

Essential Services Commission

13 December 2016

To whom it may concern

Re: ESC Network Value Draft Report

The Northern Alliance for Greenhouse Action (NAGA) is pleased to take this opportunity to submit a response to the ESC inquiry into Distributed Generation (DG) network value draft report.

NAGA is a network of nine northern Melbourne metropolitan councils working to achieve significant emissions abatement and energy cost savings by delivering effective programs and leveraging local government, community and business action. Our council members include the cities of Banyule, Darebin, Hume, Manningham, Whittlesea, Yarra, Melbourne, Moreland, Moreland Energy Foundation Limited, and Nillumbik Shire Council. NAGA formed in 2002 to share information, coordinate emission reduction activities and cooperate on research and develop innovative projects.

- **Benefits of DG to distribution networks**

It is unclear as to what scale the ESC considered benefits to the networks. Figures 4.4 to 4.7 notes “that value only refers to network value at zone substations, sub-transmission feeders and transmission assets. The value in the low voltage portions of the network may be even more localised and granular. In congested sections of the low voltage network, this value may vary by distribution transformer and between sections of low voltage feeder (the type of assets often located at the street level).”

For small scale DG, benefits can be significant at the street to substation level where they help to alleviate a network constraint. For example, a number of networks may have immediate and emerging constraints in a small industrial area with a midday peak. Such a constraint has potential to be reduced through a large solar system and energy efficiency measures. For these networks, the cost of the most expensive solution wouldn't necessarily trigger a RIT-D process, so non-network solutions are not fully explored. Instead a network may invest in upgrading infrastructure and miss an opportunity for collaborating with other stakeholders on a more efficient DG solution.

- **Scale of DG**

Many of the findings in the network value report may hold true in regard to household solar, such as the complexity and difficulty of ascribing network value to DG through a feed in tariff. However, NAGA sees the network value of DG to be more easily identifiable and ascribed to small to medium scale DG such as between 10kw-5MW. NAGA agrees with the commission that current provisions for generators such as network support payments, and the RIT-D are not adequate for small and medium scale DG. We recommend the Commission consider how to consider different bands of generation and whether there is any mechanism to incentivise small to medium scale DG where it reaches a scale that makes it 'worthwhile' from a network point of view. This may inevitably mean excluding household solar, except in cases where there is a third party aggregator who can meet a certain threshold of generation at a location and for a certain time.

- **Transparency and accessibility of information**

One of the key issues for stakeholders looking to invest in DG is a lack of understanding of challenges faced by networks in certain areas. This is in part due to the networks only providing information on their constraints and capacity in an overly technical manner through their annual planning reports. These reports

prevent broader stakeholder engagement and collaborative solutions. If networks were required to provide fine resolution maps of their existing and emerging constraints down to the street level this would enable stakeholders such as councils to better target investment of DG and demand management programs where they provide a network value. The United Energy maps are a best practice example of providing this information in a way that benefits a broader range of stakeholders, particularly local governments. NAGA is currently working with all Victorian networks to produce these maps across the state, through our Future Energy Planning project.

- **Improving the planning process**

Under Victoria's planning system local councils and the State Government develop planning schemes to control land use and development. Currently, electricity network planning and land-use planning currently occur in isolation, meaning long term, viable and sustainable options for integrating demand and supply side opportunities are missed. Whilst both land use planning schemes and the national energy market objectives intend to serve the long term interest of the community, they cannot do so whilst operating in isolation. Despite the implications land use planning has on local energy use and demand patterns, existing regulatory requirements do not require either sector to synchronise their respective planning processes. Ongoing and effective collaboration is therefore required between the sectors to ensure that opportunities for well-planned integrated energy solutions are captured.

- **Market for grid services**

In principle, NAGA supports the ESC view that a market for grid services should be explored for Victoria. This should include principles that are more inclusive for small and medium scale DG than the current market, and also provide better access to the market for demand side response activities.

Thanks for your time. Please contact David Meiklejohn if you would like further information, case studies or any clarification regarding the issues raised in this letter.

Yours sincerely

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The views represented in this submission do not necessarily represent the views of all NAGA members individually.