9 September 2022

Warwick Anderson
General Manager Pricing
Australian Energy Regulator
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Submitted electronically: AERPricing@aer.gov.au

Dear Warwick,

Connection Guideline Review – Static Zero Limits

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. Our members collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to millions of homes and businesses, and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 percent emissions reduction target by 2035 and is part of the Australian Climate Roundtable promoting climate ambition.

Exceptional Circumstances

In examining the circumstances where a distribution network can set a zero export limit, it would be amiss to suggest that there are none. However, there are many mitigants to the requirement to set a zero export limit, such as flexible export limits and a market for network services. And as the case studies highlight, it seems unfair that the last / marginal connection takes all of the penalty for an issue that the previous connections have created. We cannot say definitively that there are no reasons why a network would need to set a zero export limit, but we should have a framework where it can only be applied in exceptional circumstances.

The setting of the zero export limit should also be temporary. Where network infrastructure hasn't kept pace with the rate of solar connection on the network in a specific place, or where upgrading the network is not immediately prudent or economically efficient, a financial or technical solution to relax the limit should still be sought. The critical term in the paper is "exceptional circumstances" and we believe that these are not permanent circumstances nor need they become so. As well as ongoing obligations to address the issue, communicating to customers any proposed static zero limits is absolutely critical. Noting that any customer should reasonably have advice of a potential static zero limit before they make an investment decision to install a solar PV system, or alter an existing system. To monitor this and maintain consumer confidence, metrics need to be put in place to ensure that is what's actually happening in practice.

In summary, the AEC is supportive of applying static zero limits only in exceptional circumstances, only on a temporary basis, and with monitoring and strict preconditions.

Question 1: Under what limited circumstances should distributors be able to impose static zero limits?

The AEC proposes that the following conditions need to be met in addition to those described by the AER.

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A static zero export limit may provide a temporary solution where:

- The required investment or upgrade is not economically efficient. (This test needs to be further examined in the context of other investments networks make that aren't "efficient", such as the DMIS, but are considered to be in the public good.)
- The network has sought, and has not been able to, procure a curtailment service to accommodate the improved sharing of what limited export capacity there is on that part of the network. This would be sought from the retailers or aggregators (or such competitive market as evolves) from existing installed systems.
- Dynamic connection agreements have not been rolled out yet, on the condition that anyone offered a fixed zero export limit will later be offered a dynamic one if at all possible.

Question 3a: What are your views on networks using a 'standard approach' to decide on whether to impose a zero export constraint for each individual application?

The AEC believes any standard approach and or conditions should be unambiguous, in plain language and aid in consumer comprehension. Imposing a zero constraint should not be permitted as a default position for distribution networks, effectively stranding customer CER investments and placing the obligation on the customer to reapply for review.

Question 4a: What information should the distributor provide the connection applicant when a distributor proposes a static zero limit and how should that information be provided?

Applicants should be made aware that their situation is an exceptional circumstance and be provided in writing with all the reasons as to how the network has met conditions for applying a zero export limit in their case. In addition, the customer application must be managed proactively by network to update their connection agreement to a dynamic one, when the network has implemented the necessary conditions.

Question 4b: What's the best way to communicate the steps to inform customers' investment decisions?

As a principle, giving the problem to the party best equipped to solve it has no peer in managing resolutions. Customers should be communicating directly with the decision maker. Networks should be communicating directly with the customer. Expecting the energy or CER retailer to manage that conversation on the distribution networks behalf is at best unhelpful and at worse disingenuous.

Question 5: Are there exceptional circumstances where it would be appropriate for a distributor to impose a static zero limit where it has already been funded under revenue determinations to augment the network?

This is covered in our response to Question 1.

Question 6a and 6b: What conditions must be met in the limited circumstance that a static zero limit is applied? Do you consider the above controls adequate?

In the limited circumstance that they are imposed, should static zero limits be subject to regular review? If so, what should the length of the period be?

The proposed controls are adequate in our view. But all zero static export limits should be temporary, and networks should be required to review each of them every 12 months and provide notice to customers of the outcome of their review and the justifications therein.

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Any questions about this submission should be addressed to David Markham by email to david.markham@energycouncil.com.au or by telephone on (03) 9205 3107.

Yours sincerely,

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