Local Generation Network Credits

Introduction to the rule change review

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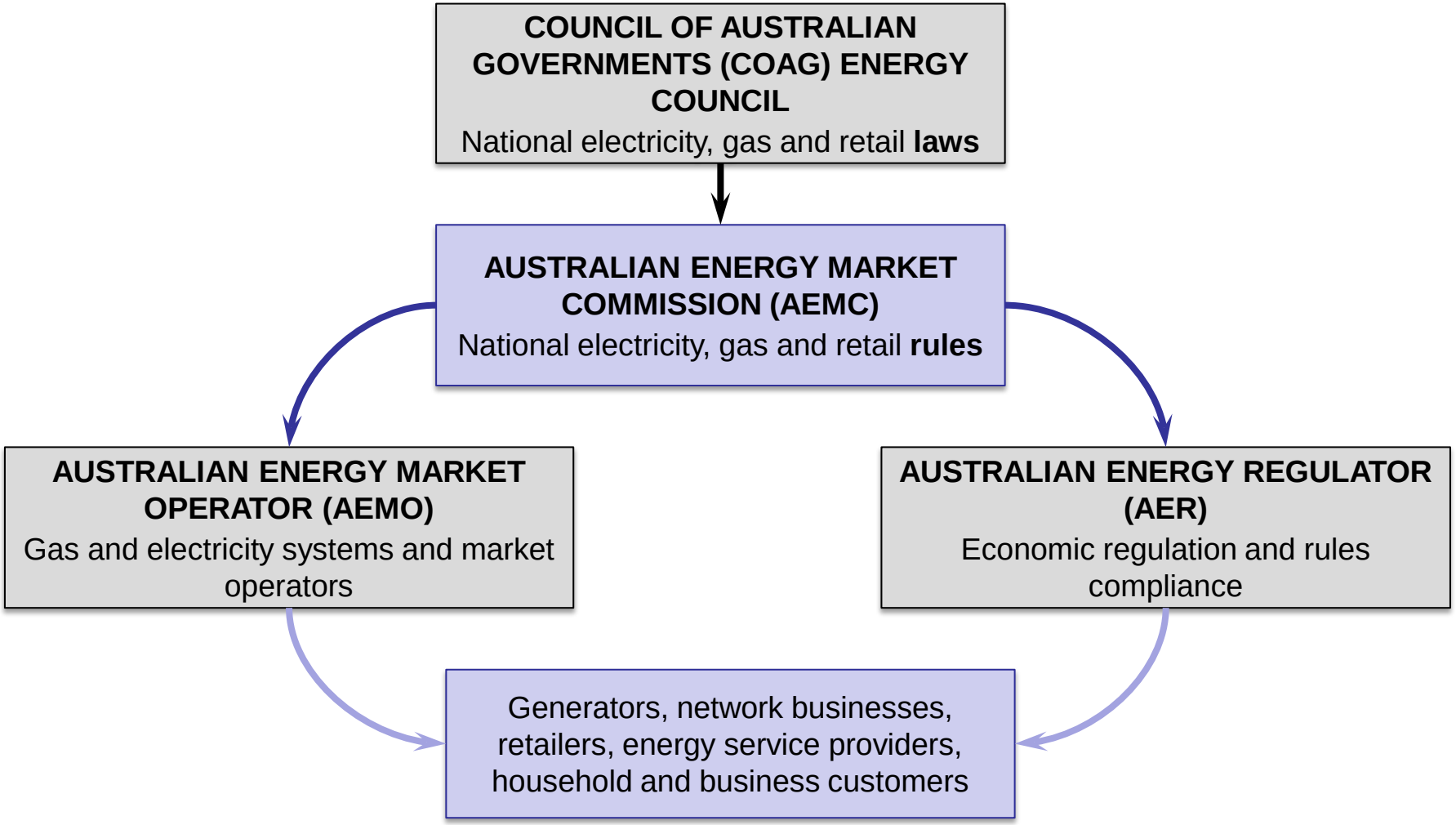
Webcast
28 January 2016

Structure of the presentation

1. **Context:**
   - The AEMC and how it makes energy rules
   - Timeline for the LGNC rule change review
2. **The LGNC rule change request:**
   - What is embedded generation?
   - Current provisions in the National Electricity Rules
   - Perceived issue and the proposed solution
   - How we will assess the proposal
   - Issues we are consulting on at this stage
3. **How you can get involved**
4. **Questions from viewers**

The AEMC's role

Who is the AEMC?



