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Energy Consumers Australia's submission to the Australian Energy Regulator's Consultation Paper on the Incentivising and Measuring Export Service Performance.

Dear Sara,

Energy Consumers Australia appreciates the opportunity to provide comments on the Australian Energy Regulators (AER) Consultation Paper Incentivising and Measuring Export Service Performance.

As you know, Energy Consumers Australia is the national voice for residential and small business energy consumers. Our research this year confirms that consumer trust and confidence in the energy system is dropping faster than ever before. It also demonstrates that consumers overriding priority in the energy system is affordability¹. Improving transparent communication and engagement from network businesses with customers on their export services provides an excellent avenue to increase both **trust** and **affordability**.

To improve network transparency and communication outcomes, we encourage the Australian Energy Regulator to:

1. Require networks to report the methodology, data, and calculations used to determine export levels and costs of increasing hosting capacity;
2. Develop metrics that measure the quality of export services based on consumers' values, expectations, and needs, particularly metrics focused on basic export levels, consumer satisfaction with their system size, and connection times and;
3. Develop metrics to measure distribution networks' engagement with solar retailers and installers, particularly metrics focused on network communication and compliance with solar system requirements, such as inverter settings.

All three of these recommendations focus on the AER's role in instructing network businesses on what to measure and report. At this point, we believe that it is premature to establish financial incentives for networks in providing export services because the quantity and quality of data available from networks on their existing export service provisions is insufficiently robust. By focusing on improving network reporting metrics related to export services, the AER can improve the underlying data issues to enable financial incentives in the future if appropriate. At the moment, it is clear that networks have existing reputational incentives to provide export services. Given the issues associated with network data, these existing reputational incentives are likely sufficient to address current concerns about DNSPs willingness to provide export services, and preferable to an alternative of providing financial incentives on poor quality data and immature metrics.

¹ <https://ecss.energyconsumersaustralia.com.au/sentiment-survey-june-2022/pulse-surveys-june-to-august-22/>

By requiring DNSPs to report the methodology, data, and calculations used to determine export levels and the costs of increasing hosting capacity, the AER will improve consumer affordability and trust. The following reasons explain the benefits of requiring networks to increase transparency and communication in their determination of export limits:

1. Reciprocity in data provision

Networks use data about consumer electricity usage from smart meters to help determine export levels. Improving open and transparent communication means networks need to reciprocate and share data and information with consumers, especially when it comes to determining the size of solar system a consumer may be able to install. By providing consumers with new, valuable information about the limits of the network, such reciprocity will help contribute to building trust in network decisions and help consumers better understand the trade-offs between increased network services and costs.

2. Transparency and independent verification

Networks are regulated monopolies providing an essential public service. Their decision-making and analysis should be transparent and subject to public scrutiny. Consumers, independent agencies, and researchers all have potential value to provide by independently verifying their analyses. This transparency can help provide consumers and regulators with confidence that the data and methodologies networks use for these critical calculations are robust and can withstand scrutiny.

3. Robust analysis

All of us act more thoughtfully and forcefully when we have to show our work publicly. DNSP decisions about hosting capacity are essential building blocks determining the future cost of the network, which is likely to be the most material part of energy service going forward. The more robust their analysis is, the more value consumers will get out of the existing infrastructure, which will materially reduce costs by avoiding unnecessary new construction of network capacity.

4. Understanding the impact of poor data and visibility

By requiring networks to show their methodologies, data, and calculations, networks will have to explain the shortcuts they take due to poor data and visibility on the low-voltage network and the impacts these shortcuts have on their analysis and estimated hosting capacity. Without sufficient data, networks are likely to act more conservatively than they might have with greater data and more confidence in their analysis of the true limits of the network. This results in lower overall utilisation of existing network infrastructure, greater costs, and reduced control by consumers over their energy usage. By requiring networks to clearly explain the impacts of poor data quality, networks themselves may become better positioned to build business cases for increased data access.

5. Promoting best practice

Determining network limits is difficult and there are not well-established approaches to calculating a given network's ability to "host" solar generation, sometimes referred to as the network hosting capacity. Today, networks report their data in various, uncoordinated ways. They likewise determine their hosting capacities in different, sometimes competing ways. Few people aside from the researchers and the companies that help them perform such analysis are aware of these differences. Mandating all networks to share their hosting capacity analysis can help networks learn from one another. Further, it may help them to coalesce around similar data formats and analysis approaches, which can lower transaction costs for data formatting and analysis.

6. Alignment with other processes

The AER in its static zero export consultation process has suggested that networks should show their data, calculations, and methodology for determining when consumers are subject to a zero export limit². Consumers should expect and receive that same transparency from networks in all hosting capacity analysis.

