Questions submitted during the AEMC's webinar on the Local Generation Network Credits rule change process – 28 January 2016

	Question	AEMC answer
1	Should/Are the increased level of generation, encouraged by any Rule change, consumed at source by end consumers be recognised as a 'cost' to the LNSP [local network service provider]? ... This generation reduces the revenues otherwise collected by LNSPs and must be recovered from other consumers and will require an increase in Tariffs to achieve this. This would seem to be not in line with the NEO [National Electricity Objective]! Has / is this revenue loss been recognised in the considerations to date?	Answered during webcast (31 minute mark)
2	While the name of the scheme includes the word 'local' it is only local in terms of voltage level within a distribution zone, and not in terms of actual physical location. This will actually provide less incentive for areas where the EG [embedded generation] can actually add value, and artificially incentivise (beyond the value added) of EG in areas it isn't needed. For an area like SAPN [South Australia Power Networks] or Ergon, there is a significant factor. How is this actually more efficient then a network support arrangement which can be targeted by location and actually put downward pressure on electricity prices?	Answered during webcast (33 minute mark)
3	Generators currently don't pay use of system charges, and the AER [Australian Energy Regulator] imposes a capital contribution threshold under which customers don't contribute to costs of augmentation on shared assets (currently 100A on main grid and 25kVA on SWER [single wire earth return] in the guideline). Isn't there already an inequality in contribution to augmentation that isn't creating 'cost-reflectivity' which this rule change doesn't recognise? (particularly in the case for small scale EG [embedded generators])	Answered during webcast (33 minute mark)
4	If applied, will this be done across all NW [AEMC interpretation: national electricity market] jurisdictiobns, irrespective of whether they follow the NECF [national energy customer framework], eg Vic?	Answered during webcast (34 minute mark)
5	1. Are the credits envisaged to be proportional to the capacity or generation (KW or KWh)? 2. Is it expected that NSPs [network service providers] would credit embedded generators directly, or that a retailer would reflect this on their bill to the generator (where they are also a consumer)?	Answered during webcast (34 minute mark)
6	How are the payments expected to be made, directly to bs, or through retailers.	Answered during webcast (34 minute mark)
7	Is there any role for retailers in this?	Answered during webcast (34 minute mark)
8	This is not a question, but a comment on your answer that the LGNC [local generation network credits] will require a new payment mechanism. I believe this is a misinterpretation of the proposal, as the expectation of the proponents is that the payment would be mediated by a retailer.	Answered during webcast (34 minute mark)

Question		AEMC answer
9	Is there any concern that this change would be a disincentive to network driven/controlled distributed generation projects?	Answered during webcast (36 minute mark)
10	When considering the potential benefits to consumers, are you considering that many embedded generators are also consumers, so benefits to generators could also be considered as benefits to consumers.	Answered during webcast (37 minute mark)
11	Will the AEMC be doing financial analysis on what the immediate and long term impact will be on price of electricity for all end-users, and what the subsequent impact is to the national economy and the cross section of residential and commercial customer groupings? (i.e. renters - both residential and commercial, and lower income households) Will a comparison be made using (for instance the Future Grid Forum scenarios) alternative energy future scenarios and what is the more efficient outcomes?	Answered during webcast (38 minute mark)
12	What is the economic sense of rewarding sunk investment in embedded generation with credits?	Answered during webcast (39 minute mark)
13	Re the current question [question 9], there are existing generators which are underperforming because their contribution to local consumption is not recognised - eg trigen plants sitting nearly idle	Answered during webcast (39 minute mark)
14	Would controllable load be eligible since it would provide the same network support?	Answered during webcast (42 minute mark)
15	Would this payment be made out of the DMIA [demand management innovation allowance], or any other accounts?	Answered during webcast (43 minute mark)
16	If the rule change is made and it results in higher costs for distributors, how would distributors recover these costs? Would the AEMC consider applying a no materiality threshold to potential pass through cost recovery?	Answered during webcast (43 minute mark)
17	Given the networks prices reset every five years, any benefits are rolled into the new prices in the subsequent regulatory control period. To avoid overpaying credits will the period of credits only occurring within the current regulatory control period?	Answered during webcast (43 minute mark)
18	The credits themselves are not costs but hypothetical estimates □, therefore businesses] may not be given an opportunity to recover these costs by forecasting in the EDPR [electricity distribution price review] process, a pass through mechanism is more appropriate, especially in an increasing dynamic market.	Answered during webcast (43 minute mark)
19	When considering whether the rule change would increase prices for all consumers do you consider the counterfactual as the status quo, whereby all exported energy ultimately attracts full network charges, or the potential situation of customers running a private network to enable the trading of local energy and thereby taking all of that energy 'off-grid'?	Answered during webcast (45 minute mark)

