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Mr Warwick Anderson
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By email: warwick.anderson@aer.gov.au

Energy Consumers Australia submission to the Australian Energy Regulator's Draft Decision in the Connection Charge Guideline Review 2022

Dear Warwick

Energy Consumers Australia appreciates the opportunity to provide comment on the Australian Energy Regulator's (AER) Draft Decision for the Connection Charge Guideline Review. Energy Consumers Australia represents the voices of Australian households and small businesses. It's these households and small businesses who will own the generation assets that DNSPs will request to curtail in the future.

Overall, we agree with the AER's statement that DNSPs should only impose static exports on CER in rare cases. However, we recommend that the Guidelines are tightened to ensure that these circumstances are as rare as possible.

Recommendation 1: The Guidelines should be amended to say that DNSPs should do detailed, transparent analysis in the rare circumstances where a basic export service is denied. A static zero export limit will have significant impacts on consumers which justifies an in-depth investigation.

Recommendation 2: To build the trust and social licence required to harness the benefits of CER, information from this detailed network analysis must be communicated to consumers in an accessible and understandable manner. This communication needs to be extended further than DNSP websites or consumer's connection agreements into the broader community a network operates in.

Recommendation 3: The Guidelines should be amended to say that if the analysis shows that the cost of network augmentation is only marginally higher (for example by 10%) than the benefits, networks should still augment. This amendment accounts for the costs of curtailment, such as consumer trust, that are difficult to measure. This amendment also accounts for the risk that as electrification increases in the future, network augmentation which consumers pay for to remove a static limit might become necessary anyway.

We explain the reasons for our recommendations in greater detail below.

Clarifications on the Draft Decisions in the Connection Charge Guidelines

We support the AER's statement that zero static export limits should only occur under limited circumstances. However, we would like to seek some clarification about how frequently and under what conditions the AER expects static zero export limits to occur. We recognise there may be fringe circumstances where it is clear the efficient solution is for static curtailment, but we would request that the AER provide some case studies or examples of these circumstances. This will enable networks and consumer advocates to better understand the scale of consumers impacted by these changes to the Connection Charge Guidelines and the circumstances in which consumers who receive static export limits may likely be in.

We would also like to seek clarification around the requirement in the Connection Charge Guideline that sees consumers pay for the network augmentation themselves to remove the static zero export limit. The Draft Decision states that ***'if the cost to remove the constraint outweighs the benefit, the specific customer should pay for the cost to remove the constraint'***. We have interpreted that to mean that consumers who have the means and choose to will be able to pay their way out of receiving a zero static export limit. Does the AER predict that there will be instances when a consumer will not be able to pay to reverse a zero static export limit? If so, what will the circumstances be?

Recommendation 1: *The Guidelines should be amended to say that DNSPs should do detailed, transparent analysis in the rare circumstances where a basic export service is denied. A static zero export limit will have significant impacts on consumers and should warrant an in-depth investigation.*

The need for detailed, transparent assessments

The Draft Determination states that the occurrence of zero static export limits should only occur in a limited set of circumstances. The Determination also states that a standard assessment approach is a sufficient justification for this outcome, and any bespoke assessment would be too costly in these limited circumstances. These two statements are potentially in conflict: if zero export limits are infrequent and rare, then a bespoke analysis itself would rarely be required. Therefore, whatever cost is required for a bespoke analysis, would rarely be incurred.

We believe that these limited or unique circumstances should justify a more detailed analysis of the reasons for applying a zero export limit. Consumers will be significantly impacted by a static zero export limit, and imposing a zero export limit is in direct conflict to the spirit of the DER Access and Pricing Rule Change. A DNSP's willingness to impact consumers and deny them what is now a standard network service warrants a bespoke investigation. If networks ever deny consumers access to consumption services, do they likewise use a "standard assessment" or is a bespoke and extensive engineering study conducted?

If the AER is going to enable networks to make a "standard assessment," more analysis needs to be done to understand the actual costs of a bespoke analysis compared to a standard one and the expected frequency of either analysis. Furthermore, while bespoke analysis may cost more than the standard approach, it will also create additional benefits. From a consumer perspective, this likely includes the identification of alternate control or pricing strategies to enable consumers to export, including, for example, the use of a community or consumer battery with some element of network control. Moreover, bespoke analysis even in distinct parts of the network can improve network engineering teams' overall understanding of hosting capacity analysis, a growing (but not yet settled) practice that needs to be improved throughout the industry.

Recommendation 2: *To build the trust and social licence required to harness the benefits of CER, bespoke and standard network assessments must be communicated to consumers in an accessible and understandable manner which should be extended further than DNSP websites or consumer's connection agreements.*

Information and communication with consumers and their solar retailer and installer

DNSPs must be required to communicate their analysis in a clear, understandable, and accessible manner to individual consumers impacted, the agents (e.g. solar installers and retailers) who act on their behalf, and the broader community in which they operate in. This communication is critical to the building of trust and community acceptance required to harness the full potential benefits from CER in the energy transition. We

acknowledge that the Draft Determination requires networks to provide the assessment and reasons for the zero static export limit directly to consumers and in the connection agreement but believe this communication needs to be more accessible and reach a broader audience. Consumers may be unlikely to know what their connection agreement is, where to find it or where to find their DNSPs website. In our submission to the Issues Paper, we proposed information regarding areas or communities with restricted solar exports be more accessible by sharing through local councils or community groups. Networks should also share this information in their Distribution Annual Planning Reports where they report on their strategy and planning each year. This broader awareness ensures the conversation starts early for those looking to invest in CER in the future.

