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7 November 2016

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

ERC0191 - NATIONAL ELECTRICITY AMENDMENT (LOCAL GENERATION NETWORK CREDITS) RULE 2016– DRAFT RULE DETERMINATION

Ergon Energy Corporation Limited (Ergon Energy), in its capacity as a Distribution Network Service Provider (DNSP) in Queensland, welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *National Electricity Amendment (Local Generation Network Credits) Rule 2015 – Draft Rule Determination* (Draft Rule Determination).

Ergon Energy strongly supports the AEMC's decision not to proceed with the rule change as proposed. Ergon Energy also supports a regulatory framework which effectively incentivises efficient investment in embedded generation. However, we do not support the AEMC's 'preferred rule' which will require DNSPs to provide a 'system limitations report' in accordance with a template prepared by the AER.

Specifically, as noted in our submission on the Consultation Paper earlier this year, Ergon Energy considers that existing National Electricity Rules provisions are likely to provide appropriate price signals for efficient embedded generation, and appropriately incentivise network businesses to adopt both, network and non-network solutions to achieve efficient investment in, and operation of, the electricity system that minimises long-term costs.

Ergon Energy has progressed numerous initiatives within the current regulatory framework, which demonstrate the proposed 'system limitations report' is unnecessary considering existing mechanisms, and is in fact superseded by more progressive, dynamic and industry led initiatives. These include:

- The recent mapping of our Distribution Annual Planning Report (the DAPRM). The DAPRM is a publically accessible interactive geospatial map that has been developed to provide indicative information regarding Ergon Energy's regulated network topology, forecast loads and capacities, and network constraints:  
<https://www.ergon.com.au/network/network-management/future-investment/distribution-annual-planning-report/dapr-map>

- The development of a dynamic pricing technique that enables us to price network risk and be more proactive with our demand management program and engage the market earlier. The technique is being rolled out across our network and will be expanded to include more areas where there is network risk and value associated with demand side solutions:  
<https://www.ergon.com.au/network/network-management/demand-management/pricing-network-risk>
- Ergon Energy's interactive Network Incentives Map, which provides a state wide overview of the current and potential future incentive areas:  
<https://www.ergon.com.au/network/manage-your-energy/incentives/search-incentives>

Considering the above, we are concerned that the proposed 'preferable rule' will increase the burden on DNSPs to provide information and perform network data analytics, for minimal or no benefit.

Furthermore, a compliance type reporting option is unlikely to enable future innovation or keep pace with technology or changing network risk profiles. As detailed in Attachment 1 to this submission, Ergon Energy's network risks are changing and becoming more dynamic. As these risks continue to emerge and grow with changing customer side technologies, a compliance report is unlikely to keep pace and consequently would not provide a long term market and customer value.

While Ergon Energy does not support the introduction of a requirement for DNSPs to prepare a system limitations report, we agree with the Energy Networks Association, of which Ergon Energy is a member, that should preparation of a systems limitation report become a formal compliance obligation, further clarification will be required regarding the proposed reporting parameters and information requirements. To achieve this clarity, Ergon Energy would welcome the opportunity to engage with relevant stakeholders regarding the development of any associated reporting template.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely



