

9 September 2022

Mr Warwick Anderson
General Manager
Australian Energy Regulator

Sent via email

AER Connection Charge Guideline Review – Issues Paper

Dear Mr Anderson

Energy Networks Australia (**ENA**) welcomes the opportunity to provide a response to the Australian Energy Regulator's (**AER**) Connection Charge Guideline Review Issues Paper (**Issues Paper**)¹, which is determining the circumstances under which a distribution network service provider (**DNSP**) may offer a customer a static zero export limit.

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA broadly supports the AER's proposed technical and economic exceptions that should be met in the circumstances where a static zero export limit is applied and has provided further feedback for the AER's consideration. Prohibiting DNSPs from being able to set static zero export limits under any circumstance would limit the tools available to DNSPs to manage their networks, and without this option, customers would face higher than efficient charges.

It is appropriate however, that customers are provided with sufficient information as to why a static zero export limit is being applied, and that targeted reviews are undertaken to ensure that these limits are only applied when necessary.

Distributed energy future

The Australian Energy Market Commission's (**AEMC**) *Access, pricing and incentive arrangements for distributed energy resources (DER)* final rule² explicitly recognises the changing role of the electricity grid; from one of traditionally providing consumption services to one of facilitating the two-way flow of energy. This reform is key to ensuring that DNSPs can continue to enable the customer-driven transition

¹ AER, [Issues Paper: Connection Charge Guideline Review](#), August 2022.

² AEMC, [Access, pricing and incentive arrangements for distributed energy resources](#), Rule determination, 12 August 2021.

to distributed energy, which is supporting Australia's move to a low carbon future and driving down wholesale prices for all customers.

Prior to this rule change, the National Electricity Rules (**NER**) did not prevent the application of static zero export limits. However, under the AEMC's final rule, a DNSP will not be able to offer a static zero export limit to a small customer who is seeking to connect DER to the network, unless it is requested by the customer, or an exception included in the AER's Connection Charge Guideline applies.

The AEMC considered it inappropriate, however, to introduce an absolute ban on DNSPs offering static zero export limits, highlighting that there may be circumstances where it is efficient or necessary for DNSPs to apply them.

Prohibiting DNSPs from being able to set static zero export limits under any circumstance would limit the tools available to DNSPs to manage their networks, and without this option, customers would face higher than efficient charges. As noted in the AER's Issues Paper, there will be situations where augmentation to provide additional DER integration capacity is not a prudent and efficient investment, and any inefficient investment will result in customers paying more than necessary for the distribution services they receive.³

It is therefore important to ensure that a well-defined clear set of exceptions are included in the AER's Connection Charge Guideline, and these are then only applied by DNSPs when necessary.

Conditions to be met

The AER has proposed an initial set of conditions related to the state of the system and cost-benefit analysis that should be met in the circumstances where a static zero export limit is applied, including:

- » the **technical consideration**: the export from rooftop solar will result in the DNSP not meeting a regulatory obligation or maintaining the network within its technical limits, or
- » the **economic consideration**: the cost of augmenting the DNSP's network assets to allow a reasonable export capacity level by the connection applicant outweighs the benefits arising from providing the additional export capacity, taking into consideration the expected future new DER that will be able to be exported to the grid arising from the augmentation.

Notwithstanding meeting either the technical or economic consideration, the AER is proposing that a DNSP cannot impose a static zero limit if the micro embedded generator has a suitable dynamic response system as specified by the DNSP (the **dynamic response system limitation**).

ENA broadly supports the AER's proposed categories of exceptions. However, we recommend that the AER consider the following amendments as the guideline review is further progressed:

- » what constitutes a 'reasonable export capacity level' requires further definition to give customers, DNSPs and the AER further clarity, and assist with aligning expectations between stakeholders,
- » references to 'rooftop solar' replaced with the broader 'micro embedded generator' consistent with the NER, and
- » dynamic response systems (envisaged within the dynamic response system limitation) are not yet widely utilised by DNSPs at this stage. A DNSP therefore should not be prevented from applying a

³ AER, [Issues Paper: Connection Charge Guideline Review](#), August 2022, page 8.

static zero export limit to a customer if dynamic operating envelopes are not available for use at that location, irrespective of the capability of the customer's equipment.

The ability to apply static zero export limits until prudent and efficient network augmentation can alleviate a constraint is a necessary component of a staged and economically justifiable augmentation approach.

Even with DER integration expenditure approved for a five-year regulatory control period, it is likely that there will still be certain constraints that will not be efficient to resolve from a location and time perspective i.e., the 'economic consideration' could still be met for certain network assets even if a DNSP has approved expenditure that is classified as DER integration expenditure. Therefore, we would strongly caution against expressly linking the 'economic consideration' to a regulatory determination.

Assessment, review and information requirements

As highlighted in the AER's Issues Paper, DNSPs receive thousands of applications from customers to connect new, and alter existing, DER installations annually.

To avoid raising costs for all consumers, and slowing down the connection process for applicants, via costly and time-consuming full individual assessments, ENA supports the use of a DNSP-specific standard approach to assess whether a static zero export limit should be applied.

Standard assessment frameworks, which may vary between customer types/sizes due to data availability, are informed by the best available modelling and engineering data and reflect a standardised assessment process, rather than a standard outcome.

If a DNSP proposes the application of a static zero export limit, however, it is appropriate for the customer to be provided with a summary of the reasons why a static zero export limit is being applied, with reference to the approved exceptions included in the AER's Connection Charge Guideline. It may also be appropriate for the customer to have access to information that provides an overview of the assessment approach used by the DNSP, and information on how to access dispute resolution processes, which may be provided via a DNSP's website.

We recognise that there may be value in undertaking targeted reviews of static zero export limits. This targeted review should occur either after a DNSP has undertaken material augmentation on the network that may allow for the removal of static zero export limits, or when there has been a material change in the assessment approach, including a material improvement in the low voltage modelling.

This targeted review approach will provide more value to customers than a periodic review requirement that may introduce costs with limited difference if there has been no significant change to the underlying network conditions or assessment approach.

Network augmentation that doesn't meet the economic test

As outlined in the AER's Issue Paper, the AER's DER Integration Expenditure Guidance Note⁴ provides direction to DNSPs when developing business cases for network investment to integrate higher levels of

⁴ AER, [DER Integration Expenditure Guidance Note](#), June 2022.

DER and quantify DER values, developing DER integration plans and investment proposals, and quantifying DER benefits in a cost-benefit analysis.

At locations, however, where it is not prudent or efficient to augment the local network to increase the DER hosting capacity (i.e., when the cost outweighs the benefits), if customers wish to avoid a static zero export limit, the Connection Charge Guidelines should enable those customers to contribute to the costs of the required network augmentation.

This broadly aligns with the AER approach taken for consumption services and ensures that all customers do not pay more than necessary for the distribution services they receive. It is also consistent with the recent Framework and Approach decision for DNSPs on a 2024-29 regulatory reset, which includes export services.

If you wish to discuss any of the matters raised in this letter further, please contact Lucy Moon, Head of Regulation, on lmooon@energynetworks.com.au.

Yours sincerely,



Garth Crawford
General Manager, Economic Regulation