



June 13, 2014

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted Electronically

Dear Sir/Madam

National Electricity Amendment (Connecting Embedded Generators Under Chapter 5A) Rule 2014

Lumo Energy welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Consultation Paper (Connecting Embedded Generators Under Chapter 5A) Rule 2014.

Lumo Energy is 100% owned by Infratil Limited, a company listed on the New Zealand and Australian Stock exchanges. We sell gas and electricity in New South Wales and Victoria and electricity in South Australia and Queensland. We are currently one of the largest second tier retailers.

Lumo Energy supports the rule change submitted by the Clean Energy Council (CEC). It will improve the negotiation framework in Chapter 5A of the National Electricity Rules (NER) making the connection process clearer, more transparent and more prescriptive.

Under the CEC proposal, Distribution Networks Service Providers (DNSPs) will need to provide more information to connection applicants in Chapter 5A of the NER to support connection applications. As a result, the connection process that applies to embedded generators with a capacity of between ten KW (per phase) and five MW in the NER will become more efficient.

A key consideration for the AEMC in its assessing the CEC rule change is to determine whether having an independent negotiated connection process in chapter 5A, which is different from the connection process in chapter 5, is appropriate. The AEMC will be required to make a tradeoff between having a tailored connection process in chapter 5A versus the increased administrative burden that this might create.

From our perspective, Lumo Energy considers that the additional clarity, transparency and prescription that the CEC rule change will bring to the connection process in chapter 5A of the NER will more than offset the additional administrative costs associated with implementing this change. As such, on balance, the CEC rule change has merit and should be progressed.



The CEC has identified some specific clauses in the negotiated framework in Chapter 5A of the NER that will change under its rule change. In the remaining part of this submission, we will provide comment on the proposed amendments.

Lumo Energy thanks the AEMC for the opportunity to make a submission in response to this consultation paper. For any enquiries regarding this submission, please contact Mr. Con Noutso Wholesale Regulatory Manager at Lumo Energy on Tel: 03-9976-5701.

Yours sincerely

A handwritten signature in black ink, appearing to read "Con Noutso", written in a cursive style.

Con Noutso
Wholesale Regulatory Manager
Lumo Energy Australia Pty Ltd



1. Structure and timing of the negotiated connection process

Lumo Energy supports the changes to the structure and timing of the negotiated framework in Chapter 5A of the NER. More specifically, we support the following changes proposed in CEC rule change.

CEC Proposal	Lumo Energy comment
<p>Amend clauses 5A.D.3 (d) and 5A.D.3 (e) of the Rules to require DNSPs to advise of a complete application or require additional information within 10 business days. Currently, these clauses do not provide a time frame.</p>	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework in Chapter 5A of the NER will be clearer as a result of this change.</p> <p>Under this proposal, DNSPs will need to <u>immediately advise a connection applicant of a complete application</u> following its approval.</p> <p>DNSPs that require more information to fully complete a connection application, in respect of an application that was determined to be incomplete in a <u>material way</u>, will <u>be required</u> to give a connection applicant an additional 10 days to complete a connection application.</p> <p>Mandating a DNSP to inform a connection applicant that his connection application is complete should expedite the connection process.</p> <p>The requirement to provide a connection applicant an additional 10 days to rectify an application that was determined to be incomplete in a <u>material way</u> gives the connection applicant more time to rectify any problems it may have with a connection application.</p>
<p>Expand clause 5A.D.3 (f) (2) to require DNSPs to notify the applicant, where the connection is to be negotiated, of the types of information it will receive and its timing. Currently, this clause only requires DNSP to advise the applicant of the negotiated connection process and of possible costs and expenses related to the negotiations</p>	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework in chapter 5A of the NER will become more prescriptive as a result of this change.</p> <p>Under this proposal, a DNSP will need to notify a connection applicant of the information <u>it will receive</u> and <u>its timing</u> during the connection process.</p> <p>Currently, DNSPs are only required to provide information to a connection applicant on <u>the possible costs</u> and <u>expenses</u> related to that connection application under the negotiated framework in chapter 5A of the NER.</p> <p>The improved information provided to connection applicants by DNSPs during the connection process will help them improve their overall understanding of the connection process. This should help to expedite the connection process.</p>