The rule-making test

Price

Quality

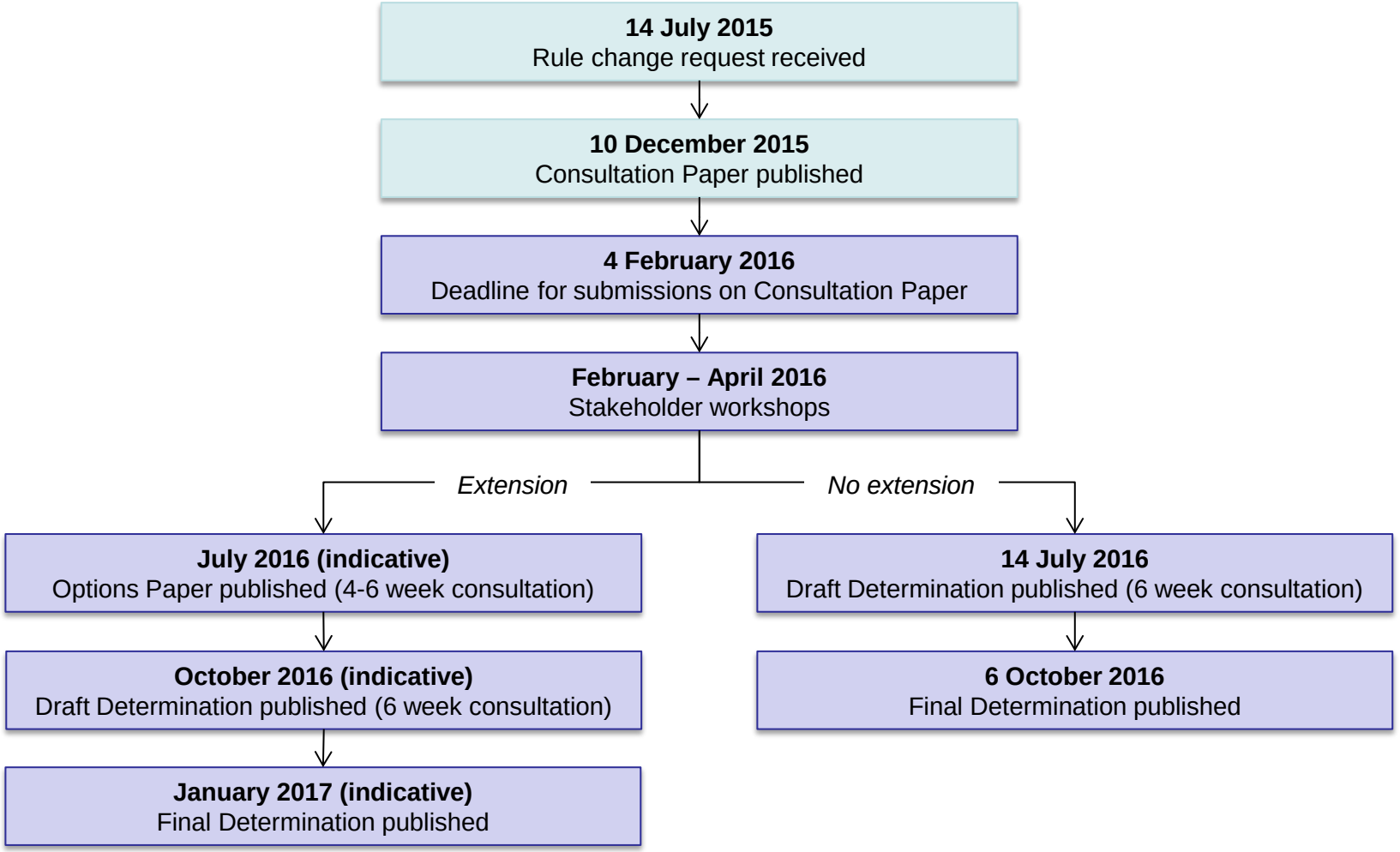
Safety

Reliability

Security of supply

Long-term interest of consumers

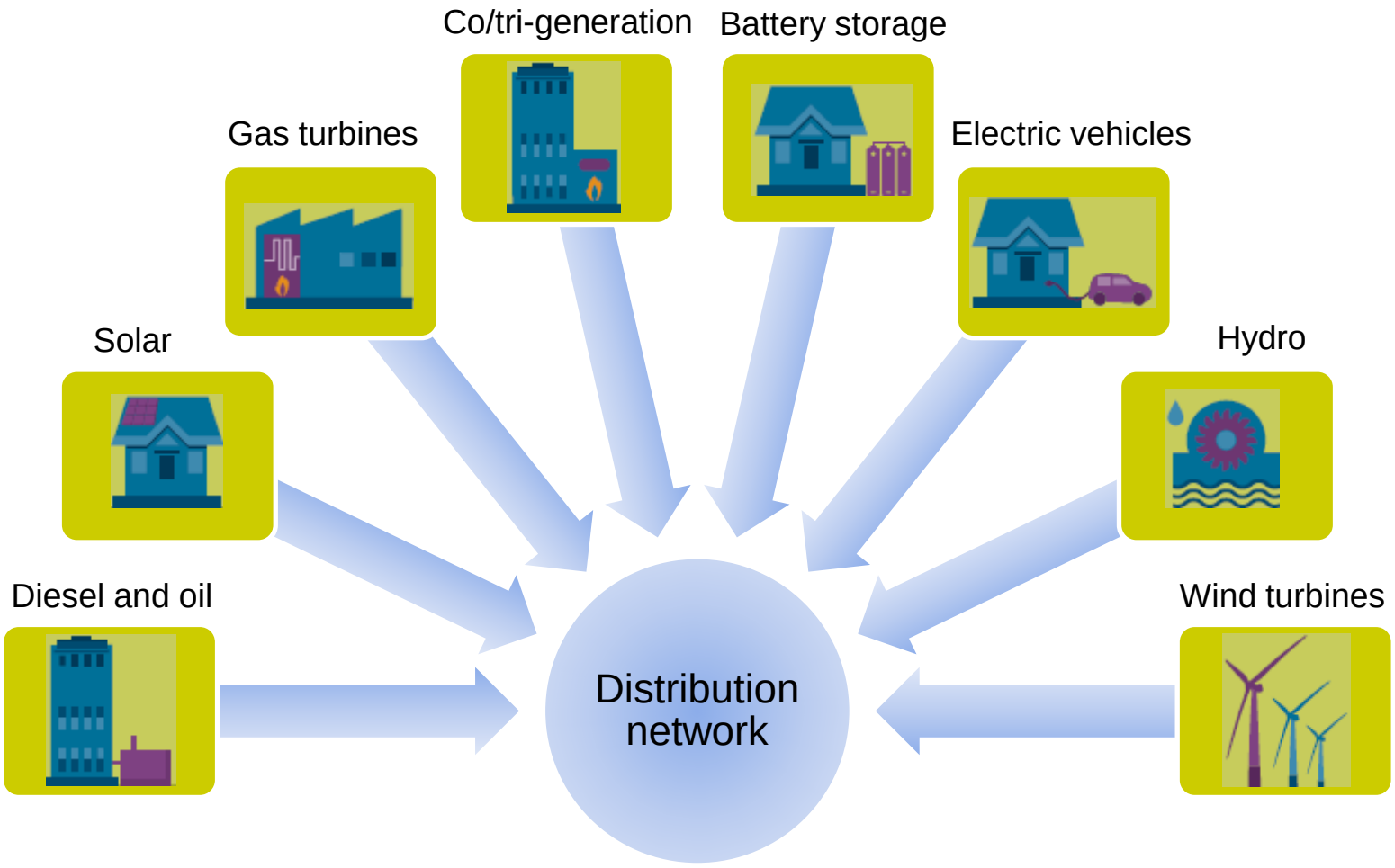
Process for this rule change review



The rule change request and our Consultation Paper

AEMC

