

12 August 2011

General Manager
Network Operations and Development Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Submission regarding Electricity Network Service Provider Registration Exemption Guideline (June 2011)

VicUrban is the Victorian Government's sustainable land development agency, helping to meet the challenges of population growth and increased housing demand and facilitating precinct-wide urban renewal. VicUrban uses commercial skills to deliver housing choice to the market, increasingly in established areas, providing partnership opportunities for the private sector and encouraging the delivery of high quality, affordable and sustainable dwellings.

Urban redevelopment provides a major opportunity to reduce the carbon pollution from our cities in a cost effective way. VicUrban has therefore been exploring the implementation of sustainable energy infrastructure as part of a number of our developments, including the following precinct-wide applications of local energy generation:

- VicUrban's 340ha outer urban development at Officer in Melbourne's south east growth corridor will be home to 15,000 new residents and 6,000 jobs, and the town will service a broader regional catchment of 45,000 people. One of the sustainable infrastructure options currently under consideration includes the establishment of a district energy scheme servicing the Officer town centre.
- VicUrban has established a Federal-State partnership to build a new suburb in Melbourne's west to develop the 128ha former Department of Defence site in Maribyrnong. The project is expected to create up to 6,000 ongoing employment opportunities and create 6,000 homes. As with the Officer project, VicUrban is investigating a number of innovative sustainable infrastructure delivery models, including a district energy system, to ensure that the high environmental targets for the site are maintained.

Typically, this type of distributed generation technology is implemented within individual buildings. There are examples applied at a larger scale, however, these are on single titles with one owner, such as hospitals or university campuses. There are no examples in Australia of district schemes that cross title boundaries and provide services to multiple customers.

There are a number of benefits that this type of district approach offers compared to the conventional provision of energy services on a building by building basis. These include capital and operational cost savings, environmental savings, as well as potential network benefits.

The on-site generation, as described in the projects above, will be installed primarily to service the precinct customers as a means of reducing the carbon impacts of the development. Establishing a regulatory framework to enable local energy generation to be delivered directly to precinct customers, rather than exporting to the grid at wholesale rates, should improve the viability of these types of precinct schemes. We feel that the network exemption approach under consideration by the AER has the potential to facilitate this outcome.

VicUrban welcomes the opportunity to comment on the AER approach to electricity network service provider exemptions. Responses to the questions outlined in the Consultation Paper are provided below, which relate in most part to how the proposed Guidelines impact on a district-scale approach to local energy generation and on-selling to precinct customers.

Q1: Do stakeholders support the AER's decision to align the classes of exemption in the network Guideline with the Exempt Selling Guideline?

Yes, in principle. However, it is not clear how the NDO1 category (deemed exemption for off-market generation connected to the NEM via a private connection) relates to the Exempt Selling Guideline in terms of on-selling to customers within a precinct-wide embedded network. There does not appear to be a deemed or registrable exemption class for the on-selling of electricity to customers where multiple buildings are connected to an embedded network at a district level.

Q2: Are the classes of exemption clear and easily interpreted?

Generally yes. However, further to the note above, it is not clear whether the class NDO1 includes the potential for a precinct-scale private network or whether this only relates to embedded generation within an individual building.

Q3: Are there any other network situations that stakeholders consider would warrant a separate exemption category?

Unless the NDO1 class covers a district scale network, consideration should be given to the potential for a category that allows for a mixed use precinct with multiple buildings connected to a private network.

Q4: Do stakeholders agree that the general conditions are appropriate for exempt networks?

Yes.

Q6: Do stakeholders consider the criteria for revocation are appropriate for exempt networks?

Yes.

Q7: Do stakeholders consider the proposed process fair and reasonable?

Yes. However, there needs to be some consideration for step in rights in order to maintain supply to customers in the event that an exemption is revoked and operation of the embedded network ceases.

Q8: The AER considers common standards for the accuracy of metering will benefit consumers. Do stakeholders agree with this approach?

Yes.

Q10: The observance of safety standards is essential for consumers to have confidence in exempt networks. Do stakeholders consider the AER's condition will achieve this objective?

Yes.

Q11: As regulatory gaps can arise when related activities are authorised under different legislation the AER considers that this cross-over condition will minimise the prospect of a gap arising in the retail onselling framework. Do stakeholders consider the AER's condition will be sufficient for this purpose?

Yes.

Q12: Do stakeholders have any suggestions which would improve the dispute resolution condition?

Agree in principle to the requirement for a dispute resolution process, however, further guidance may be required to explain what an appropriate process entails, or the standard required in order to gain approval by the AER.

The Energy and Water Ombudsman (Victoria) (EWOV), which resolves disputes between customers and industry member could provide a default mechanism for this process in the event that access or membership was extended to exempt parties.

Q14: Do stakeholders consider the proposed registration arrangements are clear and the information requirements to be sufficient?

Yes.

Q15: Do stakeholders agree with the AER's metering conditions for exempt networks?

Yes.

Q16: Do stakeholders consider the conditions that are applicable to energy generation appropriate?

Yes.

Q17: Do stakeholders have any comments on electric vehicles or electric charging stations, and the conditions to be applied to them?

The conditions applied to electric vehicle charge stations appear appropriate and align with the arrangements of an electric vehicle trial that VicUrban is currently participating in. VicUrban is in the process of installing an electric vehicle and associated charge station as part of a new residential development. In this example, an embedded network has been established and the charge station will be connected to this network and separately metered. The charge station infrastructure provider will have a direct customer relationship with the embedded network operator to purchase electricity for vehicle charging.

Q18: Do stakeholders consider the AER's approach to the application of distribution loss factors to exempt networks to be appropriate?

Yes.

Q19: Do stakeholders have any comments in relation to the AER's approach to external and internal network charges?

The AER's approach to external and internal network charges appears to be appropriate.

Q20: Do stakeholders have any comments in relation to the AER's approach to Charge Groups outlined in the network Guideline?

It is likely that Charge Group A would apply in most cases, i.e. a bundled rate would be offered to customers, which would incorporate any network charges as part of the tariff.

Charge Group E appears to provide a mechanism for customers within an embedded network to install generation and gain credits for electricity exported to the grid. Further clarity may be required in relation to whether this rebate would also allow for access to feed-in-tariffs for small scale embedded generation such as solar panels installed at households.

Q23: Are there any other matters the AER has not considered in this draft network Guideline which stakeholders believe should be addressed?

In the case of a district-scale network, there may be situations where a single entity has ownership of a precinct, which is subsequently sub-divided and sold to individual land owners. It is not clear from the current guideline what entity is eligible to be the exempt party when considering this type of embedded network. Clarity may be required to outline eligibility requirements, for example, whether the exemption relates to the operator of the embedded network at the site, or whether it relates to the owner or occupier of the site. In this scenario, clarity is required in relation to whether an owners' corporation or equivalent needs to be established to oversee the governance arrangements of the infrastructure. Clarity is also required regarding whether the AER has considered a scale or size of network at which eligibility for exemption no longer applies.

In the event that customers within an embedded network invoke their right to choice of retailer, the process for the embedded network operator to negotiate a use of system charge with the retailer is not clear.

Thank you for the opportunity to participate in the AER's consultation process on the approach to electricity network service provider exemptions. Should you require any clarification or further detail, please contact the undersigned on (03) 8317 3531.

Yours faithfully



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