Mr John Pierce
Chairman
Australian Energy Markets Commission
PO Box A2449
Sydney South NSW 1235

Online: www.aemc.gov.au

4th February 2016

Dear Mr Pierce,

Re: ERC0191 - Local Generation Network Credits Consultation

The Eastern Alliance for Greenhouse Action (EAGA) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on the proposed changes to the National Electricity Rules for local electricity generation. EAGA is a formal Alliance of seven councils in Melbourne's East, including:

- City of Boroondara
- Knox City Council
- Maroondah City Council
- City of Monash
- City of Stonnington
- City of Whitehorse
- Yarra Ranges Council

EAGA is committed to delivering mitigation and adaptation projects and advocating for initiatives that support sustainable, low carbon communities. Our councils recognise the importance of regulatory and market based mechanisms in overcoming the barriers to distributed energy and we therefore support the proposed rule change.

The focus on 'price' rather the 'total cost' within the National Electricity Objective (NEO) is often at odds with the 'long term interest of consumers' with respect to environmental and social sustainability. This has driven short term decision-making throughout the market's various institutions. The interpretation of 'efficient investment' has resulted in unbalanced rule-making and a market bias that supports centralised infrastructure rather than embedded generation, demand management or other non-network solutions. The proposed rule change provides an elegant response to compensate for this bias and should result in small (incremental) changes that can be scaled over time.

In implementing the change to the National Electricity Rules, EAGA urges the AEMC to consider the following:

1. Clear and transparent reporting of the allocation of costs and benefits by networks

It is essential that the rule change does not further wide held misconceptions that embedded generation is a major driver of rising electricity costs for all users. These claims have been propagated by the electricity industry through such reports as "Who Pays for Solar Energy", which have been largely refuted within the academic sector.[1]

Networks should be required to clearly and transparently report on the costs and benefits and how these are distributed across the value chain so that the cost of network credits are not simply passed through to consumers and networks are not 'double-dipping' on the value delivered through non-network investment.
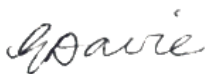
2. Consistency across jurisdictions

The current, *Inquiry into the True Value of Distributed Generation* by the Victorian Essential Services Commission provides the AEMC with an opportunity to value add to the work being undertaken with Victoria and harmonise regulation across jurisdictions. It is important the credit mechanism operates in harmony with future feed-in tariffs which may account for broader benefits to the grid and consumers.

For the reasons given in this submission, we consider the rule change as fundamental and necessary market reform. EAGA is willing to work with AEMC to ensure that equitable and consistent approaches to supporting embedded generation which represent the best value proposition for the community, industry and all levels of Government.

Should you have queries or questions relating to this letter, please contact Scott McKenry, EAGA Regional Coordinator on scott.mckenry@maroonodah.vic.go.au or 03 9298 4250.

Kind regards,

GDavie

Cr Erin Davie
Executive Committee Chair
Eastern Alliance for Greenhouse Action
Councillor, City of Stonnington

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[1] http://theconversation.com/more-solar-less-power-demand-higher-prices-does-it-add-up-14742