



## Local Generation Networks Credits final rule

### **Final determination on the local generation network credit rule change request released today.**

The Australian Energy Market Commission (AEMC) has made a final rule placing new obligations on electricity distribution network businesses to provide better information on opportunities to adopt alternatives to 'poles and wires' investment.

The changes will help reveal new opportunities for expanded embedded generation, demand response and other technologies, where these can address system constraints at the least cost to consumers.

Embedded generation, also known as distributed or local generation, is any type of individual electricity generation unit that is connected to the electricity distribution network. This includes rooftop solar, battery storage, cogeneration, trigeneration, and on-site gas and diesel turbines.

The new rule requires distribution network businesses to publish an annual 'system limitation report'. The report will enable providers of non-network solutions to focus on locations where they could defer or reduce the need to invest in the network.

AEMC Chairman John Pierce said 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 regulatory framework already provides a range of incentives to network businesses to provide a safe and reliable electricity supply at the lowest possible cost – with technology-neutral solutions driven by consumer choice," Mr Pierce said.

"The new rule builds on these existing mechanisms and incentives."

The Commission does not support the introduction of 'Local Generation Network Credits' which the proponents of this rule request wanted.

"The original request would have achieved little but higher prices for all consumers.

"It would have built a new, expensive subsidy into the regulatory framework for a particular group of energy producers.

"Our analysis shows that paying credits to embedded generators would likely result in higher costs for all electricity customers because payments would be made regardless of whether the embedded generator is located where it provides value," said Mr Pierce.

Network constraints emerge over time at specific places in the network. They need to be addressed through either network or non-network solutions – hence the importance of providing clear and usable information on the locations of these constraints. The market can then more easily identify where a non-network solution can address the constraint.

The Commission also found that the credits would distort the incentives for investment in embedded generation at the expense of other services, such as demand response, that may be lower cost or offer greater benefits.

"Encouraging lower cost alternatives to investment in the network can be achieved without the extensive costs of a Local Generation Network Credit scheme," Mr Pierce said.

"Consumer choice should decide what innovations and services will prosper."

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