WILLOUGHBY
CITY COUNCIL
*City of Diversity*

**Environmental Services**
2nd November 2016

**Willoughby City Council Draft Determination on the Local Generation Network Credits Rule Change Submission**

Willoughby City Council welcomes the opportunity to make a submission to the Commission regarding your draft determination on Local Generation Network Credit Rules Changes.

Willoughby City Council (WCC) is a medium sized local government area occupying 23 square kilometres on the lower North Shore of Sydney, 8.5kms north of the Sydney Central Business District (CBD). Willoughby has a population of about 68,000 people in an estimated 28,000 households.

WCC along with many other Sydney Councils are committed to striving towards sustainability, by providing leadership and working with the community to reduce our impact on Climate Change along with implementing measures to adequately adapt to climate change and build a resilient community.

WCC has endorsed a target of 20% renewable energy by 2020 for Council operations and at present has achieved nearly 6% of our needs. In order to further assist in our carbon reduction goals, along with substantial demand reduction and energy efficiency measures, and over the past few years Council has installed over 286kW of commercial scale solar PV, generating 376MW of electricity per annum.

We consider the Local Generation Network Credit (LGNC) rule change a critical pathway for the energy market to evolve and transition to a more equitable low carbon future. It offers a real opportunity for energy market reform that we feel has been missed by this draft determination and has significant implications for the efficiency of the electricity system moving forward.

We would like to highlight the following issues:

**Efficient utilisation of the network**

Without the LGNC local governments are incentivised to duplicate electricity network infrastructure through building private wires across property boundaries. The introduction of an LGNC would be beneficial in the following instances:

- In 2012 Council added 133kW to its 166kW Solar Farm in Chatswood's CBD. Unable to come to an agreement to use the local distribution network we had to build a private wire supplying a nearby council facility. The lack of a LGNC and associated grid-use approval framework added considerably to project costs and complexity. If available in the future generous saving to rate payers would eventuate in similar projects

- Council operates a gas powered cogeneration plant at the Willoughby Leisure Centre. At present under-utilised given reduced demand onsite, a network credit would assist greatly the ability to ramp up cogeneration use which along with the development of a 500kW solar farm would allow excess power to be exported to

our civic centre around 4 km away. Such an outcome would result in significant economic and environmental benefits.

- Council as part of North Shore Region of Councils has developed a Renewable Energy Master Plan with the focus primarily on solar photo-voltaic (PV). Many types of council have exhausted the potential for large scale solar on their own buildings - some of our largest electricity consumers do not have space to host PV systems therefore a generator will have to be situated elsewhere.

In our view it is critical that a mechanism is developed to incentivise customers to use the existing electricity network, so as to avoid mass duplication of infrastructure through the building of private wires or risk not achieving carbon reduction goals. It also prevents the likelihood of mass defection of load from the electricity network as consumers seek to generate and share their own low carbon energy in new ways.

We consider the electricity network to be an important asset in a low carbon energy future, but the rules need to change to facilitate optimal integration of new energy technologies and efficient utilisation of existing assets. We think it a mistake that the AEMC decided these aspects were out of scope, as they seem to be of central importance when considering the cost and benefit of an LGNC.

### AEMC decision based on invalid modelling

The modelling assumptions chosen by AEMC to interpret the effect of rule change was based on very different assumptions to the recommendations which emerged from the economic modelling undertaken as part of the multi-stakeholder ARENA/ISF project on LGNCs and electricity trading.

As the AEMC's draft determination was delayed from July to September to take account of these results, it was disappointing the AEMC opted for the following parameters which in our view resulted greater cost to consumers and decreased benefits in the implement of a network credit:

- The ISF modelling limited the credit being awarded to a minimum size of 10kw and excludes all existing systems. By contrast the AEMC includes all systems including household level solar PV.
- Most of the benefits in the ISF model occurred upstream, in the transmission and sub transmission levels of the electricity network. The AEMC only considered ability to alleviate zone substation constraints. Substantial medium to long term benefits of reduced grid and transmission network augmentation were therefore overlooked.

### Limitations of the AEMC rule making process

This draft determination demonstrates the limitations of the current National Electricity Objective (NEO) in that is the Objective does not consider broader environmental and social objectives as required for the current and future Australian energy market. It does not recognise the interest of the community at large and confines consumer interests to economic interest alone.

In the absence of a NEO that recognises the need to reduce greenhouse gas emissions, incumbent fossil fuel generators, generator-retailers and network businesses have consistently used these current objectives to protect and advance their own interests and disproportionately influence regulatory reform.

The alternative rule change as proposed by the AEMC regarding system limitations already exists. DNSPs already publish annual system limitations reports in the form of Distribution Annual Planning Reports.

Similarly ISF's Network Opportunity Maps provide a substation level visualisation of network constraints and associated opportunities at a national level. This has been developed in collaboration between networks and other stakeholders and is a positive step towards a cooperative low energy future.

**LGNC is not a cross subsidy at the expense of broader consumers**

We do not consider that a credit paid to local generators for the network value they provide to be a cross subsidy that is borne out by other consumers. The value paid to the generator should reflect the value they provide in deferring network augmentation by reducing underlying demand across all the network, and particularly in reducing congestion on the transmission network.

In summary, we consider the AEMC draft determination on the Local Generation Network Credit to be a missed opportunity to contribute positively to a necessary and environmentally urgent transformation of our electricity system.

We consider that business as usual will lead to ineffective utilisation of the existing network and duplication of network infrastructure through those seeking to avoid exporting energy in front of the meter.

We also do not consider the modelling performed for the AEMC to be adequate considering the scope of the proposed rule change and should be re-examined before a final determination is made.

If you would like any further information please do not hesitate in contacting Peter Lisle, Sustainability Project Officer on (02) 9777 7614.

Yours faithfully

Peter Lisle
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