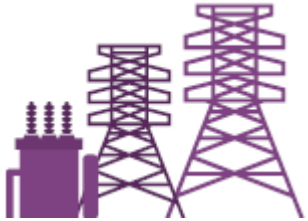
What is embedded generation?



The electricity system

Centralised electricity generation

Distribution network



Transmission network

Residential, commercial and industrial consumers

Retail

Current provisions in the NER

Remunerating generators

- Network support payments and avoided transmission use of system charges
- Cost-reflective distribution network tariffs

Network planning

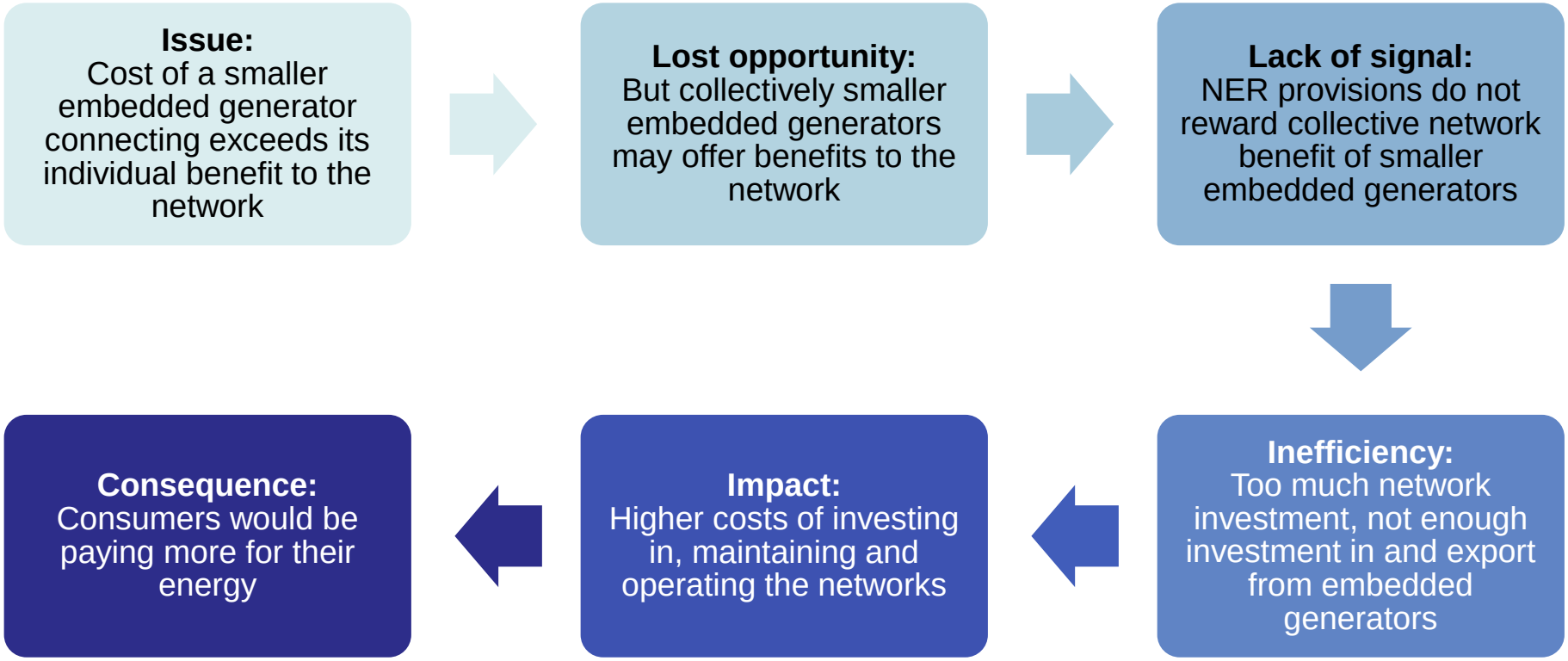
- The distribution network annual planning and expansion framework
- Regulatory Investment Tests for Distribution and Transmission (RIT-D/T)

