

Avoided Transmission Payments to Embedded Generators

A distributor must pass through to an embedded generator an amount for the locational transmission charge that would have been payable had the embedded generator not been connected to the distribution network.

Eligibility

An embedded generator is eligible for an avoided transmission payment if it:

- Was connected under the relevant provisions of Chapter 5 of the National Electricity Rules and is registered by the Australian Energy Market Operator (AEMO) as a Generator, or who is required to or intends to register as a Generator; or
- Elected to be connected under clause 5.3A rather than Chapter 5A of the National Electricity Rules.

Process

We will inform a connecting embedded generator if it will be eligible for avoided transmission payments. An avoided transmission payment is made for a financial year. We will calculate the amount of the avoided transmission payment mid-year and email the embedded generator notifying them of the amount which must be invoiced to us.

Calculation of payment

Avoided transmission payments recognise that energy supplied to the distributor by the embedded generator would have otherwise been supplied from the transmission network. The avoided transmission payment is calculated using a “with” and “without” approach involving the following:

- calculation of the actual locational transmission charges payable by the distributor
- calculation of the hypothetical locational transmission charges payable by the distributor if the embedded generator had not existed
- the avoided transmission payment is the difference between the two above amounts

The locational transmission charge is calculated by multiplying a \$ per MW rate by a MW demand. The rate is specific to each terminal station and is determined by AEMO. The MW demand is based on the average of 10 half-hour periods when the power system demand was highest (per AEMO's Pricing Methodology).