



8 August 2013

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Via www.aemc.gov.au

Dear Mr Pierce,

National Electricity Amendment (Connecting Embedded Generators) Rule 2013

Alinta Energy welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (AEMC) draft rule determination: *National Electricity Amendment (Connecting Embedded Generators) Rule 2013*, following the rule proposal submitted by the Property Council of Australia, Seed Advisory and ClimateWorks Australia.

Alinta Energy is an active investor in the energy retail, wholesale and generation markets across Australia. Alinta Energy has over 2500MW of generation facilities in Australia (and New Zealand), and a growing customer base of over 700,000.

Alinta Energy supports the proposed (preferable) rule change

Alinta Energy broadly supports the preferred draft rule proposal as a rule which will remove regulatory burdens, barriers to entry and in general facilitate improved connection arrangements in a timely manner. Alinta Energy is supportive of further work in this area where identified regulatory gaps exist.

Whilst acknowledging the unique differences in connecting micro, embedded and large-scale generators to networks, Alinta Energy notes that many of the procedural issues addressed by the draft rule, mirror similar issues faced when connecting other forms of generation.

Where the AEMC has identified generic beneficial amendments, Alinta Energy supports replicating the chapter 5 processes with a view to applying the identified benefits to all connection applicants including embedded and large-scale generators.

Therefore, assuming that any amendment to the connection framework aimed at addressing embedded generation connection issues, do not inadvertently cause problems for other types of generators seeking connection to the network, Alinta Energy supports the rule change and endorses the AEMC's work in this area.

Connection Process and Information Pack

Alinta Energy supports efforts to improve the accessibility and transparency of information for connection applicants. The development of a clear timeframe outlining the obligations and responsibilities of all involved parties will contribute to progressing connection applications in a correct and efficient manner.

Absent complications with the application submitted, Alinta Energy sees value in requiring the relevant Distribution Network Service Provider (DNSP) to make a connection offer within 20 business days of receiving an application and correspondingly, having a set timeframe for acceptance. Such provisions are beneficial in clarifying stakeholder responsibilities.

Similarly, the provision of a model connection agreement which participants enter into will result in a streamlined negotiation process, reducing time delays and benefiting all participants.

Alinta Energy supports appropriate concessions being set which grant DNSP's some flexibility in applying these requirements, given different technical, regional and business requirements.

In summary, Alinta Energy supports the draft rule change requiring DNSP's to release an information pack containing material and procedural requirements which assists embedded generators in enquiring and lodging connection applications.

Preliminary and detailed enquiry stage

Alinta Energy agrees with the Commission's assessment that there is merit in building upon the existing single stage enquiry processes within the National Electricity Rules.

Requiring applicants within the proposed preliminary enquiry stage to provide an overview of their project objectives and outlining what specific information they require from the DNSP, seems a reasonable measure. Alinta Energy considers this stage of the enquiry will have the additional benefit of acting as a clear point of project commencement, as well as provide an environment for ongoing stakeholder communication.

Similarly, Alinta Energy considers that the detailed enquiry stage will allow for greater in-depth analysis of the key issues which were appropriately outlined during the preliminary stage.

Alinta Energy is supportive of the special provision for 'agreed projects' which share the same requirements and parameters as previously submitted projects, to be fast tracked within a streamlined application process of 20 business days. Such a provision appropriately reflects the detailed work and analysis previously undertaken by stakeholders.

Alinta Energy broadly supports the two stage enquiry process of the draft rule as one which is superior to existing enquiry arrangements and will provide greater clarity and efficiency to stakeholders.

Connection standard register

Alinta Energy notes the AEMC's observation that most embedded generation equipment likely already meets the relevant minimum technical requirements for connection within relevant Australian distribution networks.

Notwithstanding this, Alinta Energy supports the commission's recommendation that DNSP's maintain a register of generating units which conform to the minimum technical requirements of connecting to the relevant distribution network.

Assuming it is not overly burdensome or costly to maintain, the development of such a register will result in increased transparency relating to the key features required for equipment connecting to the network.

Alinta Energy notes, that this standard may change over time based on new load connections, changes to existing load, and changes to generation supply (existing and/or new). As such, determining a technical standard will always be transient to a degree, and as such should be updated regularly. The current two years proposed seems reasonable in this regard.

Nonetheless, going forward, such a potential register could lay the foundation for the establishment of national minimum technical standards.

Automatic right to export to the grid

Alinta Energy is of the view that the overarching consideration when connecting new generation to the grid should be that in the process of exporting energy to the network, the safety and reliability of the network for all users is in no way compromised.

As outlined in previous submissions, Alinta Energy is of the view that affected network services should be equipped with the discretion to refuse any connection which could potentially degrade the capability of the network. This will allow conditions to be placed on connections that limit the potential degradation of service to other users.

Definitions under the NER

Alinta Energy understands a view exists amongst some participants that the definition of “embedded generation” under the proposed amendments to chapter 5 are vague, potentially creating ambiguity surrounding what constitutes embedded generation connections. This ambiguity could potentially require similar sized generators to adhere to dissimilar rule obligations.

There is some potential for confusion to arise given the reliance on different definition classifications. Embedded generators which are unregistered with AEMO would proceed under the proposed rule change in a streamlined fashion. However, embedded generators registered with AEMO may be required, depending on the definitional interpretation, to adhere to the normal connection process.

Whilst recognising the potential for this scenario occurring, Alinta Energy is of the opinion that the overriding concern should be progressing embedded generation connections quickly and practically whilst being technology neutral and reducing the need for additional rules when possible. While a matter of drafting, it would seem desirable to avoid further carve outs and new chapters.

Applicable Charges

Enquiry Fee

Alinta Energy considers it appropriate that DNSP’s have the ability to charge enquiry fees in order to recover the reasonable costs associated with progressing embedded generation connection applications.

Providing examples of how enquiry fees are calculated within the information pack provided to applicants supports transparency and encourages cost reflective fees. Alinta Energy supports the clarification surrounding enquiry fees.

Shared augmentation costs

Alinta Energy notes that some stakeholders consider that embedded generators should be exempt from being charged network augmentation costs, in line with present arrangements in Victoria.

Alinta Energy is not supportive of such an exemption and notes the commission’s analysis that such jurisdictional differences are likely to disappear with Victoria’s upcoming implementation of the National Energy Consumer Framework.

Excluding embedded generators from paying their fair share of network augmentation costs means such charges will be cross subsidised by all other consumers, raising concerns amongst generators as well as diluting efficient price signalling within the National Electricity Market.

As such, Alinta Energy is encouraged by the Commission's recommendation that no changes which exempt embedded generators are incorporated within the draft rule. Such a decision is appropriate to ensure embedded generations pay their fair share of network augmentation costs.

Itemised statement of costs

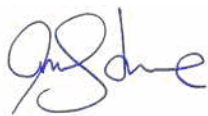
Alinta Energy supports relevant connection charges being included on an itemised statement of costs with an accompanying schedule containing how individual service charges have been calculated. Such a provision simplifies existing arrangements and provides applicants with an improved understanding of the ultimate costs associated with connecting embedded generation to the network.

Conclusion

Alinta Energy supports the rule change proposal and endorses the view that the proposed draft rule will provide improved transparency and efficient outcomes when embedded generations are connecting and exporting energy to relevant networks within the National Electricity Market.

Should you have any queries in relation to this submission please contact Mr Anders Sangkuhl on, telephone, (02) 9375 0962.

Yours sincerely,



Jamie Lowe
Manager, Market Regulation