AUSTRALIAN ENERGY MARKET COMMISSION

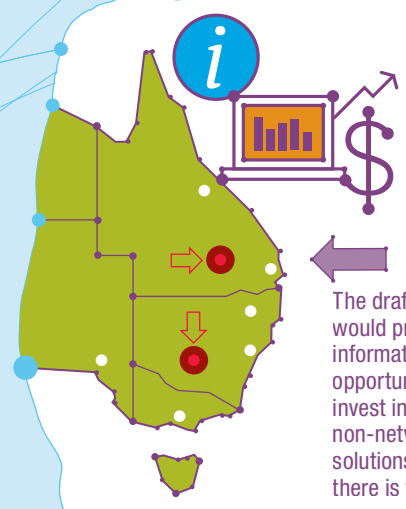
BETTER INFORMATION TO FACILITATE ALTERNATIVES TO NETWORK INVESTMENT

LOCAL GENERATION NETWORK CREDITS
DRAFT DETERMINATION 22 SEPTEMBER 2016

Enabling an efficient combination of network and non-network solutions to deliver electricity

Network businesses plan and operate the network – the 'poles and wires' – to provide a safe and reliable electricity supply to customers. The electricity rules provide incentives to network businesses to achieve this at the lowest possible cost.

Specific mechanisms help compare the costs and benefits of building new infrastructure and alternative 'non-network' solutions such as using **embedded generation, demand response or energy efficiency**.



The draft rule would provide information on opportunities to invest in non-network solutions where there is value.

Draft determination

Clear, usable and accessible information is essential to enable providers of embedded generation, demand response, and other innovative services to identify lower cost alternatives for network investment.

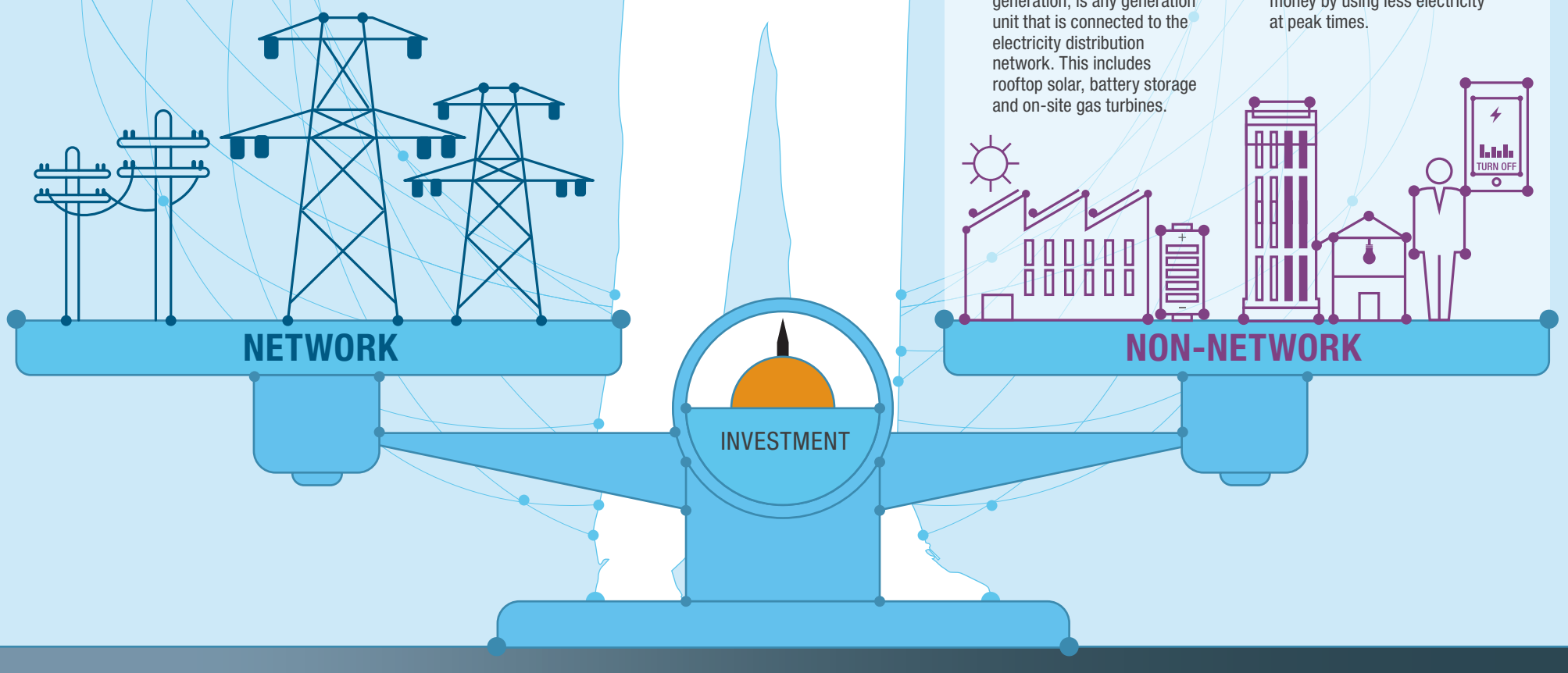
The AEMC has made a draft rule requiring distribution network businesses to publish an annual '**system limitations report**'. The report would enable providers of non-network solutions to focus on locations where they could defer or reduce the need to invest in the network.

The AEMC proposes not to introduce 'Local Generation Network Credits' – a new payment from network businesses to embedded generators. The proposed credits would likely result in higher costs for all electricity customers because payments would be made whether the embedded generator is located where it provides value or not.

The draft rule would make it easier for providers of non-network solutions to use existing mechanisms.

Embedded generation, also known as local generation, is any generation unit that is connected to the electricity distribution network. This includes rooftop solar, battery storage and on-site gas turbines.

Demand response can help consumers save money by using less electricity at peak times.



Mechanisms supporting efficient network investment

There are mechanisms in place that incentivise network businesses to seek the lowest cost solution for delivering their services, including embedded generation and other non-network solutions. The proposed rule builds on these existing mechanisms.

Cost reflective network pricing arrangements
Starts 2017

Distribution network businesses develop prices that better reflect the cost of network services so consumers can make more informed decisions about their electricity use, including on-site consumption.

Network support payments
Amended 2013

Payments from network businesses to reflect cost savings of delaying or avoiding network investment or for avoiding use of the transmission network.

Regulatory investment tests
Started 2013

Non-network solutions must be considered as an alternative to building more infrastructure for larger projects.

Network planning framework
Started 2013

Network businesses prepare an annual report that sets out demand and capacity forecasts, and identifies emerging constraints on the network.

Efficiency Benefit and Capital Expenditure Sharing Schemes
Amended 2012

Provides incentives for network businesses to reduce costs, including through non-network solutions.

Demand Management Incentive Scheme
Starts 2016

Provides new incentives for network businesses to invest in non-network solutions.

Demand Management Innovation Allowance
Starts 2016

Funding for innovative projects that can reduce the need for future network investment.

Small generation aggregator framework
Started 2013

Enables small generators to sell electricity through a third-party, making it easier for those parties to offer non-network solutions.