While the Access and Pricing rule change provided an obligation on networks to provide export services, such services will not be equivalent to consumption services until any consumer within a network service area can export as much energy as they wish onto the network. Of course, consumers that export more than a network's stated "basic export level" should have to pay for the cost of congestion and additional infrastructure required by their export. Regardless, the access and pricing rule change essentially made the ability of a consumer to export their own energy onto the grid a right, just as any household or business has a right to consume as much electricity as they might wish.

The reality today – which will remain until networks provide export pricing – is that consumers cannot export beyond stated limits from distribution networks. These are not just limits on solar systems, they are limits on the amount of control consumers have on their energy expenditure and limits on the ability to which consumers can power their own homes and businesses with their own power. Given the real impacts of these limits placed on consumers, networks must be made to clearly explain why and how such limits are determined. It is not only equitable, reasonable and good public policy, such increased transparency will also provide an additional reputation incentive to deliver a more efficient network service from the existing infrastructure. In addition, there are also benefits to increasing network reporting on reliability and consumer service for exports.

Metrics used to measure the performance of export services must be based on consumer values, expectations, and needs.

Networks should be engaging with their consumers and communities to understand what they value from their export service. We understand that some networks have already started this engagement through their flexible export trials, and we encourage broader uptake of this practice. Research conducted through a flexible export offer trial by Ausnet found their customers valued community and environmental aspects of export services and many consumers resonated with the statement "help us improve our network"³. Using this local community knowledge, networks and regulators should have a better idea of the type of metrics that would capture services that deliver on consumer expectations.

In the immediate future, we suggest the Australian Energy Regulator consider implementing the following metrics to ensure clear investment signals and quality of export service is maintained:

1. Basic export level(s) throughout service areas: i) now, ii) in 12 months, and iii) in 24 months.

This metric would provide consumers with information for when they are deciding when and what size they should invest in solar panels or battery.

2. Solar size satisfaction score.

Consumers' satisfaction with the size of the solar system they have purchased, considering the payback period determined by their export service and the information provided to them by their solar provider about possible network limits.

² <https://www.aer.gov.au/system/files/AER-%20Connection%20Charge%20Guideline%20review%20%E2%80%93%20Issues%20paper%20-%20Static%20zero%20limits%20for%20Micro%20embedded%20generators%20%E2%80%93%2016%20August%202022.pdf>

³ <https://arena.gov.au/assets/2022/06/flexible-exports-lessons-learnt-report-4.pdf>

3. Connection time.

Metric to track the process of consumers or their agents submitting and receiving approval for a network connection agreement. Such a metric aligns with the “new connection” service parameter in the existing STIPS for consumption services. Lower connection times are clearly valued by consumers, as no export value is received from an installed solar system until it has been connected to the network.

Network transparency and communication should be extended to all parties that take part in delivering the export service, including solar retailers and installers. We encourage the Australian Energy Regulator to apply a set of metrics that measure the network's engagement with solar retailers and installers.

4. A qualitative metric that measures network communication to consumers, solar retailers and installers about export limits and fees.

A large part of consumers' export service experience starts with their solar retailer and installer. Findings from South Australian Power Network's Flexible Exports trial⁴ found one of the main barriers to consumers accessing a flexible export offer was that several solar retailers were not aware that this new flexible offer applied. As a result, information and options were not being passed along to the consumer, impacting the choices they believed available for their export offer. Networks should be required to provide clear information on areas impacted by limited network capacity to solar retailers and installers operating so they are able to communicate this as soon as possible to consumers.

5. Rooftop solar system compliance.

Part of delivering an export service that consumers value is also ensuring all their technology and devices are installed with the correct settings and are compliant with relevant standards. A 2021 Energy Charter report found that an audit of inverter settings in Western Australia found only 5% of inverters had the correct settings that complied with Australian Standards⁵. If a consumer's technology isn't compliant, it could mean they are not meeting the required connection agreements between the network which could be negatively impacting the consumer. Networks should provide clear information and support to retailers and installers of the devices to ensure it is compliant with the networks connection agreement.

Thank you again for the opportunity to provide a submission on the Consultation Paper Incentivising and measuring export service performance. The role of the distribution network is essential to delivering a clean, affordable, and reliable future energy system. Currently, consumers are losing confidence that the energy system is working to deliver on these outcomes. Improved transparency and communication with communities is an essential step all distributed network business across Australia should be required to take in order to improve cost and trust outcomes for consumers in the energy transition. Should you have any questions or require clarification about anything in this submission, please contact Marie Harrowell at marie.harrowell@energyconsumersaustralia.com.au.

Yours sincerely,



Brian Spak
Director, Energy Systems Transition

⁴ <https://arena.gov.au/assets/2022/06/flexible-exports-lessons-learnt-report-4.pdf>

⁵ <https://www.horizonpower.com.au/globalassets/media/documents/policies/our-obligations/2021-energy-charter-disclosure-report.pdf?v=49376f>