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**Mark Wilson**

**Senior Technical Advisor**

**Australian Energy Regulator**

**Submitted by email: [mark.wilson@aer.gov.au](mailto:mark.wilson@aer.gov.au)**

29 May 2017

Dear Mark

**Draft Distribution Annual Planning Report Template, Consultation Paper**

AGL Energy (**AGL**) welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) Draft Distribution Annual Planning Report Template (**Draft Template**), Consultation Paper (**Consultation Paper**), May 2017.

AGL is one of Australia's leading integrated energy companies and largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy, providing energy solutions to over 3.7 million customers throughout eastern Australia.

In addition, AGL is continually innovating our suite of distributed energy services and solutions for customers of all sizes (residential, business and networks). These 'beyond the meter' energy solutions involve new and emerging technologies such as energy storage, electric vehicles, solar PV systems, digital meters, and home energy management services delivered by digital applications.

AGL believes that contestability and the competitive delivery of services including the availability of non-network solutions to support networks will lead to better price and service outcomes for consumers.

However, the current regulatory framework does not require network businesses to draw on competitive markets to deliver network support and demand management solutions. Instead network businesses can (and are sometimes encouraged to) directly invest in technologies installed behind-the-meter, provided this is ostensibly to assist in the management of the network.

AGL is supportive of the regulatory reforms currently underway that seek to ensure the development of well-functioning markets in DER-related products and services, including competitive non-network services to support networks. Information sharing and transparency underpin this emerging competitive market.

AGL supports the Draft Template as an appropriate framework for network businesses to disclose information to the market in a more consistent and useable format to enable non-network providers to identify investment opportunities across the NEM's distribution networks. Operating in conjunction with the publication of a distribution annual planning report (**DAPR**), the template will support the provision of lower-cost solutions, resulting in more cost-efficient outcomes for consumers.



## Outstanding issues

AGL commends the AER on its collaborative approach and in particular the workshop that was convened on 19 May 2017. This provided a useful forum to discuss key issues as the regulatory approach to distribution investment planning is refined. AGL notes the following outstanding issues that remain unresolved:

### 1. Variable information reporting

There is an information asymmetry between network businesses, with some network businesses possessing less data on feeders and transformers compared to others in the market. Whilst AGL recognises this asymmetry, it should not prescribe a lowest common denominator standard for information disclosure. Network businesses should disclose all information to the element and system levels described in the Draft Template to the extent that such information is available to each network business.

### 2. Consultation on unplanned constraints

In instances where network businesses deal with unplanned constraints that do not appear in the DAPR, network businesses should, as a matter of course, proactively consult with non-network providers. Subjecting a greater proportion of network services and network spending to contestability and competitive delivery of services will lead to better price and service outcomes for consumers.

### 3. Transparency of network investment activity below the current regulatory investment test (RIT) threshold

The lack of transparency of network investment activity below the current RIT threshold prevents non-network providers from offering potentially more cost-effective solutions. Delivering greater transparency of network investment decisions to the market would facilitate more efficient solutions.

In conclusion, AGL notes that some network businesses are currently going directly to customers to build Demand Response portfolios without engaging with the competitive market. In AGL's view, pursuant to the *Electricity Distribution Ring-fencing Guideline 2016*<sup>1</sup> which DNSPs must fully comply with by 1 January 2018, network businesses will be required to engage through the competitive market for these initiatives.

Should you have any questions in relation to this submission, please contact Kurt Winter, Policy Advisor, New Energy, on 03 8633 7204 or myself on 03 8633 8636.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Stephanie Bashir', is written over a light blue circular stamp.

**Stephanie Bashir**

Senior Director, Public Policy

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<sup>1</sup> Australian Energy Regulator, 'Electricity ring-fencing guideline 2016', Available at <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/electricity-ring-fencing-guideline-2016>.