

Ms Victoria Mollard
Director
Australian Energy Markets Commission PO Box A2449
Sydney South NSW 1235
Online: www.aemc.gov.au

23rd June 2017

Dear Sir/Madam

Re: Distribution Market Model

The Northern Alliance for Greenhouse Action (NAGA) is pleased to take this opportunity to submit a response to the the Australian Energy Market Commission's (AEMC) *Distribution Market Model* draft report.

NAGA is a network of nine northern Melbourne metropolitan councils working to achieve significant emissions abatement and energy cost savings by delivering effective programs and leveraging local government, community and business action. Our members include the cities of Banyule, Darebin, Hume, Manningham, Whittlesea, Yarra, Melbourne, Moreland, Moreland Energy Foundation Limited, and Nillumbik Shire Council. NAGA formed in 2002 to share information, coordinate emission reduction activities and cooperate on research and develop innovative projects.

The recommendations within this submission should be considered alongside of NAGA's original response to the Approach Paper (December 2016).¹

1. Changes to the National Electricity Rules should not create additional barriers to distributed energy and incentivise consumers to go off-grid

NAGA is concerned that the findings of the draft report raise the prospect of changing the National Electricity Rules (NER) so that rooftop solar and storage owners could be charged for exporting electricity into the grid. Whilst we agree that network operators should have a mechanism to recover costs associated with any additional burden created by network users, practical implementation must be applied equitably to both reward solar customers when exporting provides benefits to the network, and charging them when it increases burden on the network. Without a transparent and even-handed approach, customers are likely to be further incentivised to go off-grid. It is also likely to create additional financial barriers to low income households seeking to install solar to manage their living expenses, such as the participants in the government funded Solar Savers program.²

In addition, the Victorian Essential Services Commission recently undertook a substantial investigation into the value of distributed generation and found that administering a fine resolution time and location based tariff would be cumbersome and marginal in value. We recommend that the AEMC consider the results of this inquiry before duplicating efforts.

The same logic should be applied when addressing more material issues, such as the cost burden on all consumers from air conditioning – this cross subsidy is far better understood and estimated at approximately \$350 annually per

¹ http://www.naga.org.au/uploads/9/0/5/3/9053945/nagasub_aemcdistmarketmodel.pdf

² <https://eaga.com.au/projects/solar-savers/>

household by the Productivity Commission.³ Whilst the application of cost reflective tariffs are designed to improve efficiencies in the allocation of these costs, there should be complementary mechanisms available to consumers to reward those who reduce their demand when it delivers benefits to the network.

- 2. The AEMC should give consideration to the findings of the Finkel Review (Independent Review into the Future Security of the National Electricity Market) and its recommendation to clarify the National Electricity Objective (NEO).***

Whilst the purpose of the Distribution Market Model project is focused on ensuring that the energy market arrangements are flexible and resilient enough to respond to changes in technology, it must also be adaptive to a changing political and regulatory environment. Should the recommendations of the Finkel Review be adopted by the COAG Energy Council, issues of emissions reduction and environmental sustainability will need to be taken into account by the market's decision making bodies and institutions.

NAGA is willing to work with AEMC to support equitable and consistent approaches to an integrated and sustainable distribution model which represent the best value proposition for the community, industry and all levels of Government.

Please contact David Meiklejohn (phone: 9385 8505 or email david@mefl.com.au) if you would like further information, case studies or any clarification regarding the issues raised in this letter.

Yours sincerely



David Meiklejohn

NAGA Executive Officer

The views represented in this submission do not necessarily represent the views of all NAGA members individually.

³ Productivity Commission 2013, Electricity Network Regulatory Frameworks, Report No. 62, Canberra (p.40)