

20 February 2014

Mr Paul Smith
Chief Executive
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

AEMC Position Paper and Final Draft Rule – Connecting Embedded Generators

Dear Mr Smith,

Thank you for the opportunity for the Energy Networks Association (ENA) to provide a submission on the AEMC's Position Paper for the final draft National Electricity Amendment (Connecting Embedded Generators) Rule 2014.

By way of background, the ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over \$100 billion in energy network infrastructure.

ENA is pleased that the Position Paper and draft final Rule has retained consistency with the draft determination on certain issues, in particular:

- ENA supports the AEMC's decision not to provide embedded generators with the automatic right to export electricity into the connected distribution network. This decision recognises the fact that the automatic right to export could compromise the safety and reliability of the network for customers and the general public.
- ENA supports the AEMC's decision not to exempt embedded generators from contributing to shared network augmentation costs. This decision recognises that the costs of network augmentation resulting from an embedded generation connection should not be borne solely by the network businesses and consequently, by the whole customer base through increased Distribution Use of System (DUoS) charges.
- ENA supports a two-stage Connection Enquiry process. ENA considers the preliminary enquiry stage to be a key change that will address many of the perceived issues that arise when applicants are attempting to connect embedded generation to the electricity network. Where applicable, this step will ensure better communication and understanding of the applicant's connection service requirements and the DNSP connection services provision.

ENA also supports some changes between the draft determination and draft final rule, in particular the removal of the 'agreed project' concept; validity periods; and independent expert appraisal provisions.

ENA recognises the significant role that embedded generation will play in the future of Australia's energy mix and the need to manage the network to facilitate its integration. ENA members also understand that project proponents can be frustrated by what they see as complicated connection processes and this is particularly the case where a proponent is unfamiliar with legitimate network connection issues. ENA

supports the intent of the proposals in the draft final rule that could help to clarify requirements or otherwise improve communication between networks and proponents.

That being said, ENA does have several key concerns with the Position Paper and draft final Rule that have the potential to further complicate the process and create unnecessary compliance and cost burdens for network businesses and customers. ENA's key concerns are centred on the:

- applicability of the Rule Change connection process;
- civil penalty provisions;
- timeframes;
- register of completed projects and examples of connection charges;
- provision of information; and
- commencement date of the new rule.

Applicability of the Rule Change connection process

ENA is concerned at the potential ambiguity in the current drafting of the final draft Rule and Position Paper in relation to the application of 5.3.1A(a) and (b). ENA believes that it is unclear whether the new process under 5.3.1A will apply to all embedded generators connected to the distribution network, regardless of the generation capacity or market registration status. While there is guidance on the applicability of the draft final Rule in the Position Paper, ENA does not believe this is reflected adequately in the drafting of the new Rule itself.

ENA also notes that the intent of the proponents of the original Rule Change proposal was to address a 'gap' in the National Electricity Rules (NER) for connecting embedded generators with a name plate rating of 10kW-30MW. It was argued that neither Chapter 5 nor Chapter 5A included appropriate connection processes for smaller generators who are eligible for exemption from registration. ENA supports the application of the draft rule to all registered connection applicants above 5MW. However, the incremental benefit of an additional process in Chapter 5 that covers the category of embedded generation between 10KW-5MW appears limited, considering the additional costs.

ENA seeks clarification from the AEMC on the purpose and benefit of this additional connection process to be added to Chapter 5, considering the requirements of the rule change proponents and the impact on network businesses.

Civil Penalty provisions

ENA and its members are concerned with the inclusion of civil penalty provisions in relation to the 'Detailed Response to Enquiry' (5.3A.8). ENA considers these civil penalty provisions to be inappropriate due to the subjectivity and variability associated with the information related to the relevant clauses. The clauses subject to civil penalties relate to the provision of technical information, prudential requirements and anticipated costs. The activities covered by these clauses are variable and are undertaken on a case-by-case basis, as well as being subject to negotiation between the connection applicant and network business. It is therefore inappropriate to subject these matters to civil penalties.

ENA is also concerned with the civil penalty clause related to the 'Offer to Connect' (5.3.6). Should a network businesses require additional network studies to determine the appropriateness of a connection application, the connection applicant has the ability to unreasonably withhold consent to extend the timeframe. This may result in the network business being liable for civil penalties, despite the necessity of the time extension to adequately assess the application to ensure the ongoing safety, reliability and security of supply of the network.

ENA recommends that the civil penalty provisions be removed from the draft final rule.

