

Our Ref: 43313
Contact Officer: Bruno Coelho
Contact Phone: 08 8213 3435

17 October 2011

Zaen Khan
Australian Energy Market Commission
PO Box A2449
Sydney NSW 1235

Dear Mr Khan,

Rule change: Network support payments and avoided TUOS for embedded generators

The AER welcomes the opportunity to comment on the AEMC's draft determination on changes to rules concerning payments available to embedded generators.

The AER supports the draft rule change which seeks to ensure that the level of compensation provided to embedded generators for the benefits they provide in supporting and reducing the need to augment transmission networks is efficient. In particular, that any compensation is not subject to double counting.

However, it is important to ensure that the ability of an embedded generator to recover both a network support payment and an avoided TUOS payment in all circumstances is not prohibited. As the AEMC identifies in its draft determination, the two types of payments can in fact compensate for different services or benefits provided by embedded generators. In some instances it may be appropriate for embedded generators to receive both payments.

Therefore, the AER supports the AEMC's 'more preferred rule' that ensures transmission network service providers take account of certain considerations in their negotiations with embedded generators over network support payments, including:

- the nature of the service provided by the embedded generator
- the extent to which the embedded generator will be compensated for those services by avoided TUOS payments.

The AER considers that the drafting of this rule should effectively reduce any possibility of embedded generators being under compensated at the same time as ensuring that there is no inefficient over compensation.

If you would like to discuss further, please contact Mr Bruno Coelho on bruno.coelho@aer.gov.au or by telephone on (08) 8213 3435

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Pattas', written in a cursive style.

Chris Pattas
General Manager
Australian Energy Regulator