



3 November 2016

Ms Shari Boyd
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By electronic lodgement

Dear Ms Boyd

ERC0191 Draft Rule Determination- National Electricity Amendment (Local Generation Network Credits) Rule 2016

Origin welcomes this opportunity to respond to Australian Energy Market Commission's (AEMC) draft rule determination on the Local Generation Network Credits (LGNC) rule change proposal.

Origin supports the AEMC's draft determination to make a more preferable rule that would have the effect of improving access to information regarding distribution network system limitations for demand side participation (DSP) proponents. This is likely to facilitate more efficient demand-side response alternatives to network augmentation than the application of a LGNC. It is not likely that a broad based LGNC can be sufficiently targeted to areas where electricity distribution networks are constrained and that these constraints can not be efficiently addressed through existing demand response mechanisms. Origin supports the AEMC's conclusion that, the proposed rule change would encourage embedded generation in areas where there is excess network capacity and no opportunity to reduce network costs. The cost of the LGNC would be borne by customers not installing embedded generation. The alternative of making an LGNC location specific would create a high cost burden and as the AEMC observes overlap with existing mechanisms to incentivise efficient investment in embedded generation.

We also agree that the implementation of a LGNC may not be technology neutral and favour embedded generation over alternative solutions (including demand reduction) to identified network limitations. Furthermore, the asymmetry associated with the parties that may bear any additional costs associated with LGNC eligible generation would suggest that consumers generally will fund any additional costs brought about by embedded generators encouraged by inefficient price signals.

In terms of the more preferred rule, Origin is supportive of the types of information that distribution network service providers (DNSPs) would be required to publish. The proposal for a system limitation report strikes an appropriate balance between DSP proponents (to assess the best location for efficient investment) and DNSPs (by providing consistent information through the system limitations report). The more preferred rule provides (through the proposed system limitation template) key information that will complement the range of existing mechanisms contained in the NER supporting investment in embedded generation.

Origin agrees that much of the information that may be required to complete a system limitations template (to be developed by the Australian Energy Regulator) is likely to be relatively straight forward for most DNSPs to collate. We would however support a least cost approach to the preparation of such reports, which should be an objective of the AER when developing its template. Issues relating to administrative costs associated with preparing a system limitations report, relevant thresholds and

other matters can be managed through the AER's consultation process when it implements the final rule.

Origin considers that the draft determination and preferred rule will complement the range of measures contained in the NER at present that encourage the deployment of embedded generation, a market whose investment may be located more efficiently with the publication of system limitations reports by DNSPs.

Should you wish to discuss any part of this response further, please contact David Calder (Regulatory Strategy Manager) on (03) 8665 7712 in the first instance.

Yours sincerely

A handwritten signature in blue ink, appearing to read "K. Robertson".

Keith Robertson
Manager Wholesale and Retail Regulatory Policy
(02) 9503 5674– Keith.Robertson@Originenergy.com.au