CEC Proposal	Lumo Energy comment
<p>Introduce a new “<i>negotiated connection application</i>”. A negotiated connection application would generally be submitted by the embedded generator connection applicant after it has received sufficient information to negotiate from the DNSP</p>	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework in chapter 5A of the NER will be clearer as a result of this change. The level of prescription will also increase.</p> <p>A new “negotiated connection application” form will be introduced to the connection process in chapter 5A of the NER.</p> <p>Under this proposal, DNSPs will need to outline both the form and content of information that needs to be included in a negotiated connection application.</p> <p>The introduction of a new “negotiated connection application” form should make the connection process much clearer.</p> <p>The requirement for DNSPs to outline the specific form and content that will be required to be included in the “negotiated connection application” should expedite the connection process under chapter 5A.</p>
<p>Require DNSPs to advise embedded generator connection applicants whether a connection application is complete within 10 business days of receipt. Where the negotiated connection application is incomplete, require DNSPs to advise the connection applicant of the deficiency and that it can resubmit</p>	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework under chapter 5A of the NER will become more efficient as a result of this change. This should expedite the connection process.</p> <p>Under this proposal, DNSPs will need to advise connection applicants whether their applications are complete within 10 business days of receipt of an application.</p> <p>Where a connection application has been determined to be incomplete, DNSPs will be required to advise connection applicants of the deficiency in their application and allow them to re-submit.</p>
<p>Make clear that any matter relevant to a connection is subject to negotiation by amending clause 5A.C.3 (a) (1) of the NER. The CEC considers that the current provision indicates only connection charges are negotiable</p>	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework in chapter 5A of the NER should apply to <u>all</u> facets of a connection application.</p> <p>Therefore, the proposal to make this explicit under 5A.C.3 (a) (1) of the NER is supported.</p>
<p>Require DNSPs to consider the technical merit of the connection arrangements proposed, or determine the technical requirements for the connection when assessing negotiated connection applications</p>	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework in Chapter 5A of the NER will become clearer as a result of this change. This will expedite the connection process.</p> <p>Under this proposal, DNSPs will need to consider the technical merit of the connection arrangements proposed.</p> <p>Otherwise, they will need to determine the technical requirements for the connection of negotiated connections.</p>



CEC Proposal	Lumo Energy comment
Require DNSPs to either accept or reject the negotiated connection application. If the DNSP does not respond within 65 business days it is deemed to have accepted the application	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework in chapter 5A of the NER will become more efficient as a result of this change.</p> <p>Currently, DNSPs are not required to respond to a connection application if they do not respond to it after 65 days.</p> <p>As such, the proposal to have a connection application automatically accepted - where a DNSP has failed to respond to it after 65 days - should expedite the connection process.</p>
Require DNSPs to make a connection offer within 65 business days of acknowledgement of a complete negotiated connection application	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework under chapter 5A of the NER will become more efficient as a result of this change. This will expedite the connection process</p> <p>DNSPs will need to make an offer within 65 days of acknowledging a complete negotiated connection application.</p>

2. Information requirements

Lumo Energy supports the changes to Chapter 5A that relates to the information that needs to be provided to embedded generator applicants by DNSPs during the connection process in chapter 5A of the NER. Therefore, we support the following changes proposed by the CEC rule change.

