

7 November 2016

**Australian Energy Market Commission**PO Box A2449  
SYDNEY SOUTH NSW 1235Via online portal: [www.aemc.gov.au](http://www.aemc.gov.au)**RE: Draft Rule Determination – National Electricity Amendment (Local Generation Network Credits) Rule 2016****Project Reference Code: ERC0191**

Australian Gas Networks Limited (AGN) is one of Australia's largest natural gas distribution companies. AGN owns approximately 23,000 kilometres of natural gas distribution networks and 1,100 kilometres of transmission pipelines, serving over 1.2 million consumers in New South Wales, South Australia, Victoria, Queensland and the Northern Territory.

AGN welcomes the opportunity to make a submission to the Australian Energy Market Commission (the Commission) with regard to its "*Draft Rule Determination – National Electricity Amendment (Local Generation Network Credits) Rule 2016*" (the paper), regarding potential changes to the National Electricity Rules (NER).

AGN notes that the Rule Change is in relation to the National Electricity Rules (NER) and there is no proposed change to the National Gas Rules. Despite this, the potential introduction of a Local Generation Network Credit (LGNC) is relevant to the natural gas industry because of the use of distributed natural gas in embedded generation facilities such as co-generation or tri-generation.

Consistent with our submission in relation to the Commission's Consultation Paper, AGN is supportive of the provision of network credits to embedded generators, however notes the challenges with developing and administering such a scheme. As such, AGN understands the Commission's decision not to proceed with the Rule Change at this time.

That said, AGN is also encouraged by the Commission's acknowledgement that:

*"... an issue does exist regarding the ability of providers of non-network solutions (including embedded generators) to take advantage of the mechanisms that exist in the NER."*<sup>1</sup>

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<sup>1</sup> Australian Energy Market Commission, "*Draft Rule Determination – National Electricity Amendment (Local Generation Network Credits) Rule 2016*", September 2016, pg. 20.

Consequently, AGN encourages the Commission to continue considering this matter and is particularly supportive of the Commission's proposed 'draft more preferable rule'. This draft rule seeks to make it easier for providers of embedded generation and other non-network solutions to utilise existing mechanisms in the NER, instead of introducing an additional (and potentially complex) incentive to encourage investment in and use of embedded generation as an alternative to network investment.<sup>2</sup>

AGN thanks the Commission for the opportunity to comment on the paper. Please contact either Ashley Muldrew (08 8418 1115) or myself (08 8418 1129) should you wish to discuss our submission further.

Yours sincerely

**Craig de Laine**

**General Manager – Regulation**

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<sup>2</sup> *Ibid.*, pg. 17.