



02/11/2016

**Moirashire Council - Submission on draft rule determination
'Local Generation Network Credits', second round consultation**

Dear Australian Energy Market Commission,

Moirashire Council is a northern Victorian local government whose municipality is situated at the end of the Victorian electricity distribution and transition networks.

The municipality has a relatively high penetration of domestic distributed renewable energy generation (18% of households), significantly higher than the Victorian average. Availability of a local generation network credit (LGNC) in councils view would support further uptake of distributed renewable energy generation and associated regional development benefits.

Council has been working on a project, titled Virtual Renewable Power Stations to support distributed renewable energy generation in its communities. This project, co-funded by the Victorian State Government, has clearly identified that the institutional arrangements represented by the current national energy rules are a direct barrier to implementation of smaller scale distributed generation. Council wishes to pursue its distributed energy ambitions and sees the AEMC's draft rule determination as a step in the wrong direction.

Importantly a LGNC would support a transition to a lower carbon and more equitable energy market in Australia through enabling functionality of the economics of distributed renewable energy generation. The draft rule determination represents a missed opportunity for energy market reform and realisation of associated benefits from emerging technologies. Following are responses to the draft rule determination document as published on the AEMC website;

Inappropriate and bias modelling used by AEMC as basis for draft rule change determination;

Moirashire disputes the modelling used by AEMC as the basis for the draft rule determination as it is based on distinctly different assumptions compared to those of the actual rule change proposal. The rule change proposal modelling was supported by extensive and detailed modelling done by the Institute of Sustainable Future and considered;

- Wide range of distributed generation technologies (co-gen, solar, wind, bio-mass etc.)
- Viabilities of distributed generation sizes (>10kW)
- Not including existing distributed generators
- Benefit to sector of the grid (transmission v's distribution)

Moirashire believes the AEMC's modelling is invalid as it was conducted in a very narrow scope and did not address all the required elements. Below is a list of a number of issues identified with AEMC modelling;

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- Applied LGNC to all distributed generation systems including small domestic sized PV systems, rather than limiting to >10kW
- Only modelled solar photovoltaic distributed generation technologies, ignored all others
- Only considered distribution generation benefits to grid constraints at zone substation level and ignored upstream benefits at the transmission and sub-transmission levels.

The outcome of AEMC's modelling infers that introducing a LGNC would result in increased network costs of between \$1 and \$18 million. This is in direct conflict with the detailed modelling by ISF which claims that in NSW alone a LGNC would reduce future network cost by 60% compared to business as usual. It is Moira's position that the inappropriate modelling approach taken by AEMC resulted in this disparity and that long term a LGNC would drive down network costs.

Suitability of existing provisions to incentivise distributed generation;

AEMC draft rule determination claims that existing network rules and mechanisms are adequate to support and incentivise distributed generation. This is not the case for smaller distributed generation systems. Particularly the main mechanisms of 'Network support payments' and 'Regulatory Investment Tests (RIT-D and RIT-T) which are unsuitable support mechanisms for smaller distributed generation projects that are less than 5MW or where projects would offset distribution or transmission costs by \$5 and \$6 million.

There are little to no incentives for smaller distributed generators without the payment of a local generation network credit.

Alternative proposed rule change – publication of grid constraint maps;

The alternative rule proposal by AEMC in response to the original LGNC rule change proposal is inappropriate and does not address the same issues seeking to be addressed through the introduction of a LGNC. Additionally Moira also considers this a duplication of effort considering that the grid constraint information required to be disclosed by distribution businesses is already freely available via the [Net Work Opportunity Maps](#) created in partnership between the Institute for Sustainable Futures and the Distribution Networks with support from the Australian Renewable Energy Agency.

National Energy Objective – claimed non-compliance with and limitations of rule making process;

The NEO speaks about ensuring the efficient investment and operation of electricity services, and affecting long term interests of consumers with respect to; price, quality, reliability and security. The draft rule determination supported principally by the inappropriate and contradictory modelling commissioned by AEMC is missing an opportunity to consider new approaches to reducing long term networks costs for consumers, who are already suffering from increasing costs.

In addition, by proposing the current draft rule determination AEMC is reinforcing the already rampant consumer lead defection from the network and focusing on behind the meter distributed generation and demand management solutions. The continued growth of this consumer lead behaviour will undermine the viability of the National Energy Market by removing consumer reliance



on network delivered electricity and limit the consumer basis to shoulder the operational costs of the network into the future.

In conclusion the draft rule change proposal by AEMC has been based on incomplete and inappropriate modelling by AECOM. The basis of this modelling is flawed and fundamentally ignores much of the LGNC modelling approaches identified in the LGNC rule change proposal. In addition to the invalid modelling on which AEMC has made this draft rule determination the proposed 'preferred rule' is at odds with the original LGNC rule change proposal and does not address the issues a LGNC seeks to.

Claims that existing market mechanisms to incentivise distributed generation are suitable are clearly incorrect and provide no support to smaller/medium distributed generators, this is especially critical for community distributed renewable energy generation. Ultimately the failure of AEMC and or the NEO to properly consider the social and environmental impacts of a LGNC in Australia clearly signal that the current regulatory system is stifling innovation and evolution of an efficient and effective electricity grid into the future.

Moirashire asks that AEMC retract their preferred rule as it is duplicating an existing process and adds little value to incentivising distributed generation. Moirashire suggests that AEMC works instead to develop a process and mechanisms where both small and medium distributed generators are rewarded and supported for their contribution to the network. Ultimately these future mechanisms need to take into account the network augmentation value of distributed generation and enable network operators to offer reduced charges to distributed generators for restricted use of the network.

Yours Sincerely,

Sally Rice

Manager Safety Amenity and Environment