

16 November 2016



Shari Boyd
Senior Adviser
Australian Energy Market Commission

Online submission

Dear Ms Boyd

Local Generation Network Credits Rule Change – PIAC submission to AEMC draft determination

The Public Interest Advocacy Centre (PIAC) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Determination on the National Electricity Amendment (Local Generation Network Credits) Rule Change (the rule change).

The draft determination issued by the AEMC is disappointing. The AEMC's preferred rule does not address the issues raised by the proponents. PIAC strongly supported the principle behind the rule change proposal. It was designed to improve the financial viability of a range of decentralised energy projects involving local councils, shopping centres, office buildings, apartments, precinct scale co- and tri-generation, community energy and aggregated small scale solar and storage. In terms of how the methodology for cost reflectivity should be applied, and how transaction costs should be accounted for, PIAC joined the proponents in calling upon the AEMC to contribute to the data pool and assist in providing the necessary evidence-base to make an informed decision.

Since then, Institute for Sustainable Futures (ISF) has produced further evidence to support the proposal. PIAC supports this work.

The key reasons the AEMC stated for rejecting the rule change proposal:

- The AEMC considers existing provisions for network support payments combined with cost reflective tariffs, sufficient to incentivize efficient local generation
- It considered an LGNC would increase costs for consumers
- It considered the LGNC prioritized generation over demand management
- The AEMC commissioned modelling which found that the LGNC did not reduce network costs, and instead increased costs by between \$1 and \$18 million in their three case studies. They therefore considered there to be no case for an LGNC.

PIAC shares the view of ISF that:

- Network businesses need a mechanism to enable local electricity generation and consumption to pay lower network charges than consumption of centralised generation. This will offer an alternative to behind the meter solutions, and to the establishment of embedded privately operated

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networks within the distribution network. This maintains utilisation of the network, which is in everybody's interest, and avoids the duplication of infrastructure.

- The AEMC has opted to regulate for information that is already available via an online mapping system. In any case, this information does not address the issues raised by the rule change.
- The economic modelling carried out by the AEMC included small and existing systems, even though previous modelling showed this indicated no overall benefit. It also only included solar PV. This modelling is not a comprehensive exploration of the potential costs and benefits of an LGNC and is an insufficient basis on which to make a Determination. We urge the AEMC to undertake further modelling of the potential economic impacts of an LGNC.

The AEMC's draft determination does not address the intent of the rule change request. We agree with the Total Environment Centre (TEC) that it is a narrow response and will impact consumers negatively, as prosumers and small to mid-scale embedded generation proponents limit their use of the network due to high network tariffs on exported energy, thus reducing network utilisation and likely increasing the prices payable by legacy grid-connected customers for lumpy, underutilised aging assets.

PIAC has previously requested the AEMC to factor the costs of climate change mitigation into its assessment framework. Since then, ISF has produced further evidence that incentivising local renewable generation is economically efficient as well as environmentally responsible. This evidence has been reinforced by more recent research from Energeia for the ENA/CSIRO Network Transformation Roadmap, which forecasts much higher economic benefits from networks buying services from prosumers.

PIAC is disappointed that the AEMC has taken the opportunity to address this issue. The electricity system is changing rapidly, and distributed energy is going to play an even greater role in the future. This rule change proposal highlighted a gap in current regulations. If the AEMC considered the proposal to be flawed, it could have used the process to work with the rule change proponents and other stakeholders to look at how to make the system more suitable for local generation.

PIAC considers, as we have previously stated, that the AEMC's narrow interpretation in this regard is symptomatic of broader issues with the AEMC rule-change process. In our previous submission PIAC pointed to the unequal access to and use of modelling data in relation to submissions to the AEMC. PIAC's view is that the AEMC is able to remedy this imbalance, either by providing the data or by funding it, and submits that the AEMC should be more proactive in rectifying the imbalance that has led to it being criticised for having an industry bias. In this context, we support Consumer Utilities Advocacy Centre, Consumer Action Law Centre and TEC's recommendations to reform the rule change process. In particular, stronger steps need to be taken by the AEMC to clarify the detail that proponents are expected to provide in order for the rule change request to be properly considered, and to cooperate with proponents and clarify in writing the exact nature of the issue which the rule change request seeks to remedy.

PIAC supports the ISF's recommendation that the AEMC should either retract its preferred rule and issue a discussion paper, or undertake further modelling that examines the effects of an LGNC on consumer costs over time, including alternative structures for the LGNC.

If you would like to discuss PIAC's submission further, please contact Tina Jelenic, Senior Policy Officer, Energy + Water Consumers' Advocacy Program, on (02) 8898 6522 or by email at tjelenic@piac.asn.au.

Yours sincerely



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