Timeframes

ENA believes that there needs to be more clarification provided in relation to the specified timeframes in the draft final Rule, in particular detailing when certain timeframes commence and cease.

There is a level of ambiguity regarding the 4 month timeframe for a network business to make an 'offer to connect' following receipt of the connection application. In the case of a deficient connection application, the network business has 5 days to advise the connection applicant and request the deficiency be remedied. The aspect that is unclear is whether the time taken by the connection applicant to remedy the deficiencies in the application is counted towards the 4 month timeframe imposed on the network business to provide a response. It is particularly important to have clarity on this issue considering that breach of this time frame is currently, inappropriately subject to civil penalties under the current draft final rule. ENA recommends that the 4 month timeframe to provide an offer to connect should only commence once the network business has received all the required information.

ENA considers the 5 day period for a network business to assess the completeness of a connection application to be too short, particularly for connections greater than 5MW that are generally quite complex. It is recommended that network business be allowed at least 10 working days to assess connection applications and advise the applicant of any deficiencies.

ENA also believes that some more clarity needs to be provided in regards to the 'stop the clock' mechanism, in particular addressing the inconsistency between the Position Paper and draft final Rule. The Position Paper suggests that the 'stop the clock' mechanism no longer needs to be retained due to the removal of the 'agreed' and 'fast-tracked' project process, yet the mechanism remains in the draft final rule at 5.3.6(a2). ENA supports the 'stop the clock' mechanism because it provides transparency and (if civil penalties are retained) it prevents network businesses being liable to penalties where timeframes are exceeded due to third parties not providing timely information. ENA recommends that the 'stop the clock' mechanism be retained and extended to include consultation with distribution network businesses (not only AEMO and TNSPs).

Register of completed projects and examples of connection charges

The ENA does not support the requirement for network businesses to provide a register of completed embedded generation projects connected to the distribution network, as currently drafted. The draft final rule proposes that network businesses must publish a register of all embedded generating units connected to its network. Taking into consideration the definition of 'embedded generating unit' under the rules, this would include small-scale generation (e.g. rooftop PV). Obviously maintaining a register of embedded generating units down to this scale would be impractical and is most likely not the intention of the draft final rule.

ENA questions the perceived benefit of requiring network businesses to publish a register of connected embedded generating units. Embedded generation connections, particularly those of a larger scale, are generally very site specific and assessed on a case-by-case basis. The successful connection of a previous project of similar size and location in no way guarantees that a similar project would be feasible in a nearby or similar location. ENA requests that AEMC provide further consideration to the cost vs. benefit of requiring network businesses to maintain and publish a register of connected embedded generating units.

ENA also believes that the requirement for network businesses to publish examples of connection service charges will not provide a great deal of benefit to consumers. Providing examples of possible connection charges as part of the upfront information would need to be come with substantial caveats and a

disclaimer that any upstream augmentation is site specific. This may reduce the usefulness of this information to potential embedded generators.

Should the AEMC proceed with the requirement for network businesses to publish a register of connected embedded generating units, ENA recommends that this register be limited to embedded generating units with a nameplate rating of 5MW and above, as well as removing the requirement to publish examples of connection service charges.

Provision of information

ENA is supportive of the changes AEMC has implemented in relation to the reduction in the amount of information required to be provided by the network businesses at both the preliminary and detailed enquiry response stage.

That being said, ENA recommends that the information provided by the network business at the preliminary enquiry stage be at a reasonably high-level to allow network businesses to meet the 15 day response timeframe. Taking into consideration the potential high-volume of applications that could be received and the cost of processing these being absorbed by the network business, it is not reasonable to request network businesses to provide detailed information that requires analysis. Clauses 5.4A(a) (5), 5.4A(n) and 5.3A.5(g) are examples of where a network business may be required to provide information that is too detailed for a preliminary enquiry stage.

Commencement date of the new rule

ENA noted that the position paper has stipulated a 6 month implementation period for new Rule, following publication of the final determination. This is a reduction from the 9 month implementation period outlined in the AEMC's draft determination. Taking into consideration the requirements that will be imposed on network businesses regarding the new documentation and business processes that will need to be developed to comply with the rules; ENA recommends that the 9 month implementation period be reinstated.

ENA would welcome the opportunity to consult further with the AEMC in relation to this submission, prior to publication of the final rule determination.

If you have any questions or wish to discuss this matter further, please contact my office on 02 6272 1555.

Yours sincerely,



John Bradley

Chief Executive Officer