

FACILITATING LOCAL NETWORK CHARGES AND LOCAL ELECTRICITY TRADING

OVERVIEW

This project brings together a partnership of consumers, researchers, electricity providers and government to help level the playing field for local energy and prepare for the electricity grid of the future.

This project aims to facilitate the introduction of reduced **local network charges** for partial use of the electricity network, and the introduction of **Local Electricity Trading (LET)** (also called Virtual Net Metering) between associated customers and generators in the same local distribution area.

The combination of local network charges and LET aims to offer desirable alternatives to customers who might otherwise choose to disconnect from the grid altogether or keep all their generation “behind the meter”, drastically reducing the amount of electricity they take from the grid. This could reduce the overall network costs in a more distributed energy future.

WHY DOES IT MATTER?

Improving opportunities for small-scale distributed electricity generators to distribute and sell electricity locally using cost-reflective pricing arrangements could unlock substantial new clean energy potential.

For example, small to medium businesses (such as local councils or universities) may want to generate electricity at one site and use it at another site nearby. Network businesses are currently unable to offer a tariff to reflect such partial use of the network, and retailers do not currently offer the ‘netting off’ service for multiple sites as standard. This has stopped numerous projects going ahead.

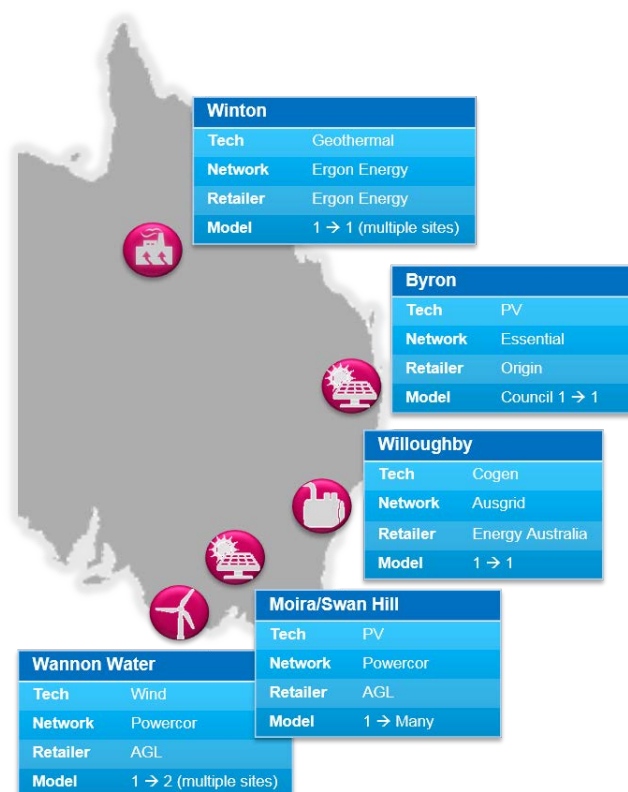
Current arrangements mean that local generation is sized to match the lowest onsite electrical load in order to minimize grid exports, as there is little financial benefit from doing so. This affects economies of scale and operating efficiency.

KEY OUTCOMES

- Five ‘virtual trials’ of local network charges and Local Electricity Trading (LET), in NSW, VIC, and QLD
- A recommended methodology for calculating local network charges
- An assessment of the metering requirements and indicative costs for the introduction of LET
- Economic modelling of the benefits and impacts of local network charges and LET
- Significantly increased industry understanding of local network charges and LET
- Support for the proposed rule change happening in parallel to the project

THE TRIALS

The five trials are spread across Eastern Australia:



ABOUT THE CONCEPTS



Local Network Charges

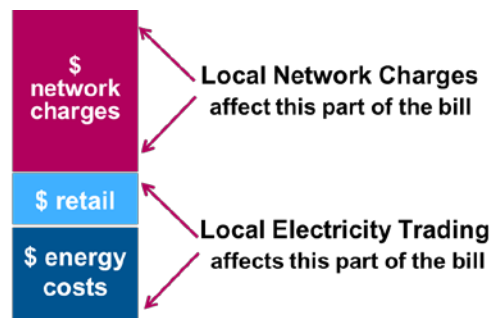
Local network charges are reduced network tariffs for electricity generation that is used within a defined local network area. In most circumstances, the tariff will reduce the network charge portion of electricity bills for local generators to the extent that the generation reduces long term network costs. This recognises that the generator is using only part of the electricity network, and reduces the network charge accordingly. To date reduced network tariffs have been applied most systematically in the UK.

The two concepts will have different effects on consumers' energy bills:



Local Electricity Trading

Local electricity trading is an arrangement whereby generation at one site is "netted off" at another site on a time-of-use basis, so that Site 1 can 'sell' or assign generation to nearby Site 2. This will reduce the combined energy and retail portion of electricity bills for local generation. We are now using the term 'local electricity trading' to describe this concept which can also be referred to as virtual net metering (VNM).



THE PROJECT TEAM

PROJECT LEAD



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GET INVOLVED

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