



FACT SHEET: Network Charges applying to Embedded Generators

February 2018 – Version 1.0

Purpose

Embedded generating units are generating units that are embedded within, and distributed along, the distribution network (rather than connected to the high-voltage transmission network).

An “embedded generating system” (EG system) comprises one or more embedded generating units. Typically, EG systems are located at a home or business, and are capable of generating electricity for that home or business's own use.

The connection of an EG system with a capacity greater than 30 kW may incur a range of costs, including connection costs and ongoing network charges (tariffs). While information about the cost of connecting an EG system > 30 kW can be found in our Embedded Generator Information Pack, the purpose of this fact sheet is to explain the additional network tariffs associated with EG systems that export more than 30 kW.

Network Tariffs are billed by Ergon Energy to your retailer, and your contract with your retailer determines whether those charges are then paid by you. Please contact your retailer to discuss.

Glossary

AER: Australian Energy Regulator: The AER is an independent statutory authority that is part of the Australian Competition and Consumer Commission.

Connection Assets: Those components of a transmission or distribution system which are used to provide connection services. Connection assets are those assets required to connect a customer's electrical installation to the shared part of the Distribution Network, and comprise all the assets from the Connection Point back up to (and including) the network coupling point.

Connection Point: The agreed point of supply, being the point at which a customer's assets meet Ergon Energy's Distribution Network.

Distribution Network: Ergon Energy's electricity distribution network.

Major Customer: In this Fact Sheet, refers to a person intending to submit an application to connect to Ergon Energy (for either a new connection or modification of an existing connection), where the acceptance of that application and the completion of necessary works will result in that customer being classified by Ergon Energy as any of: an ICC (Individually Calculated Customer), CAC (Connection Asset Customer) or EG (Embedded Generator), in accordance with Ergon Energy's pricing proposal, which is available on the Network Tariff section of Ergon Energy's [website](#).

NEM: National Electricity Market: The wholesale electricity market that applies in the interconnected States, through which generators sell electricity and retailers buy electricity in order to on-sell the electricity to their customers.

Project Sponsor: The Ergon Energy representative allocated to the particular Major Customer connection project.

Why am I paying additional network charges for my generator?

In mid-2015, the Australian Energy Regulator (AER) determined that embedded generators who export greater than 30 kW to a distribution network are classified as large customers, and as such, are subject to arrangements whereby they are now required to pay the full cost of their new or modified connection upfront (similar to arrangements applying to other types of Major Customers).

In contrast, EG network tariffs are designed to recover certain costs associated with the provision of ongoing services to EG systems through the use of connection assets and shared network assets (subject to restrictions in the economic regulatory regime). These tariffs were updated in mid-2015 to reflect the AER determination and exclude the costs of establishing or modifying the connection where those costs were recovered up-front as part of a large customer connection.

Specifically, the description for our EG customer classification states:

- Network users with exporting capability exceeding thresholds under AS 4777.1-2005¹ (30 kW) are classified as an “EG” for pricing purposes. This classification (and associated network charges) applies to the generation side of the connection.
- Additional network tariffs apply where the network user also takes load from the Distribution Network. This tariff is allocated to the load side of the connection as per the appropriate network user group (ICC, CAC or SAC).

This approach is designed to minimise the cross-subsidisation between customers with no or limited export capability who access the same “standard” network charges and those customers with export capability and an inverter capacity greater than 30 kW.

What am I paying for in my EG tariff?

The National Electricity Rules prohibit us from charging you for the export of electricity into our Distribution Network. Consistent with this, the charges that are included in the EG network tariff reflect the incremental costs that arise from the connection and management of the EG system. Specifically, EG network charges reflect costs associated with connection assets and network user management services (e.g. admin, other costs) which can be attributed to the generation side of the connection.

A fixed charge (\$/day) applies for the EG tariff, based on connection assets and network user management services specific to the connection. The amount of the fixed charge will vary based on the individual customer’s connection characteristics and authorised demand.

¹ AS 4777.1.2005 applies to inverter-based EG systems up to and including 30 kW. EG systems exporting greater than 30 kW will be classified as an Embedded Generator (EG) for pricing purposes, and an EG network tariff will be applied.

As part of the connection process for an exporting EG system > 30 kW, you will be provided with an indicative estimate of network charges associated with your proposed connection. For more information about the connection process for EG systems > 30 kW, please see our [Embedded Generator Information Pack](#).

But I also pay SAC tariffs, what does that cover?

For customers who also access “standard” SAC network tariffs in relation to their load, the SAC network tariff incorporates charges reflective of connection assets and network user management services typical of a non-exporting customer in the relevant SAC customer group.

When developing EG site-specific tariffs, we take these factors into consideration to ensure that the EG tariff only takes account of connection assets over and above those typically associated with a standard SAC tariff.

Further Information

Major Customers will find further information on the process of connecting an EG system and further technical information within the [Embedded Generator Information Pack](#) on the [Major Business Connections](#) section of Ergon Energy’s [website](#), and can also contact their Project Sponsor to obtain further specific information.