexible export-related proposals?*

The current information is high level and factors like the use of CECV are complex to calculate and not everyone shares the same view on how it should be applied.

- *Do DNSPs need more information than is currently available to demonstrate the investment need for flexible export limits?*

TasNetworks expects more detailed guidance to be developed over time in the area of CER related network augmentation.

Consumer protections

- *Beyond the issues being canvassed in the Review of Consumer Protections for Future Energy Services and the AEMC's review of CER technical standards, are there any other specific consumer protection issues we should explore in the context of the implementation of flexible export limits?*

TasNetworks has not identified other consumer protection issues beyond those being canvassed in the Review of Consumer Protections for Future Energy Services and the Australian Energy Market Commission's (AEMC's) review of CER technical standards

Data protection and privacy

- *Are more data protection and privacy requirements needed for the implementation of flexible export limits beyond those already available in the current framework and what is being considered in the Energy Security Board data strategy?*

Data protection and privacy are paramount for any customer, regardless of whether the customer is utilising flexible exports or not. Therefore, any requirements governing data protection and privacy requirements for customers with flexible export limits should be the same as those for any other customer.

- *What impact is there likely to be on metering service providers from the implementation of flexible export limits?*

No response.

Consumer understanding and interest

- *Should the Customer Insights Collaboration workstream be leveraged to improve consumer understanding of flexible export limits and/or for consideration of impacts upon consumers and consumer sentiment?*

No response.

- *What do consumers need to know about flexible export limits at each step in the journey to properly understand and engage with them?*

No response.

- *What communication materials do consumers need to understand the opportunities offered by flexible export limits?*

No response.

Integration with export pricing

- *How do stakeholders see flexible export limits and network tariffs interacting, for example, on the basic export level?*
- *What types of tariff structures could apply to flexible export limits?*

- *Do stakeholders have views on how export tariffs and flexible export limits could be implemented to complement each other?*

TasNetworks has no plans to introduce an export tariff until at least the end of the next regulatory period, that is, not before mid-2029. However, on the basis that exports are driving network expenditure, and therefore justifying the introduction of export tariffs, cost-reflective time-of-use tariffs (which could incorporate two-way pricing) and tariffs in which there are export or load constraints applied (such as TasNetworks' proposed CER tariff) could work with, or evolve to, support flexible export limits.

With improved understanding of the dynamics of network capacity, flexible export limits could be introduced and offered to consumers. This could be in exchange for lower costs/tariff rates, on the proviso that DNSPs would control and manage exports through flexible export limits.

In principle, any additional costs associated with the control of flexible export limits (assuming they provide net benefits) should be reflected in the tariff structures applicable for exports (i.e. through two-way pricing).

Compliance and enforcement of technical standards that facilitate flexible export limits

- *Are there any issues stakeholders consider will fall outside the AEMC's review of technical standards and consideration of associated roles and responsibilities the AER should be aware of?*

TasNetworks has not identified any further issues to those raised as part of the AEMC's review of technical standards.

- *Are there any issues that stakeholders consider will fall outside of CSIP-Aus that the AER should consider?*

None have been identified.

- *Do stakeholders foresee issues with DNSPs monitoring device performance?*

TasNetworks does not foresee any major issue with DNSPs' monitoring device performance to CSIP-Aus as long as this is not extended to enforcement.

Future actions

Efficient communication of flexible export limits at scale

- *Do stakeholders have any views on which data exchange model may be the most efficient for the NEM?*

No response.