

# **Network issues associated with distributed generation**



## **The regulator's perspective**

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**Eric Groom**

**Director, Analysis & Policy Development**

**IPART**

Independent Pricing  
and Regulatory Tribunal



# Presentation Overview



- ◆ Tribunals' role and understanding
- ◆ Current regulatory framework
- ◆ Are there regulatory barriers?
- ◆ Proposed options and issues



# **Tribunal's role and understanding**

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# Tribunal's Role



1. IPART is currently undertaking an inquiry into Demand Management (DM)
2. DM includes the use of distributed generation (DG) options
3. Need to assess the extent to which greater use should be made of these options
4. Due to report to Premier in June 2002

# Tribunal's understanding

- ◆ Discussion Paper on Distributed Generation released in March 2002. Covered:
  - What is meant by DG
  - Current regulatory framework
  - Main barriers to DG in NSW
  - Proposed options for overcoming barriers
- ◆ Released Interim Report of Inquiry into the role of DM in April 2002

# Tribunal's understanding

Tribunal is interested in and seeks comment on:

- ◆ Proposals to reduce any unnecessary obstacles to DGs connecting to the network
- ◆ Developing standard guidelines for connection agreements
- ◆ Improving understanding of avoided TUOS costs and proposals for avoided network costs
- ◆ The role smart meters might play in assisting small-scale DG



# **Current Regulatory Framework**

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# Current regulatory framework

## Key Components:

- ◆ National Electricity Code
- ◆ NSW Demand Management Code of Practice
- ◆ Current pricing determination for Distribution networks

# Current regulatory framework

## National Electricity Code – includes

- ◆ Process for network connection – Chapters 5 & 6 sets out basis for connecting, buying and selling power into the market – based on negotiation, no std agreements
- ◆ Avoided TUOS charges – Clause 5.5 allows for avoided TUOS charges to be passed through to DG, funded out of DNSP's AARR
- ◆ Network support payments – Chapter 6 recognises DNSPs may pay DGs for network support services (where it avoids network augmentation).
- ◆ Inclusion of DG as possible option for addressing future network constraints

# Current regulatory framework

Tribunal's 1999 Determination for NSW Electricity Distribution Networks establishes current framework for electricity prices - aims to provide the appropriate incentives for implementation of DG options through:

- ◆ regulation of DNSP's AARR
- ◆ The principles outlined in the Pricing Principles and Methodologies document

The Tribunal's regulation of DNSP revenue operates in conjunction with the DM Code of Practice



# **Are there regulatory barriers?**

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# Are there regulatory barriers?

A number of practical barriers have been identified, including:

- ◆ Difficulty in negotiating fair connection agreements with networks – lack of standard connection agreements
- ◆ Uncertainty re payment of avoided network costs, including avoided TUOS and avoided distribution costs
- ◆ Lack of clear framework for small generators to participate in market



# **Proposed Options and issues**

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# Proposed Options

- ◆ Develop national standards and guidelines for connection agreements
  - ◆ More equitable treatment of DGS re connection costs - consider that new generators pay 'deep' connection costs only if they are able to capture the reduced costs incurred by the DNSP (includes avoided TUOS and avoided distribution costs)

# Proposed Options

- ◆ Clarify rules for treatment of avoided TUOS/DUOS
  - ◆ Clear methodologies required
  - ◆ benefits need to be fairly allocated

Tribunal plans to include specific details of the methodology for calculating avoided TUOS as a schedule to the PPM

# Proposed Options



- ◆ Support DM Code of Practice and develop Standard Offers
- ◆ Encourage adoption of smart meters
- ◆ Provide incentives for DNSPs to undertake DG projects

# Moving forward



- ◆ Invitation for submissions to Distributed Generation paper has now closed
- ◆ Interim Report of DM Inquiry – released on 30 April 2002
- ◆ Submissions invited on report until 12 June 2002