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THE HON MARTIN FERGUSON AM MP

**MINISTER FOR RESOURCES AND ENERGY
MINISTER FOR TOURISM**

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PARLIAMENT HOUSE
CANBERRA ACT 2600

C12/3156

Mayor Genia McCaffery
President
Australian Local Government Association
8 Geils Court
DEAKIN ACT 2600

10 OCT 2012

Dear Mayor

Thank you for your letter of 3 September 2012 concerning the 2012 National General Assembly of Local Government, and in particular resolution 50 regarding regulation, planning and funding of decentralised renewable energy production facilities.

Through the Standing Council on Energy and Resources (SCER), of which I am the Chair, I have ongoing discussions with my state and territory counterparts on issues affecting Australian energy markets. We have a substantial agenda aimed at providing the framework for efficient levels of distributed generation in these markets.

A new Chapter 5A in the National Electricity Rules will streamline the processes for many distributed generators working with distribution business to establish a network connection. The new rules address issues such as the process for seeking a connection, the timelines involved, the framework for negotiations between the parties, principles governing the cost of establishing a connection, and the minimum content needed in a connection contract. Chapter 5A will come into force in each jurisdiction at the same time as it adopts the National Energy Customer Framework for the retail sale of electricity and gas to residential and small business energy customers.

The new connections framework will be complemented by elements of a new Distribution Network Planning and Expansion Framework, currently being considered by the Australian Energy Market Commission (AEMC). Distribution businesses would be required to publish annual planning reports, making it easier to identify opportunities for distributed generation connections. Distribution companies would also be required to publish information about the process and requirements for connection of distributed generation, and to develop a Demand Side Engagement Strategy that sets out their processes for considering non-network proposals and engaging with non-network providers.

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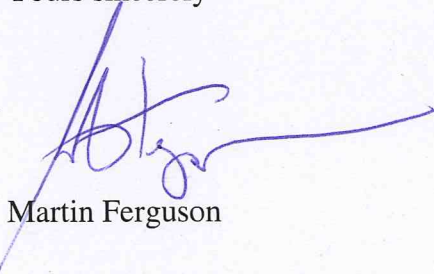
The AEMC is also considering a rule change proposal that would simplify the arrangements for small generators to participate in the wholesale market for electricity in the National Electricity Market. Owners of small generation would be able to contract with an aggregator to sell their output in the wholesale market. Small generation owners would have more options to get the best value from their generator, including receiving the wholesale market price, or selling to a customer on site or to their local retailer.

In the Clean Energy Future package, the Australian Government announced a number of programs targeted at improving energy efficiency. Of particular interest to local governments, the \$200 million Community Energy Efficiency Program will provide additional support for local government and community organisations to undertake energy efficiency upgrades to community-use buildings and facilities. This includes the installation of cogeneration (electricity and heat) and trigeneration (electricity, heat and cooling) systems, although I note renewable energy systems are not eligible under this program.

Information on this program is available from the website of the Department of Climate Change and Energy Efficiency, www.climatechange.gov.au. An announcement on a second round of this program is expected later this year, and stakeholders with an interest in the program can email ceep@climatechange.gov.au to register for email updates.

Thank you for taking the time to write to the Australian Government. I trust this information has been of assistance to you.

Yours sincerely



Martin Ferguson