

3 February 2016

**WILLOUGHBY CITY COUNCIL LOCAL GENERATION NETWORK CREDIT
PROPOSAL RESPONSES TO AEMC CONSULTATION PAPER (ERC0191)**

Willoughby City Council is submitting a response for the proposed National Electricity Amendment (Local Generation Network Credits) Rule 2015. Thank you for this opportunity.

The proposed Local Generation Network Credit (LGNC) is a mechanism to deliver appropriate charges for partial use of the network and reward network benefits provided by local generation. With this in mind the application of a local network charge in the form of a LGNC is an important measure to improve the NER and ensure it is resilient within the future electricity structure.

The Background to this is as follows:

- The request is to change the National Electricity Rules to mandate an economically appropriate local generation network credit.
- This would be paid to generators connected to local distribution networks (as opposed to the central transmission network) in the National Electricity Market.
- The proposal is consistent with the National Electricity Objective.
- Willoughby City Council supports the work of the Institute for Sustainable Futures (ISF) on this project.

Willoughby City Council outlines the following key points:

- The consultation framework and associated questions posed in the consultation paper appear to focus on the costs and incentives to *network businesses* in procuring network and non-network solutions when minimising costs. This view is too narrow as there are other parties who invest in electricity supply and delivery mechanisms when the desired service is not offered by existing networks at a reasonable price. The costs borne by *all parties* involved and/or incentivised to invest in electricity supply and delivery mechanisms should be considered in the assessment, not only the costs to network businesses.
- The AEMC should undertake an extensive and detailed program of industry and stakeholder consultation on the rule change proposal.
- The consultation time period should be suitable in order to ensure that the results of the Institute for Sustainable Futures project are utilised adequately.
- This research project by the Institute for Sustainable Futures investigates the benefits of local generation and therefore should be used when formulating a method for networks to calculate network credits.
- The overall assessment should ensure generators and consumers are charged accordingly for partial use of the network.
- The cost to deliver electricity from local generators to customers is significantly lower than the cost to deliver electricity from large remote power plants.
- The LGNC will lead to lower network tariffs over the long term.
- The rule change will enable a constructive transition to future electricity distribution.

- The rule change will incentivise local generation volume, decrease network congestion and reduce unnecessary duplication of infrastructure.
- Local generation network credits are not limited to “small plant” as the key criterion is whether electricity is used within the distribution network.
- Both new and existing local generation should be eligible for network credits.
- A time period of at least 15 to 20 years should be applied for networks when assessing the effects of the LGNC such as future costs and avoided costs.
- Both transmission and distribution costs should be taken into account.
- Transmission costs within consumption tariffs should be fully remitted for local generation.

Yours faithfully



Peter Conroy
DIRECTOR PLANNING & INFRASTRUCTURE