

## APVA Response to the AER's 'Draft regulatory investment test for distributed generation Application Guidelines', June 2013

July 2013

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This is a very brief submission by the Australian PV Association (APVA) to express our general support for the RIT-D.

The RIT-D is certainly an improvement over existing processes and is a significant step in the right direction towards increased transparency in network expenditure, consideration of non-network options and third party access. It has a clearly stated aim and formalises the inclusion of non-network stakeholders, who are able to propose their own non-network options. It has a well-defined process that lists the minimum non-network options that must be considered, and requires a stand-alone Non-network Options Report. The requirements of the DPAR are well defined, it must include all assumptions and the methodology used, and must conduct scenario and sensitivity analyses. It is open to scrutiny by all stakeholders, and is reviewed by an independent body, the AER.

However, currently the RIT-D does not need to be applied where the project is related only to the refurbishment or replacement of existing assets. We understand that this is because on page 95 of the AEMC's 14 June 2012 draft decision, it states:

"It is appropriate to exempt these projects from the scope of the RIT-D on the basis that the benefits to be gained from their assessment under the RIT-D would, in most cases, be unlikely to outweigh the costs, risks or regulatory burden on relevant NSPs from applying the RIT-D process."

We also understand that, because rule 5.17.3(5) (NER) explicitly exempts refurbishment or replacement projects, the AER has no authority to request that the RIT-D application guidelines apply to this type of project. The APVA would like to register our disagreement with the complete exclusion of refurbishment or replacement of existing assets from the RIT-D process. Application of the 'greater than \$5 million' rule should exclude projects where the costs outweigh the benefits – at least as well as it does for network augmentations. In such cases, if non-network alternatives are shown to have a greater net economic benefit over the projection period, the size/cost of the network could be reduced, which could result in absolute cost reductions.

Many parts of the existing network were built under the aims of social development, not cost effectiveness. Significant cross subsidies were applied and continued cross subsidies are needed in many areas. Technological advances over recent decades provide a range of power supply options which may be more reliable, safer in regions with bushfires, cyclones or other weather events, and more cost effective. Automatic replacement of existing assets perpetuates cross subsidies which may no longer be needed.

There appears to be no process to encourage the effectiveness of non-network solutions to be tested in advance. Incorporating significant levels of non-network options into network planning processes is likely to be very challenging for most DNSPs which have little experience with many of the options now available. There will also be an entirely justified level of uncertainty regarding the degree to which some non-network options can be regarded as 'firm capacity'. Combined, these will result in an inherent conservatism against unfamiliar non-network options. Thus, there should be some process whereby DNSPs are encouraged to implement non-network options before they are needed, so their effectiveness can be assessed in advance.

The RIT-D process includes only economic impacts. The inclusion of externalities such as the minimisation of environmental impacts, increased electrification of disadvantaged areas, reduced risks associated with weather events, increased reliability, local employment and capacity building, could broaden the beneficial impacts to society as a whole.

Some process to assess the effectiveness of the RIT-D should be formally developed, especially on the coming Network Determinations. While we understand this requires a counterfactual assessment, a formal review process could still include an assessment of the degree to which DSM, EE and DG have been used by network operators in preference to network augmentation during the RIT-D process.

APVA

## Attachment A:

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# Background on the APVA

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The APVA is an association of companies, government agencies, individuals, universities and research institutions with an interest in solar photovoltaic electricity. In addition to Australian activities, we provide the structure through which Australia participates in the International Energy Agency (IEA) programmes PVPS (Photovoltaic Power Systems) and SHC (Solar Heating and Cooling), which in turn is made up of a number of activities concerning PV performance and implementation. Further information is available from [www.apva.org.au](http://www.apva.org.au).

### APVA Objective

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***The objective of the APVA is to support the increased development and use of PV via research, analysis and information.***

### Information and Education

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#### *Reports and Analyses*

APVA prepares Australia's annual PV report, as well as analyses and reports on a range of technical and policy related issues. Members benefit from Australian and international PV information, up-to-date information on new PV developments around the world (research, product development, marketing strategies, projects) including the issues arising, and Australian and international experiences with strategies, technologies, policies and standards impacting on PV applications.

#### *Events and Networking*

APVA holds regular technical seminars and discussion sessions which provide: opportunities to meet regularly and discuss specific issues which are of Australian as well as international interest; access to Australian and international PV networks (PV industry, government, researchers); opportunities for Australian input to international PV guidelines and standards development; and opportunities to participate in Australian and international PV projects.

### Research

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The APVA undertakes a range of technical, economic and social research projects on issues relevant to PV. We work with a range of other organisations and all members are able to participate. Our research is used for reports, submissions, seminars, information and education. Current projects in

which APVA is involved include: PV quality and performance; high PV penetration; customer and utility interest in distributed energy markets; mapping PV uptake and performance; and PV forecasting.

## The International Energy Agency Programmes

One principal activity of the APVA is to manage Australian participation in the IEA PVPS and SHC Programmes. This work is arranged by Tasks, each with its own commitments of time and resources and all members are invited to participate according to their interests.

### PV Power Systems (IEA PVPS)

At present Australia participates in:

- Task 1: PV Information Exchange and Dissemination
  - Task 13: PV System Performance
  - Task 14: High Penetration of PV in (Smart) Electricity Grids
- and maintains an interest in:
- Task 8: Very Large-Scale PV Systems
  - Task 9: PV in Developing Regions
  - Task 12: Environmental Health & Safety for PV Systems

### Solar Heating and Cooling (IEA SHC)

At present Australia participates in:

- Task 40: Net Zero Energy Solar Buildings
- Task 41: Solar Energy and Architecture
- Task 42: Compact Thermal Energy Storage
- Task 43: Rating and Certification Procedures
- Task 46: Solar Resource Assessment and Forecasting
- Task 47: Solar Renovation of Non-Residential Buildings
- Task 48: Quality Assurance and Support Measures for Solar Cooling
- Task 49: Solar Process Heat for Production and Advanced Applications
- Task 50: Advanced lighting solutions for retrofitting urban buildings
- Task 51: Solar Energy in urban planning

For further information on the Australian PV Association visit: [www.apva.org.au](http://www.apva.org.au)

For further information on the IEA PVPS Programme visit [www.iea-pvps.org](http://www.iea-pvps.org).

For further information on the IEA SHC Programme visit [www.iea-shc.org](http://www.iea-shc.org).