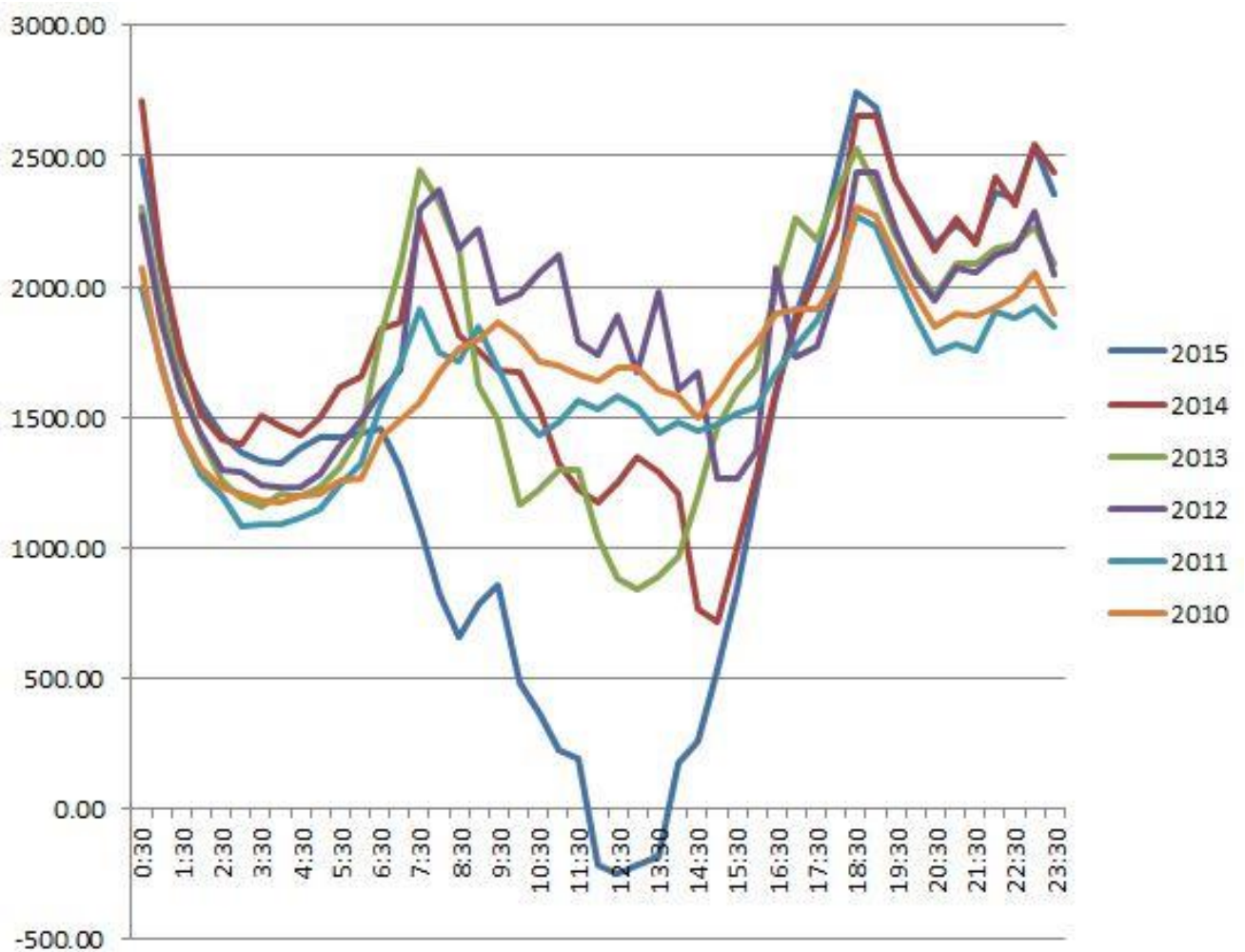
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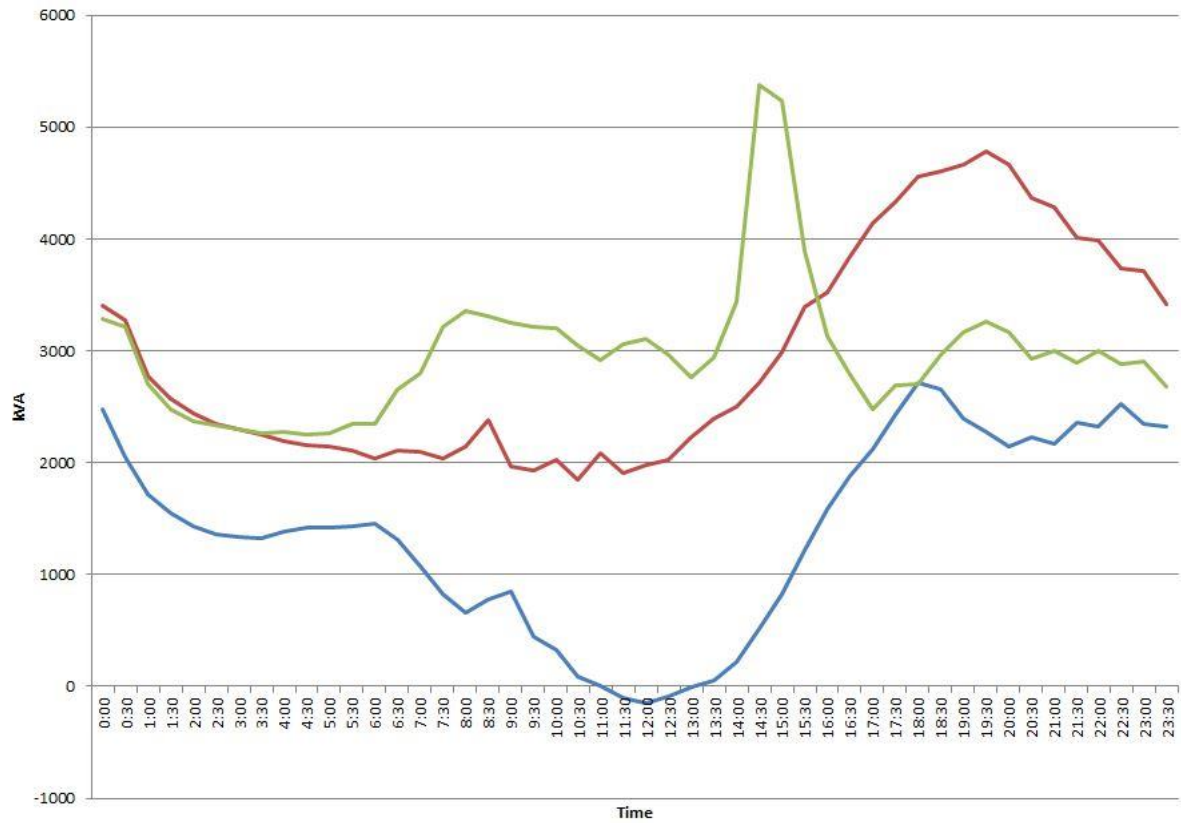
**Attachment 1: *Ergon Energy – Changing Demand Profiles***

The graph below shows the changes in an average daily load profile in a residential area. The profile rises in the morning as people get ready for the day. It dips in the middle of the day as people go to work, and rises in the afternoon as people return home.

The biggest change in this profile over time is the large drop in energy demand in the middle of the day, due to the impact of solar PV units exporting energy into the grid at that time.



A lesser understood impact of solar PV is when generation suddenly stops due to dark clouds rolling in before a storm. Storms often occur on hot days when air conditioners are using a lot of electricity. At that time, demand must be quickly met by the network. As such Ergon Energy must consider these issues when we design, build and operate the network.



The red line shows a traditional network peak when demand rises in the evening as customers return home and start using electricity on a hot day.

The blue line represents a low demand day. It shows energy generation on the feeder exceeding the load and electricity flowing back through the substation.

The green line highlights demand for the feeder, which resulted from a storm that caused solar PV units to suddenly stop generating.