



Government  
of South Australia

Department of  
State Development

Mr John Pierce  
Chair  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Dear Mr Pierce,

**Re: 2016 Local Generation Network Credits, Draft Determination (ERC0191)**

Thank you for the opportunity to comment on the National Electricity Amendment (Local Generation Network Credits) Rule 2016 Draft Rule Determination. The Department of State Development, Energy Markets and Programs Division (the Division) submits the following comments.

The Division supports the Australian Energy Market Commission (AEMC) decision not to make the proposed rule. Our 29 January 2016 submission on the Local Generation Network Credits (LGNC) Consultation Paper raised concerns about the rule change proposal. Our main concern was that it would not incentivise efficient investment in and use of embedded generation, and so would not reduce the overall costs of electricity networks, or contribute to the National Electricity Objective. We are satisfied that the AEMC has responded to these concerns.

The Division supports the preferable rule change of requiring each Distribution Network Service Provider (DNSP) to publish a system limitations report (SLR) together with its Distribution Annual Planning Report. While we previously submitted that support for embedded generation is suitably addressed in the National Electricity Rules and their associated network planning provisions, we agree that SLRs could enhance the information already provided.

The Division encourages publication of any information developed by DNSPs that could increase market participation of businesses offering services that address network constraints. Increased competition in this area would lower overall network costs. Engagement between the AER, DNSPs and providers of non-network solutions (including embedded generators) in developing the SLR template is important to ensure provision of relevant, accessible information.

We note DNSPs are already incentivised to collaborate on and improve the information they provide about system limitations. An example of this is the voluntary involvement of DNSPs in the Institute for Sustainable Futures Network Opportunity Mapping project, which presents detailed information about system limitations in an accessible manner.

**Energy Markets and Programs**

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The case of the Bordertown substation in South Australia provides an example of the response that may occur when there is information published about network constraints. While the Bordertown response was facilitated by existing RIT-D provisions (NER s. 5.17.3) that require DNSPs to actively consider non-network alternatives, it still serves as a useful example of how detailed location-specific information can result in use of embedded generation as a cost effective alternative to network augmentation.

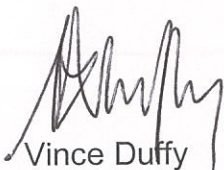
In 2010, SA Power Networks identified constraints in the ability of the Bordertown substation to meet growth in peak demand. (These included overload of the 33/11kV transformers at the Bordertown substation, overload of thermal capacity of the 33kV sub-transmission line servicing the substation, inadequate voltages at the Bordertown substation, and capacity overload at the Keith connection point).

The cost of the required network solutions to address these constraints triggered the RIT-D process. As a result, three non-network solutions were evaluated and in 2013 a non-network solution was implemented in the form of a 4 MW diesel-fuelled peaking plant located at the Bordertown substation, constructed, maintained and operated by Vibe Energy. The substation was also upgraded. In combination, this solution cost one-quarter to one-third of the more expensive network solution. The lower network costs were in turn passed on to consumers.

The potential of improved system limitation information to inform operators of single embedded generators, like that at Bordertown, is quite obvious. However it may also inform businesses that engage small consumers and generators (or customers that are both) in demand management activities, and then aggregate them to provide a solution that is large and reliable enough to include in network planning. The SLR template must facilitate provision of information that is relevant to these different types of businesses.

In closing, the Division agrees that the preferable rule change better addresses the objective of the original rule change request submitted by the proponents, principally to allow small-scale embedded generators to earn revenue commensurate with the value they provide in deferring or avoiding network costs. I trust this information assists the AEMC with its assessment. Should you require any further information or have any questions, please contact Rebecca Knights Director Energy Markets, Department of State Development on (08) 8226 5500.

Yours sincerely,



Vince Duffy

Executive Director, Energy Markets and Programs  
Department for Manufacturing, Innovation, Trade, Resources and Energy

26/11/2016