Public Interest Advocacy Centre

13th May 2022

By email to AERinquiry@aer.gov.au

Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator

Dear Kris

PIAC welcomes the opportunity to respond to the AER's draft CECV methodology.

Some curtailment of exported energy is increasingly essential to limiting excessive expenditure on electricity networks that outweighs the benefit to consumers.

PIAC supports a level of prescription and consistency in the approach to estimating and applying Customer Export Curtailment Values (CECVs). However, this should not limit the potential for DNSP proposals to be informed by consumer preferences derived from engagement with consumers and consumer representatives. PIAC recommends the AER considers providing guidance to DNSPs on how the CECV requirements interact with requirements for engagement and consumer preferences.

PIAC notes the draft CECV methodology paper uses highly technical terminology. We note our interpretation of this terminology may not be consistent with intended meaning, which may impact our recommendations in response.

In considering time windows that relate to valuing export, PIAC recommends the AER consider the impact of export from new entrant DER (including newly unconstrained export from existing DER) at certain times of day when average prices are higher. This export may have a material merit order effect, but this is temporally limited for each new DER resource. As supply side investment and bidding behaviour responds, theoretically at least, wholesale market impacts return to equilibrium after a time.

PIAC questions whether the blanket exclusion of capital investment in networks and generation accurately reflects the value of export. For example, it is reasonable to assume customer exports that are not responsive to negative wholesale prices may result in avoided or deferred investment in solar farms, which are responsive to wholesale prices. This would result in less efficient investment. On the other hand, exports may make some contribution to avoided network asset derating and/or deferring replacement in those parts of the distribution and sub-transmission network with low solar saturation due to high density housing and/or more C and I load.

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It appears from the draft paper that the modelling input for headroom is intended to be fixed at 944MW for 20 years in the dispatch model. This is presumably predicated on the largest operating thermal generation unit in 2022 (for the first CECV assessment). If this understanding is correct, PIAC requests the AER to confirm if, according to the relevant scenario in the 2022 ISP, the current largest thermal generation unit is still expected to be operating at the same capacity in 2042. If this is not the case, PIAC recommends the AER consider reducing the headroom value throughout the 20year dataset in keeping with the latest forecasts of generator retirements and deratings in that period.

PIAC supports the AER's proposed approach to updating CECVs and reviewing the methodology. This approach strikes the right balance between providing certainty to consumers and market participants while being adaptive to material changes.

PIAC has no concerns with the proposed application of CECV.

Please feel free to contact me to discuss this submission and any matters relating to CECV.

Yours sincerely,

Craig Memery
Senior Advisor

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