

11 February 2016



Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Sir/Madam

SWAN HILL RURAL CITY COUNCIL AEMC SUBMISSION
FOR LOCAL GENERATION NETWORK CREDITS
AEMC REF: ERC0191

Swan Hill Rural City Council welcomes the opportunity to respond to the consultation paper.

Moira Shire Council and Swan Hill Rural City Council have been working in partnership since 2013 and more recently with the Institute of Sustainable Futures and associated partners on the research project '*Facilitating Local Network Charges and Virtual Net Metering*'. The ultimate goal of the partnership is to develop a community solar facility within each Local Government Area to encourage community ownership and participation in distributed renewable energy projects. Both Councils wish to promote the development of the required technical skills and elevate the capacity of the general community to enable effective participation in distributed renewable energy generation.

Under current regulations local community solar plants and other distributed renewable energy plants and their investing homes and businesses will face full network charges of the transmission and distribution system in using energy from the plant: despite the fact that only a small portion of the distribution network will actually be used to transport the electricity.

Both Swan Hill and Moira have suffered from the affects of being overly reliant on the provision of centralised electricity generation which has been susceptible to extreme weather events such as storms and flooding and with more generalised weather conditions such as high heat days. These disruptions to supply have cost local business substantially and disrupted important community services. We believe the provision of distributed energy, particularly from renewable sources such as wind or solar provide the perfect platform for community participation.

They will also supply the existing network and its providers with substantial benefits such decreasing the need to transport energy over large distances, smoothing out demand loads, increasing the reliability of supply and lowering the cost of energy.

To realise the true benefits from distributed community owned renewable energy to Network Service Providers, Retailers and local rural communities, Council support's the Local Generation Network Credit rule change submission. Specifically the following points are of particular interest and importance;

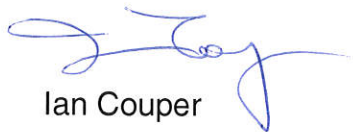
- The consultation process and its timing needs to take into account the significant body of work being conducted by ISF and its partners in researching the facilitation of Local Network Charges and Virtual Net Metering. Importantly AEMC should undertake an extensive and detailed program of industry and stakeholder consultation on the rule change proposal.
- There must be recognition of the true cost of delivering electricity from local generators to local customers is significantly lower than the cost to deliver electricity from large remote plants.
- The key test is whether electricity is used within the network.
- It must be understood that the LGNC is a mechanism to deliver reduced network charges for partial network uses.
- The assessment framework as proposed is inadequate.
- The current NER will not provide appropriate price signals.
- It should be acknowledged that an LGNC should reduce consumer payments in the long term.
- Were the system of electricity supply being designed today, it would involve more local generation than is now evident in the National Electricity Market.
- The rule change will facilitate an orderly transition to "networks of the future".
- The rule change provides incentives to increase the volume of local generation.
- Availability at times of peak demand should be a key consideration.
- Both new and existing local generation should be eligible for network credits.
- Network credits should be subject to public scrutiny via the tariff-setting process.
- Networks should apply adequately long-term horizon (at least 15 to 20 years) when assessing future and avoided costs.
- A maximum cap should apply to the rate at which future and avoided costs are discounted. This helps identify the benefits of local generation and helps mitigate the long-term risk of oversized electricity grid.
- Both transmission costs embedded in consumption tariffs should be fully remitted for local generation, because local generators do not make use of transmission networks to supply local electricity consumers.
- Network credits should be designed to keep costs of administration manageable.

- The method to calculate generation credits should be comparable to the method to calculate consumption tariffs. Voltage level and time of day are used in setting consumption tariffs, so should be used when setting network credits.
- The consultation paper should endeavour to accurately reflect the above elements for the proposed rule change.

Council will look on with considerable interest into the AEMC investigation and consideration of the rule change and looks forward to providing the necessary evidence through the ISF study to support the rule change for a LGNC.

If you require further information or assistance, please contact Samuel Steel, Senior Environment Officer, via ssteel@swanhill.vic.gov.au or on 03 5036 2320.

Yours sincerely



Ian Couper
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