



AEMC Forum

## Transmission Frameworks Review

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## Connecting Generators to the Network



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# TFR 2<sup>nd</sup> Interim Report Finding



- Acknowledge that connecting a large generator or load is a complex process
  - Each connection process is bespoke
  - significant commercial negotiation to ensure long term risk/incentives are appropriately shared through contract
- Do not agree case for substantial change is made
  - There are opportunities for improvement in NER connection arrangements
  - consequences need to be thought through carefully
- AEMC asserts case is made for change
  - AEMC suggestions for change are substantial

# TFR 2<sup>nd</sup> Interim Report



- AEMC key principles for changes proposed:
  - Light handed regulation
  - No further information should be provided than a tenderer would be expected to provide a contractor
  - Transition managed
- The proposed changes do not meet these principles
- Three key areas of concern:
  - Obligation for TNSP to extend to customer
  - Transition for existing arrangements
  - Simplification of Chapter 5

# Commercial reality



- Every generator and load has different commercial drivers and requirements leading to similar but unique connection and access agreements
- Terms vary – LDs, FM, technical layout, liability, counterparty risk, forms of security, delivery timeframes, etc
- Difficult to see how these things can be effectively regulated (one size fits all)
  - Or why they should be regulated at all
- Proposed solution removes flexibility for TNSP to meet the needs of the connecting party

# Addressing Commercial needs



- TRUenergy submission – requirements for generator connection project:
  - Efficient and timely negotiation – flexibility as well as efficient process
  - Delivery of commissioned connection assets on time
  - Construction of connection assets on budget
- Powerlink’s experience is connecting parties want flexibility in whatever is important to them
- AEMC proposed changes effectively remove ability and incentive for a TNSP to provide a commercially flexible approach



- Introduce a high degree of regulation:
  - Essentially an open book process – cost plus
  - All risk transferred to connecting party
  - TNSP has no ability or incentive to price risk
  - Mandated obligation to provide on request
- TNSP effectively becomes mandated owners engineer
  - a service readily available elsewhere
- Less incentive based than regulated network investments
  - Mandated non-firm delivery with mandated non-firm pricing



- TNSPs required to provide end to end extension as negotiated service on request
- Irrespective of whether TNSP wants to, has capacity to and whether Board/Owners elect to make this investment
- Land access rights often quoted as an issue
  - All jurisdictions except NSW have alternative mechanisms

## Issue 2 – existing arrangements



- Numerous C&AAs already exist for negotiated and non-regulated services
- Long term commercial contracts involving large sophisticated parties
- These should be grandfathered
  - Retrospectivity should not apply



# Issue 3 – simplification of Chapter 5



- Connection would become an open book transaction with all risk transferred to the connecting party:
  - Long lead time issue is usually access to land - proposed change will shift timing risk and costs for this to connecting party
  - involvement in the tender selection will shift risk of variations to connecting party etc
- Boundary issue – TNCP deleted as a concept:
  - Replaced with TSCP which will be different depending on who builds the line – the customer or the TNSP
  - two different potential points of application for Performance standards, settlement and MLFs

# Conclusion



- Proposed changes make connecting essentially open book:
  - Addresses perceived imbalance of bargaining power
  - NOT light handed regulation as suggested
- Connections will always be complex
- Will always be robust discussion between the connecting party and the TNSP
- As outlined connection will take longer and all risk will be transferred to the connecting party:
  - No commercial flexibility in proposed framework to respond to customer needs