CEC Proposal	Lumo Energy comment
Amend clause 5A.C.3 (a) (3) of the NER to clarify that DNSPs must provide embedded generator applicants with the information they require to assess the commercial significance of the connection so that they can negotiate on an informed basis	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework under chapter 5A of the NER will become more efficient as a result of this change.</p> <p>Under this proposal, DNSPs will need to provide connection applicants with the information <u>they require</u> to assess the commercial significance of their connection.</p> <p>This will include information such as process requirements and potential costs that will help to improve the clarity and the transparency of the connection requirements.</p> <p>Connection applicants will have more power to request the necessary information <u>they require</u> up front in the connection process to help them assess the cost of a connection early on in the connection process.</p>



CEC Proposal	Lumo Energy comment
<p>Prescribe specific information that DNSPs must provide an embedded generator applicant, prior to it submitting a negotiated connection application, in a new Schedule to Chapter 5A. This would include information such as proposed technical standards, design and planning information and interface requirements such as switching and isolation facilities</p>	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework under chapter 5A of the NER will become more efficient as a result of this change.</p> <p>Under this proposal, DNSPs will be required to provide more specific information regarding the technical standards, design, planning information and interface requirements of a connection. This will include things like switching and isolation equipment that will be required by a connection applicant.</p> <p>The proposal to require DNSPs to provide more specific technical information to connection applicants prior to a connection application should expedite the connection process.</p>
<p>Amend clause 5A.C.3 (a) (5) (i) of the NER to require DNSPs to describe the technical requirements for connection , including any relevant technical standards, when assessing negotiated connection applications</p>	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework under chapter 5A of the NER will become much clearer under this change.</p> <p>The proposal will require that DNSPs describe their specific technical standards for connection.</p> <p>The additional clarity will benefit both connection applicants and the DNSPs. In addition to this, It should help expedite the connection process.</p>
<p>Require that all information exchanged as part of the negotiation process be treated as confidential information for the purposes of the NER</p>	<p>Lumo Energy supports this proposal.</p> <p>Confidentiality in the connection process under chapter 5A is of paramount importance.</p> <p>Therefore, we support the proposal to make this an explicit requirement in the NER.</p>



3. Power Transfer capability

Lumo Energy supports the proposed changes to the NER relating to a DNSP's responsibility to provide embedded generator applicants with relevant, timely and accurate power transfer capability information. More specifically, we support the following key changes.

CEC Proposal	Lumo Energy comment
DNSPs to consult with other network users or prospective users who may be adversely affected by the proposed connection, connection alteration, or the distribution network user access arrangements sought by the applicant	<p>Lumo Energy supports this proposal.</p> <p>This proposal mandates DNSPs to consult with other network users or prospective users who might be impacted by a connection application.</p> <p>An impact on the power transfer capability of an incumbent embedded generator or large customer as a result of a connection can have a significant financial impact.</p> <p>Therefore, the requirement for a DNSP to consult with other network users that might be impacted by a connection reflects good industry practice.</p> <p>For our perspective, DNSP should be obliged to consult with network users who may be impacted by a connection application. This is especially important where an existing user's power transfer capability could potentially be impacted.</p>
Using reasonable endeavours, make a connection offer that complies with the distribution network user access arrangements reasonably sought by the applicant, including the location of the proposed connection point and the level and standard of power transfer capability that the network will provide	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework under chapter 5A of the NER will become more prescriptive and clearer as a result of this rule change.</p> <p>Under the proposal, a DNSP will be required to provide a connection offer that includes:</p> <ul style="list-style-type: none"> the location of the proposed connection point and; the level and standard of power transfer capability that the network will provide.
Provide details of the connection point, including the level and standard of power transfer capability that the relevant network will provide, along with the correlating network conditions, in the connection offer	<p>Lumo Energy supports this proposal.</p> <p>The negotiation framework under chapter 5A of the NER will provide additional detail and become much clearer.</p> <p>DNSPs will need to provide information on the location of the connection point, including the level and standard of service of power transfer capability that the DNSP will provide in its connection offer.</p> <p>As long as DNSPs have sufficient time to respond to this request, then we consider it to be reasonable.</p>



4. Fees and charges

Lumo Energy supports the proposed changes to the NER relating to relating to fees and charges by DNSPs to embedded generator connection applicants for the costs of the connection process. However, we do not support their position in relation to capital expenditure relating to the connection.