Incentivising network businesses

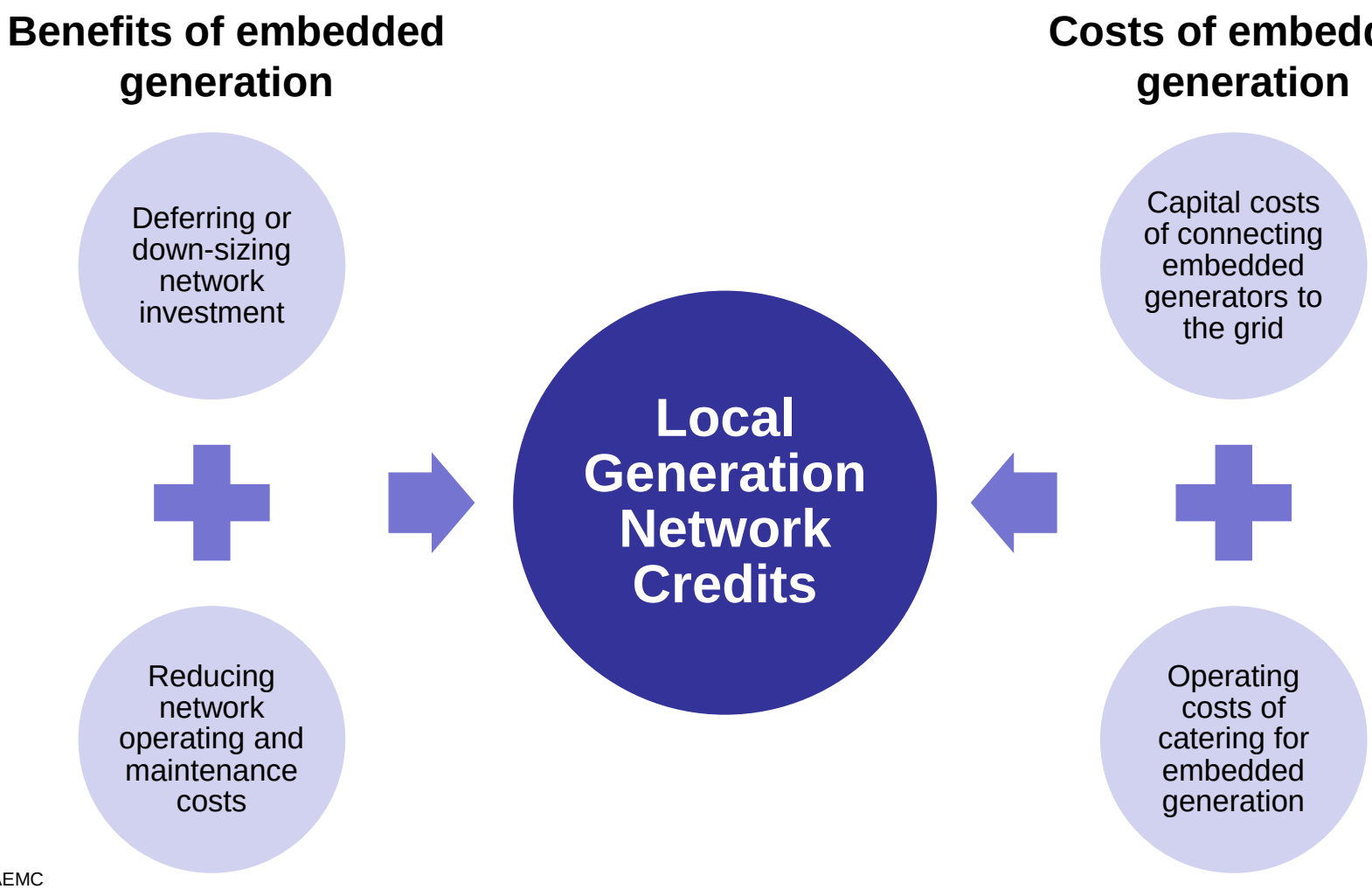
- Capital Expenditure & Efficiency Benefit Sharing Schemes
- Demand Management Incentive Scheme & Innovation Allowance

