



16 October 2014

Australian Energy Market Commission
PO Box A2449
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AEMC Rule Change on Distribution Network Pricing Arrangements

The Moreland Energy Foundation Ltd, or MEFL, is an independent not-for-profit organisation. It was established to help reduce greenhouse gas emissions across the municipality of Moreland, in the inner-northern suburbs of Melbourne. MEFL acts as a connection between the Moreland community and the broader climate change action movement. MEFL is the first such organisation of its kind in Australia and works collaboratively with a broad range of stakeholders to work towards a more sustainable future.

We agree with the principle of avoiding cross-subsidisation is a good one and will present an improvement to the efficiency of the electricity network. Through our experience in stakeholder engagement MEFL has been aware that there are concerns over the impact of solar and how households with solar are not paying their appropriate “contribution” to supporting the network¹. As is noted in the draft determination for this rule change, this is only highlighting the fact that current tariff structures fail to appropriately reflect the true cost of consumers to the network, a cost that is much more strongly tied to required capacity than volumetric consumption. Although the rise of distributed solar PV installations has provoked action to be taken this cross-subsidisation was already an important dynamic in the distribution network, particularly through the impact of peak demand from broad adoption of air conditioning, and it is gratifying to see this recognised in the draft determination.

The specific grid impacts of solar should be considered when identifying what the level of cross-subsidisation is (such as the orientation of individual systems). The approach suggested by the AEMC of being ‘technology agnostic’ and focusing on metrics around grid impact is highly desirable – for instance, we would consider it to be a poor outcome if a household installed solar PV specifically to minimize the impact of an installed air conditioner, only to see higher network tariffs arising due to having both the air conditioner and PV system. We feel it is imperative that revisions to tariffs for solar PV systems be undertaken in a reasonable and collaborative manner, with the intention to support the broader installation of distributed generation systems.

At MEFL we strongly believe that distributed generation should play an important role in the development of our future energy grid. With this in mind, we feel that special emphasis should be given to the role of distributed generation such as solar photovoltaic systems, and that efforts should be made to encourage its broader adoption. Due to the implications that this may have on the distribution of electricity within the network, it is appropriate for detailed consideration to be made as to how the network can be designed with a long-term goal of

¹ EESA, Who Pays for Solar Energy?, 17 May 2013





have very high levels of penetration of distributed generation. This must involve detailed stakeholder engagement in addition to appropriate consideration of the developments of relevant standards (such as AS4777 and AS4755) and supporting demand-side infrastructure (such as smart meters).

The expanded emphasis on stakeholder collaboration is an excellent development and MEFL recognizes that this is an extension of the guidelines already coming out of the AER². We have concerns, however, that the desire to be flexible to the needs of the DNSPs may create an environment where stakeholder consultation becomes unproductive. This opinion is based on our experience of issues of consumer engagement with DNSPs and the general imbalance of knowledge between DNSPs and consumers. It is our recommendation that, although flexibility in stakeholder engagement is desirable, it is important to be clear about the expectations on DNSPs to construct their engagement in such a manner as to elicit productive outputs from stakeholders. This may include clearly framing the types of outputs that are being sought and establishing methods by which the implications of proposals or suggestions by stakeholders may be presented back to them so that they may better communicate their priorities. We support the conclusions established through the CUAC paper on appropriate consumer engagement³.

It is noted that the proposed changes are likely to in general not have a detrimental impact on low income households. This is in line with our research, and matches with the results of a recent study that we concluded with the Consumer Advocacy Panel⁴. We would like to note, however, that our research highlighted that there were potentially some subgroups, such as low income retirees, may be subject to detrimental impacts and that close attention should be paid to ensure that appropriate concessions are maintained.

Thank you for the opportunity to comment on these proceedings, we look forward to seeing the results of this consultation and look forward to working with the AEMC in the future.

Kind regards,



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² AER, Consumer engagement guideline for network service providers, November 2013

³ CUAC, Consumer Engagement in Energy Networks, 2013

⁴ Moreland Energy Foundation, Flexible Pricing – Time to Save, August 2014