Question		AEMC answer
20	An assumption is that capacity is driving investment in the network. In DNSP's [distribution network service providers] there is a large shift to voltage related investment at the low and medium voltage segments of the network which is triggered by reverse power flow of EG [embedded generation] exporting back into network. How is this considered?	Answered during webcast (45 minute mark)
21	Would EG [embedded generator] that does not export to grid receive payment, eg rooftop PV?	Answered during webcast (46 minute mark)
22	Where consumers are on a Feed in Tariff scheme, why should they recieve another incentive?	Answered during webcast (47 minute mark)
23	When lower cost non-network solutions are available, should LGNC [local generation network credits] be based on avoided network augmentation cost, or the lower non-network solution cost?	Answered during webcast (49 minute mark)
24	How will any payment disputes be resolved, who and how?	Answered during webcast (50 minute mark)
25	Is the AEMC planning to think about the horizontal equity of rewards to behaviour that reduce network investment? For example, if I reduce my consumption by investment by energy efficiency investments, my only benefit flows from lower energy bills, but my impact on future network investment might be similar to my neighbour's installation of solar PV.	Answered during webcast (50 minute mark)
26	Would the rule change consider the benefits of retaining customers on the grid into the future by promoting exporting, rather than promoting behind the meter storage, generation and demand management which would increase opportunities for customers to disconnect? Given that grid deferral is unlikely to be in the long term interests of consumers.	Answered during webcast (51 minute mark)
27	The lack of information on real cost reflectivity or network benefit at any point of the network may limit the benefit of such as a rule change. How do see the rule change can tackle the lack of information transparency in the market? Similarly how will the embedded generator calculate the investment decision when the value/cost to the network will change over time.	Answered during webcast (53 minute mark)
28	How will the proposed Embedded generation credit interact with the propose cost-reflective demand charges?	Answered during webcast (55 minute mark)
29	Are there comparable international examples which can provide assistance in the formulation of the Rule.	Answered during webcast (56 minute mark)
30	Where a DNSP [distribution network service provider] owns a generation business and is providing this service to consumers is the expectation that they would credit themselves?	Answered during webcast (57 minute mark)

Question		AEMC answer
31	Is the interaction between this proposal and alternative energy sellers being considered as the 'customer' may not be the household or business?	This issue was not raised explicitly in the rule change request and, therefore, the Consultation Paper. If stakeholders consider that it is a material issue for the assessment of the rule change request then we encourage you to provide your perspectives in a submission on the Consultation Paper and at workshops.
32	Does the AEMC accept that in principle, just as consumers are now being sent a price signal about their contribution to future network costs via cost reflective consumption tariffs, there is economic merit in recognising the long term value of local generation in avoiding augmentation and replacement capex for the HV and transmission parts of the supply chain?	The potential economic benefits provided to networks by embedded generation are described during the webcast (8 minute mark) and in the Consultation Paper (p. 5). During subsequent stages of the rule change process the AEMC will consider what economic benefits the proposed rule change would deliver to electricity consumers in practice, as wells as what costs it might incur.
33	If a EG [embedded generator] is decommissioned before the augmentation need eventuates, should DNSP [distribution network service provider] clawback the credits paid?	This issue was not raised explicitly in the rule change request and, therefore, the Consultation Paper. If stakeholders consider that it is a material issue for the assessment of the rule change request then we encourage you to provide your perspectives in a submission on the Consultation Paper and at workshops.
34	Do DNSPs [distribution network service providers] really have an incentive to make unregulated payments to prevent customers from disconnecting given that the regulatory framework ensures their ability to recoup their costs? They are more likely to argue for a disconnection fee. (You may take this as a comment!)	Thank you for your comment. If you consider this to be a material issue for the consideration of the rule change request then we encourage you to provide your views in a submission on the Consultation Paper.