Connection frameworks for embedded generators & small generation aggregators

Perceived issue with the NER



Proposed solution



How we will assess the proposal

For the proposal to promote the NEO would require it to incentivise:

- Demand being met at the lowest total system cost, given reliability standards
- Prices reflecting those costs
- Efficient investments in network and non-network solutions

Issues we're consulting on now

Is there an issue with the current NER provisions?

What are the potential benefits of the rule change request?

How do the benefits compare to the rule change request's costs?

Is there an issue?

- Do the current NER provisions:
  - incentivise efficient planning and investment by DNSPs that minimises overall costs?
  - incentivise efficient investments in and use of embedded generation?
- Do any such issues relate to all embedded generators or only some?

Measuring and allocating the benefits

Potential costs savings may vary by location and type of generator, and the voltage level at which the generator connects

So how to provide the right signals but keep the calculation simple?

The rule change request is for 100% of any estimated cost savings to be paid by the distribution business to embedded generators as LGNCs

So what is the overall saving that consumers benefit from?

How the costs and benefits compare

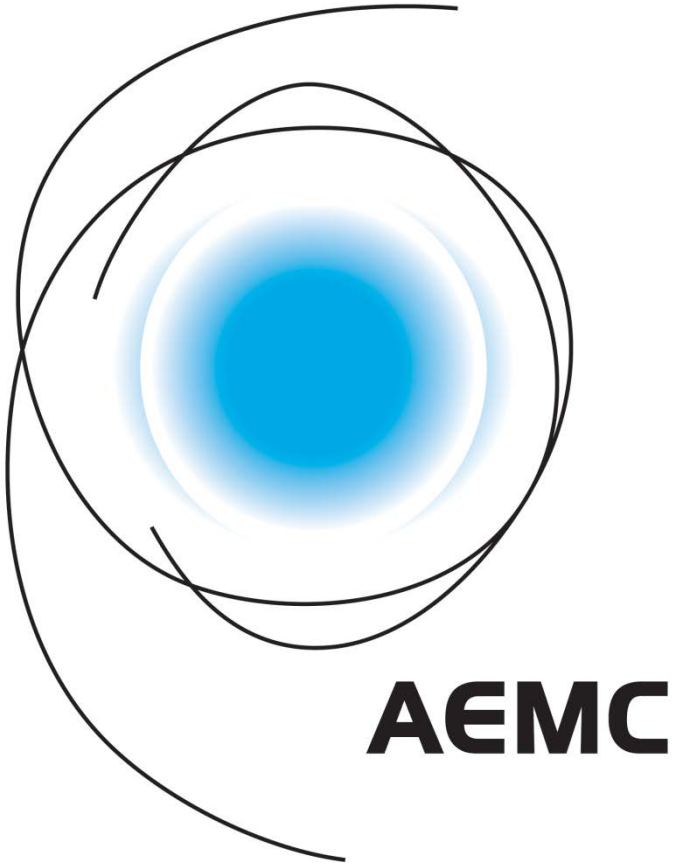
- What costs would designing, implementing and administering LGNCs impose on network businesses, embedded generators and others?
- To what extent would these costs depend on:
  - the criteria for paying LGNCs?
  - how specific the LGNC calculation is?
  - how often the calculation is updated?
  - how often LGNCs are paid?

How to get involved

Submissions on Consultation Paper due by 4 February

We will hold workshops on the project during February-April

Viewers questions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