



Ms Victoria Mollard
Director
Australian Energy Markets Commission
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Sydney South NSW 1235

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EASTERN ALLIANCE FOR
GREENHOUSE ACTION
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4 July 2017

Dear Ms Mollard,

Re: Draft Report - Distribution Market Model (June 2017)

The Eastern Alliance for Greenhouse Action (EAGA) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft report on the Distribution Market Model (June 2017). EAGA is a formal Alliance of eight councils in Melbourne's East, including:

- City of Boroondara
- Glen Eira Council
- Knox City Council
- Maroondah City Council
- City of Monash
- City of Stonnington
- City of Whitehorse
- Yarra Ranges Council

EAGA is committed to delivering mitigation and adaptation projects and advocating for initiatives that support sustainable, low carbon communities. EAGA recognises the importance of regulatory and market based approaches in overcoming the barriers to an efficient and timely transition to a decentralised and sustainable energy system. The recommendations within this submission should be considered alongside of EAGA's response to the Approach Paper (December 2016).¹

1. *Changes to the National Electricity Rules should not create additional barriers to distributed energy and incentivise consumers to go off-grid*

EAGA is concerned that the findings of the draft report raise the prospect of changing the National Electricity Rules (NER) so that rooftop solar and storage owners could be charged for exporting electricity into the grid. Whilst we agree that network operators should have a mechanism to recover costs associated with any additional burden created by network users, the practical implementation of such a mechanism must be applied equitably. For instance, customers should be both rewarded when exporting electricity provides benefits to the network, and charged when it increases burden on the network. Without

¹ eaga.com.au/wp-content/uploads/EAGA-Letter-Distribution-Market-Model-Final-2016-01-19.pdf

a transparent and even-handed approach, customers are likely to be further incentivised to go off-grid. The introduction of new charges on solar owners are also likely to create additional financial barriers to low income households seeking to install solar to manage their living expenses, such as the participants in the government funded Solar Savers program.²

The same logic should be applied when addressing more material issues, such as the cost burden on all consumers from air conditioning – this cross subsidy is far better understood and estimated at approximately \$350 annually per household by the Productivity Commission.³ Whilst the application of cost reflective tariffs are designed to improve efficiencies in the allocation of these costs, there should be complementary mechanisms available to consumers to reward those who reduce their demand when it delivers benefits to the network. EAGA consequently urges the AEMC to prioritise its regulatory reform on addressing the far more significant equity and cross-subsidy issues in the energy market, rather than pursuing immaterial reforms that will further disenfranchise consumers.

2. The AEMC should give consideration to the findings of the Finkel Review (Independent Review into the Future Security of the National Electricity Market) and its recommendation to clarify the National Electricity Objective (NEO)

Whilst the purpose of the Distribution Market Model project is focused on ensuring that the energy market arrangements are flexible and resilient enough to respond to changes in technology, it must also be adaptive to a changing political and regulatory environment. Should the recommendations of the Finkel Review be adopted by the COAG Energy Council, issues of emissions reduction and environmental sustainability will need to be taken into account by the market's decision making bodies and institutions.

EAGA is willing to work with AEMC to support equitable and consistent approaches to an integrated and sustainable distribution model which represent the best value proposition for the community, industry and all levels of Government. Should you have queries or questions relating to this letter, please contact Scott McKenry, EAGA Executive Officer on scott.mckenry@maroonodah.vic.gov.au or 03 9298 4250.

Kind regards,



Cr John Mortimore
Executive Committee Chair
Eastern Alliance for Greenhouse Action
Councillor, Knox City Council



This submission has been approved through EAGA's formal governance structure as described in the EAGA Memorandum of Understanding 2016-17. The submission may not have been formally considered by individual member councils.

² <https://eaga.com.au/projects/solar-savers/>

³ Productivity Commission 2013, Electricity Network Regulatory Frameworks, Report No. 62, Canberra (p.40)