

3 November 2016



Mr John Pierce
Chair
Australian Energy Market Commission
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RE: Draft Rule Determination: Local Generation Network Credits (Reference ERC0191)

Dear Mr Pierce,

Ausgrid welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (AEMC) draft determination on Local Generation Network Credits.

Ausgrid supports the AEMC's decision not to proceed with the proposed Rule. Ausgrid is also broadly supportive of the Draft Rule which is aimed at better enabling non-network solutions providers (including embedded generation) to make use of existing mechanisms under the National Electricity Rules (NER) by requiring distribution network service providers (DNSPs) to publish a 'system limitation report.' In our view this mechanism should provide non-network solutions providers with easier access to information in a consistent and usable format. However, Ausgrid agrees with the Energy Networks Association's (ENA) comments that further clarification on the 'system limitations report' is required, and that there is merit in further exploring the adoption of an industry led mechanism for providing information rather than a regulatory approach- as this would provide greater freedom to develop information requirements consistent with the needs of the market.

Ausgrid supports the positions outlined in the ENA's submission. In particular, we agree that the application of a mandated set of uniform and highly averaged network credits may risk:

- incentivising inefficient investment in, and use of, embedded generators in locations, quantities, or technologies where it may create little benefit to networks or where it imposes net costs on networks; and
- dis-incentivising efficient investment in, and use of, embedded generation where it has the potential to create material net benefits to networks.

While we note that some stakeholders have proposed alternatives to the original Rule proposed, we consider that these issues will still occur under different variants to the proposed Rule.

Despite the ENA's concerns in respect to this Rule change, Ausgrid does see potential value in an export price signal for new embedded generation. Our view is that such a price signal can be accommodated within the existing regulatory framework. The inclusion of an export price signal is an issue that Ausgrid may consider consulting on as part of its FY19-24 Tariff Structure Statement. However, we note that any export price signal could only be offered if approved by the Australian Energy Regulator (AER) as being consistent with the pricing principles and objectives in the Rules.

If you would like to discuss this submission further please do not hesitate to contact Chris Amos on (02) 9269 4653 or via email at camos@ausgrid.com.au.

Yours sincerely,


Joe Pizzinga
Chief Financial Officer