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Ms Shari Boyd
Project Leader
Australian Energy Market Commission
Level 6
201 Elizabeth Street
Sydney NSW 2000

AEMC Draft Rule determination on Local Generation Network Credits
Submission from the Property Council of Australia

Dear Ms Boyd

The Property Council welcomes the opportunity to make a submission to the Australian Energy Market Commission (AEMC). Our submission is in relation to the AEMC's draft ruling on the proposed Local Generation Network Credits (LGNC).

The Property Council is the nation's peak representative of the property industry. Our 2,200 members are Australia's major investors, developers and owners of commercial, residential, retail, industrial, retirement living and hotel assets worth over $320 billion.

The Property Council wishes to table the following comments in relation to the draft ruling.

The proposed rule change

We believe that the introduction of local generation network credits would be consistent with the National Electricity Objective (NEO) and the National Energy Productivity Program (NEPP). The NEO aims for efficient investment in and operation/use of electricity services in the long-term interest of consumers.

There are some incentives for local generation such as network support payments under the Regulatory Investment Tests – Distribution (RIT-D) and Transmission (RIT-T), and avoided Locational Transmission Use of Service Payments (TUoS). However, the incentives for local generation in the current Rules either do not provide adequate recognition of the benefits that local generation can provide and/or they are not accessible to small scale local generators. The high transaction and administrative costs of the bespoke arrangements generally required for network support payments and avoided TUoS will often exceed the benefits these arrangements could provide to small and mid-scale local generators.

To address these issues, the Property Council together with its co-proponents suggested the introduction of a rule change that would require distribution businesses to implement LGNCs. This would address the gap in the rules whereby many generators who export to the grid are unable to monetise their contributions. It would also serve to defer or avoid costly grid augmentation by advancing cost-reflectivity signals for exported energy.

Our position is that the AEMC's current stance will lead to the forgoing of a major opportunity to better manage the growth of local energy generation.

The AEMC consultation process

The proposed rule change that was put forward was the result of substantial consultation and was well supported by stakeholders. It was also supported by in-depth research that received significant funding from ARENA.

The Property Council reproaches several aspects of the approach taken by the AEMC during this process:

- As stated above, the research provided by ISF represented a substantial investment of time and resources and was sufficient to model the outcome of the proposed rule change.
  The Property Council questions whether there truly was a need for the additional research that was commissioned by the AEMC. This research was a duplication of the work done by ISF and its scope did not reflect outcomes of the consultation that was undertaken. Some examples are:

  1. The inclusion of all systems rather than the cutoff at 10kW, the rule was already demonstrated not to be efficient if smaller generators were included;
  2. The inclusion of only PV and omitting wind power, hydro and bioenergy – all of which would have positively impacted the outcomes of the modelling regarding peak demand management; and
  3. AEMC examined only the zone substation constraint and didn't consider other levels of the network. The modelling provided by the ISF found that most benefits were realized at the transmission and sub transmission levels of the network.

- The proposal showed a gap in the current network rules which could be addressed through several solutions. Despite this, the rule change was rejected in its entirety and no efforts were made to further engage with stakeholders to explore whether a different rationale may warrant the introduction of LGNCs. As discussed, below there are many possible alternative next steps that could be pursued instead of the tangentially relevant "preferred rule" that the AEMC has opted for.

The preferred rule

The AEMC's draft ruling rejects the proposal to introduce LGNC and as an alternative suggests a "preferred rule" which requires DNSPs to publish a system limitation report on an annual basis. This information is already largely available through the network opportunity maps and mandating its release by network providers will do little more than increase their reporting burden.

There are several constructive options for the AEMC to consider as part of this process or a separate one that would better address the issues raise in the rule change proposal. These options include:

- An LGNC with defined boundaries around generator size that also excludes existing systems;
- A zoned LGNC - for example, only available for networks with a positive growth forecast; or
- A reduced LGNC which would allocate rebates on subtransmission and transmission charges to embedded generators.

The Property Council would welcome to opportunity to further engage in this process and participate in a constructive roundtable discussion on progressing this project.

If you wish to discuss this issue in further detail and please contact Tim Wheeler, NSW Senior Policy Advisor on (02) 9033 1909 or twheeler@propertycouncil.com.au.

Yours sincerely,

CThomas

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