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Mr Warwick Anderson
General Manager, Pricing
Australian Energy Regulator
Level 27, 135 King Street
Sydney NSW 2000

By email: tariffguideline@aer.gov.au

SUBMISSION: AUSTRALIAN ENERGY REGULATOR DRAFT EXPORT TARIFF GUIDELINES

Dear Warwick,

Energy Consumers Australia appreciates the opportunity to comment on the AER's draft Export Tariff Guidelines (the Guidelines). Energy Consumers Australia is the independent, national voice for residential and small business energy consumers. Established by the Council of Australian Governments (COAG) Energy Council in 2015, our objective is to promote the long-term interests of energy consumers with respect to price, quality, reliability, safety, and security of supply.

The Australian Energy Market Commission's decision concerning access, pricing and incentive arrangements for distributed energy resources provided a long-term sustainable basis for enabling greater uptake of rooftop solar systems. In this context, export pricing has been introduced to ensure that the costs required to allow for solar to be connected to the grid are more effectively recovered by those with solar, and who stand to directly benefit, rather than being recovered from all households connected to the electricity network. In addition, these changes are aimed to provide consumers with signals to decrease exports of solar during times of high generation leading to congestion on the electricity network. Any proposed export tariffs must be approved by the AER through the Tariff Structures Statement (TSS) process and would not apply to exports below the determined basic export limit. These Guidelines outline the AER's expectations as to the engagement and analysis networks should undertake before proposing such pricing.

Our submission on the AER's earlier consultation paper outlined our expectations as to what work would be undertaken by electricity networks before proposing export tariffs. Our expectations were predicated on the view that in principle, export tariffs should be **rare**, **observable**, and **effective**:

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|-------------------|---|
| Rare | Relatively few consumers will pay export tariffs due to networks setting export limits that reflect the right of consumers to host sufficient solar to meet their needs |
| Observable | Export tariffs are seen by consumers as they are incorporated into retail prices by retailers |
| Effective | Export tariffs achieve the desired behaviour change when seen by consumers |

Energy Consumers Australia continues to have this view.



We acknowledge the significant engagement the AER has undertaken in preparing these Guidelines. In our view, the Guidelines provide good guidance to networks as to how to form basic export limits and will ensure that they are set at a reasonable level. We also consider they outline the principles of sound stakeholder engagement.

We have two recommendations that we would like to see incorporated in the Final Determination. First, the Guidelines should clarify that network engagement with retailers should occur while the tariffs are being considered rather than after they have been created. Second, the Guidelines should make it clear that extensive analysis considering multiple factors should be undertaken to justify the inclusion of export tariffs within a TSS. These recommendations are described in more detail below.

Recommendation 1

Our initial submission outlined that networks must ensure that their proposed export tariffs are likely to be included in retailer contract offerings. This ensures that consumers see the signals that are intended to alleviate congestion, by either utilising more of their generation or shifting the timing of when their generation flows into the electricity grid. Failure to do so would mean that retailers would either smooth these cost changes across the entire customer base (leading to customers without solar being charged) and continued suboptimal outcomes.

We are pleased to see the AER shares our view that it is expected that distributors “engage with retailers on their two-way pricing proposals and explain them with appropriate clarity”¹. However, we consider that engagement with retailers should extend beyond explaining their tariffs after they have been created, which could be described as “decide and defend” consultation. Instead, engagement with retailers should occur while the tariffs are being considered, and their views used to inform and shape the design of export tariffs.

Submissions provided in this process have already revealed retailer preferences for simple network tariffs that customers can easily understand.² We believe that retailers would be able to provide further guidance to networks on what tariff structures customers are likely to understand. Networks would then use this feedback to help design the tariffs they ultimately propose.

In this context we note that AGL is offering a “solar saver” tariff, which has advantages in simplicity for consumers while achieving the intended outcome of mitigating the effects of negative wholesale prices when there is excess solar generation. We are expecting that other retailers, large and small, could follow suit to benefit their customers once export tariffs are introduced by network businesses after 1 July 2025. We therefore ask that the Guidelines be amended to include the expectation that networks consult with retailers while forming their export tariffs, rather than explaining them afterwards. We believe this will provide further assurances that the export tariffs reach their intended objective of being incorporated in retail offerings and then being able to be understood or responded to by consumers.

Recommendation 2

Our previous submission asked that the AER be prescriptive in its Guidelines as to the analysis networks would need to undertake to justify their proposed export tariffs. The AER has not agreed with our position and has sought to provide distributors flexibility in how they conduct their own customer impact analysis. We understand that this is because the AER considers that distributors are best placed to determine the type of analysis most relevant to their network and customers.

¹ AER, *Draft Export Tariff Guidelines Explanatory Statement*, January 2022, p. 16

² AER, *Draft Export Tariff Guidelines Explanatory Statement*, January 2022, p. 15



We consider it is a risk to leave the level of analysis required to justify proposed export tariffs solely at the discretion of the electricity network. The risk is that the level of analysis provided is poor, with little evidence to justify the tariffs proposed from a customer perspective. We maintain our view that that the Guidelines should make it clear that extensive analysis should be undertaken to justify the inclusion of export tariffs. It should consider a multitude of factors, as outlined in our previous submission and the previous submissions of other consumer advocates in the development of the Guidelines.

The additional risk is that networks do not provide the analysis that consumer advocates have already stated that they would expect would be provided. This would lead to these advocates requesting it after the tariffs have already been proposed, delaying the process. We would not like to see networks retrospectively undertaking analysis to justify the tariffs that have been chosen. Instead, rigorous analysis should be undertaken to design the tariffs that are proposed, informed by consumer perspectives and insights.

If the AER maintains its view to not be overly prescriptive in the Guidelines, we recommend that the AER consider what analysis it would consider would need to be undertaken at a minimum. This analysis would be listed in the Guidelines, and it would be stated that this information would be provided unless a network provides a valid reason for not doing so. This approach still gives the AER's intended flexibility to networks, while providing safeguards that rigorous analysis is undertaken to form export tariffs while taking into account the interests of consumers and the advice provided by advocates.

If you would like to discuss this submission further, please do not hesitate to contact Ashley Bradshaw by email, ashley.b@energyconsumersaustralia.com.au.

Yours sincerely,

Lynne Gallagher
Chief Executive Officer