CEC Proposal	Lumo Energy comment
<p>Amend Clause 5A.E.2 to include:</p> <ul style="list-style-type: none"> • An explanatory statement on the basis on which costs have been calculated; • A scope of work to which connection charges will apply; • A cost breakdown of network extensions, premises connection assets and any other incidental costs incurred; • A detailed description of any ongoing operation and maintenance costs and charges; and • An explanation of any divergence of costs from cost estimates previously provided. 	<p>Lumo Energy supports this proposal.</p> <p>This negotiation framework in chapter 5A of the NER will become more prescriptive and clearer as a result of this change.</p> <p>DNSPs will need to provide more specific details in relation to the connection costs of an embedded generator under chapter 5A as a result of this change.</p> <p>DNSPs that currently charge a fee to connect will need to include more information on the basis of their calculation. This will include an itemized listing of the associated labor costs, time and expenses, together with an explanation for any departure from any estimate of charges given by the DNSPs prior to submitting a negotiated connection application.</p> <p>Finally, Lumo Energy does not believe that DNSPs should charge a fee to recover the “reasonable costs” of responding to a detailed connection enquiry.</p> <p>Because DNSPs just rely on information that is already in their possession to determine a charge for this service, they should not be entitled to recover a fee.</p> <p>Where there is a need for a connection applicant to pay for an augmentation to facilitate a network connection, then both the capital & operational & maintenance costs of the augmentation must be “prudent and efficient” in accordance with the connection standards that have been requested.</p>
<p>Amend 5A.E.1 (c) (4) to prevent DNSPs from transferring the financial risk of network expansion for load growth to embedded generators</p>	<p>Lumo Energy supports this proposal.</p> <p>Under this proposal, embedded generators would be less likely to pay for an augmentation to the shared network for load growth.</p> <p>However, the proposal fails to go far enough.</p> <p>As embedded generators do not receive “property rights” in exchange for funding an augmentation on the distribution system, they should not be required to pay for these assets.</p> <p>If embedded generators were required to fund augmentations on the distribution system, then under the current regulatory regime, third parties could “free-ride”</p>



CEC Proposal	Lumo Energy comment
<p>Amend 5A.E.1 (c) (4) to prevent DNSPs from transferring the financial risk of network expansion for load growth to embedded generators (cont.)</p>	<p>on the augmentations funded by embedded generators. This would be unacceptable.</p> <p>Given the AEMC is considering providing a “firm financial right” to generators that pay for it under their Optional Firm Access Model in transmission, it would be unfair for embedded generators to pay for an augmentation on the distribution system without any form of property right in exchange for their investment.</p>

5. Embedded generator liability to a DNSP

CEC Proposal	Lumo Energy comment
<p>Amend Part B of Schedule 5.1 of Chapter 5A to require a connection offer involving an embedded generator to contain limitations on the embedded generator’s liability for damages to the network.</p>	<p>Lumo Energy supports this proposal.</p> <p>Connection offers involving an embedded generator would limit the embedded generator’s total liability for damages to the network.</p> <p>Lumo Energy suggests that the limitation of liability for damage to the network be restricted to a dollar value. Additionally, the dollar value restriction could be set in proportion to the size of the connecting embedded generator.</p> <p>Given the relevant size of the generators that connect here are between ten KW (per phase) and five MW then we consider that the embedded generator’s liability should be capped at between \$100,000 to 200,000. The actual value chosen for each connection applicant would reflect the size of the generator.</p> <p>Finally, DNSPs should also be liable for any damages that they have caused to the Generator whilst connected to the network. The reciprocal nature of this amendment would make it fairer for all parties involved.</p>