The detailed technical and economic analysis undertaken by networks may be very difficult for a consumer to interpret unless they are provided with convenient access to a technical expert. The Explanatory Note provided with the Draft Determination states that customers are entitled to access to an independent technical expert to review the DNSP's analysis and the connection agreement. We strongly support this requirement as noted in our previous submission to the AER's Issues Paper, however, note that this requirement is not included in the current additions proposed for the Connection Charge Guidelines. In our submission, we requested more information on how accessible this expert advice would be in terms of cost, where consumers would be given information about this expert, and how accessible it would be. We still request this further detail from the AER as we believe it is essential in enabling consumers to understand why they are being denied an export limit.

We maintain the view outlined in our [previous submission](#) that solar retailers and installers play an essential role in consumers' solar journey. It is critical that networks also provide access to clear, understandable information on export services to solar retailers and installers servicing their communities. We encourage the AER to refer to our consumer journey map example in our submission to the Issues Paper (provided for reference in Appendix 1) which is an example of a tool that could be used to help understand the consumer experience.

Not all Australian consumers will have access to the same export options

Consumers living outside of South Australia and Queensland are not yet able to participate in flexible or dynamic export limit trials and programs. As a result, consumers in Western Australia, New South Wales, Victoria, and Tasmania are likely to be more frequently denied export services. Indeed, these consumers will be presented with fewer options when investing in rooftop solar panels compared to their friends or family living in other jurisdictions. The AER's recently released Issue Paper on Flexible Export Limits states it is up to the DNSP to decide when it is efficient to provide consumers with flexible export offers¹. Determining the efficiency of flexible export limits should be closely linked to the frequency of zero static export limits in a particular area static zero export limits should be the worse case scenario and DNSPs should consider all other efficient options – including flexible export limits -- to avoid denying consumers the ability to access the network for export.

Recommendation 3: *The Guidelines should be amended to say that if the analysis shows that the cost of network augmentation is only marginally higher (for example by 10%) than the benefits, networks should still augment. This amendment accounts for the costs of curtailment, such as consumer trust, that are difficult to measure. This amendment also accounts for the risk that as electrification increases in the future, network augmentation which consumers pay for to remove a static limit might become necessary anyway.*

¹ https://www.aer.gov.au/system/files/Flexible%20Exports%20-%20final%20Issues%20Paper_0.pdf

Accounting for the costs of curtailment which are difficult to quantify

Consumer trust in the energy system is a material cost of curtailment that should be recognised before consumers receive zero static export limits. Consumers see the growth of rooftop solar as a good thing for themselves, the environment, and their broader community. Research we undertook in 2021 found 71% of consumers felt positive about upgrading the network to accommodate more rooftop solar energy instead of limiting solar exports². Restricting consumers from seeing any of the benefits associated with solar exports could impact consumers' trust in the energy industry.

Trust can be challenging to measure. Race for 2030's Opportunity Report found that reliable measures of trust are not currently available in the Australian energy industry³. With time, further research may emerge on how to accurately measure trust in the energy industry which could be incorporated into the network's cost assessment. Due to this challenge, we have made the above recommendation that the Connection Charge Guidelines be amended to say that if the analysis shows that the cost of network augmentation is only marginally higher than the benefits, networks should augment.

The temporal nature of the need for constraints

While there may at one point in time be a need for exports constraints, they may be alleviated later through augmentation. For example, when electric vehicle uptake increases network upgrades in congested areas might become necessary to accommodate for a transition to low emissions vehicles. The Clean Energy Council also highlighted this concern in their submission⁴ to the AER's Issues Paper stating ***'The AER will need to make sure solar customers are not paying for upgrades that will be needed for EVs anyway.'*** We believe that the above recommendation helps account for this temporal nature of network constraints. If the analysis shows that the cost of network augmentation is only marginally higher than the benefits, networks should augment.

Thank you again for the ongoing opportunity to provide comment on the Australian Energy Regulators Review of the Connection Charge Guidelines. We would be happy to discuss any of the points raised in this submission toward the Draft Determination further if that would be of assistance. If so, please contact Marie Harrowell at marie.harrowell@energyconsumersaustralia.com.au.

Yours sincerely,



Brian Spak

Director, Energy Systems Transition

² <https://energyconsumersaustralia.com.au/wp-content/uploads/Report-on-Community-Attitudes-to-Rooftop-Solar-and-the-AEMC-Proposed-Reforms..pdf>

³ <https://www.racefor2030.com.au/opportunity-assessment-reports/#1>

⁴ <https://www.aer.gov.au/system/files/CEC%20-%20Submission%20to%20AER%20Issues%20Paper%20-%20Static%20zero%20limits%20for%20micro%20embedded%20generators%20%28inc%20Attachment%201%29%20-%2009%20September%202022.pdf>

Appendix 1

Export service customer journey for a new solar customer who receives a zero static export limit

