



Ethnic Communities' Council of NSW Inc.

221 Cope Street Waterloo NSW 2017

Tel: (02)9319 0288 Fax: (02)9319 4229 Email: energy2@eccnsw.org.au

4/2/2016

Response to the AEMC Consultation Paper, *AEMC 2015, Local Generation Network Credits, 10 December 2015.*¹

The Ethnic Communities Council of NSW (ECC NSW) welcomes the opportunity to provide input into the AEMC Consultation Paper on the Rule Change proposal by the City of Sydney, the Total Environment Centre and the Property Council of Australia concerning Local Generation Network Credits (LGNCs).

Since its formation 40 years ago the ECC NSW has been the peak body for culturally and linguistically diverse (CALD) community members and representative organisations in NSW. The Ethnic Communities' Council of NSW main activities are advocacy, education and community development. It is a member of the Federation of Ethnic Communities' Councils of Australia (FECCA) and the energy advocacy role represents FECCA in the National Energy Market (NEM).

The ECC NSW thanks the AEMC for the opportunity to contribute to the discussion on its rule change proposal. The consultation paper presents a range of questions; we propose to address a number of issues related to the rule change but will not specifically follow the questions posed in the consultation paper. We would anticipate that we will be involved in the various forums and discussion sessions proposed as the rule change process unfolds.

The proposed rule change is complex and multi-faceted. In presenting the discussion paper for comment, the AEMC has made a serious effort to address a number of the issues that are part of the discussion of this proposed rule change. Our comments are more a general reflection on the value of a rule change that provides benefits for small scale generators, networks (and the longer term future of the grid) and consumers.

The overall focus of the discussion paper seems to centre on how any financial network benefits derived from local generation (subject to there actually being some) could be ascertained, quantified and passed on to local generators through a negative tariff structure. There is considerable discussion about how perceived benefits would

¹ AEMC 2015, *Local Generation Network Credits, Consultation Paper*, 10 December 2015

be quantified, who would pay for the process and how the process would affect consumer pricing.

The Power of Choice Review, in part, focusses on the establishment and provision of cost-reflective tariff structures that provide **consumption** triggers and incentives focussed around peak and critical demand, so as to more equitably reflect, in the charges to consumers, the costs of the energy supplied and used. It would appear that the general intent of this rule change is similar in nature in that it seeks to provide a mechanism to more accurately reflect **supply** triggers and incentives, centring around peak supply strictures, either by location or voltage, among other factors.

It is well recognised that the energy market is in the process of considerable change, particularly with respect to the potential impacts of solar PV, especially when it is coupled with storage options. It will become increasingly important to ensure that the electricity grid remains relevant and cost-effective in the face of the growth (and cost competitiveness) of storage technologies. It will not be in the long term interests of all consumers to have only those who are not able (for whatever reasons) to utilise emerging new products and services being the only consumers connected to an increasingly expensive grid.

There is a focus in the discussion paper on how the possible financial benefits to networks (if and when they exist) can be passed through to local generators with little or no concomitant increase in consumer prices. There are, of course, a number of benefits for consumers arising from a process such as LNGCs which are not as easily quantifiable:

- The value of the maintenance of an electricity grid and the avoidance of a grid 'death spiral' by ensuring that consumers (and potentially small generators) only pay for the portion of the grid that they utilise. This would involve spreading the benefits and costs across the full range of consumers so that the benefits are not just limited to those who can afford to access new products and services and the costs to those who cannot.
- Wider social and environmental impacts (rather than just the lowest price energy) that can be seen as benefits and have the potential to be seen as highly valuable to consumers.
- The potential for local generation (and possibly storage) to provide permanent alternatives to network augmentation and hence reduce capital expenditure and the value of networks' asset base over time. This will certainly be in the long term interests of consumers. In the absence of some system of network credits for small generators, and the removal of generous feed-in tariffs in the near future, it will be most tempting for small generators to complement their generation with further investment in storage. It will be important to institute an integrated approach to avoid the considerable potential for inefficient investment in storage.

The ECC NSW recognises that the issues raised by this rule change are complex. The difficulty will be to maintain a worthwhile discussion about the general thrust of the rule change without getting side-tracked by the difficulties of ascertaining the financial viability of a LGNC process and the possible mechanisms of its operation. In essence, it is important that this rule change process have as a major focus that consumers and small-scale generators should pay for their use of the grid consistent with their utilisation of it, and that there be a mechanism for a credit where small-scale imbedded generators provide a benefit to the grid, and hence to consumers.

If you require additional information please contact Iain Maitland, Energy Advocate on 02 9319 0288 or email energy2@eccnsw.org.au .

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Mary Karras', written over a horizontal line.

Mary Karras
Executive Officer
Ethnic Communities' Council of NSW Inc.