



Connecting embedded generators final determination

Final determination released

The Australian Energy Market Commission has made a final rule to reduce barriers to the connection of embedded generators to distribution networks. The final rule provides a clearer, more transparent connection process with defined timeframes, and requires distributors to publish information to assist embedded generators.

The ClimateWorks Australia, Seed Advisory and the Property Council of Australia rule change request

ClimateWorks Australia, Seed Advisory and the Property Council of Australia submitted a rule change request that sought to address barriers they had identified in the process for connecting embedded generating units to distribution networks. The key aspects of the proposed rule to amend Chapter 5 of the National Electricity Rules (NER) included:

- accessing information on the connection process, possible costs and the technical requirements for connection from distributors;
- a connection process that is clear and consistently applied; and
- clarity on costs and exempting embedded generators from contributing to the cost of shared network augmentation.

Factors the Commission has taken into consideration

In making its final determination, the Commission has taken into consideration the experiences and needs of embedded generation proponents as well as the obligations on distributors to maintain safe, secure and reliable distribution networks.

The Commission recognises that there is increasing interest in connecting embedded generators. It is also aware that there can be significant variation in the technology that these parties are seeking to connect, as well their level of knowledge of the electricity system and governance issues in the supply of electricity to consumers. In many cases, connecting embedded generators to distribution networks would not be these parties' core business activity.

The nature of how distribution networks have developed over time also adds layers of complexity to the connection process. The technical requirements of these networks can vary materially between different locations. In assessing connections, distributors also need to be mindful of how any new connections may impact existing users.

In light of the issues raised by the proponents and other stakeholders, the Commission concluded that the connection process contained in Chapter 5 of the NER could be amended for embedded generators. More specifically, improvements could be made in clarifying the process parties are to follow, specifying the information to be exchanged during the process, and clarifying that information on costs and charges must be made clear to embedded generation proponents.

The new connection process includes flexible timeframes – accommodating the different needs of very diverse local generators seeking to connect to distribution networks.

Application of the final rule

The final rule amends Chapter 5 of the NER and applies to registered embedded generators (that is, generators with a capacity greater than 5MW). In addition, smaller generators located in Victoria and Queensland may, in some circumstances, be able to use the new Chapter 5 connection process.

Embedded generators with a capacity less than 5MW, and located in states other than Queensland and Victoria, are to use the connection processes set out in Chapter 5A of the NER.

The AEMC will shortly commence its assessment of the Chapter 5A negotiated connection process in response to a rule change request from the Clean Energy Council.

The Commission's final rule

The Commission's final rule makes a number of changes to the existing provisions. A summary of the key features of the final rule is provided below:

- **Information pack:** each distributor is to publish an 'information pack' setting out information to guide embedded generators on matters such as the process requirements and potential costs.
- **Clearly staged connection process:** there is a new two-stage connection enquiry process (a preliminary enquiry and a detailed enquiry) and an application process with each stage including clear, relevant information requirements for both parties. The timeframes for these stages are extendable upon agreement to accommodate the differing needs of the variety of embedded generation projects.
- **Technical information:** distributors are to publish a register of generating plant that has been successfully connected to the network in the preceding five years to allow embedded generators to better understand the types of equipment that have been able to connect to a distribution network.
- **Dispute resolution:** embedded generators or distributors can seek assistance in resolving disputes on technical or other matters arising during a connection process through the Wholesale Energy Markets Dispute Resolution Adviser in accordance with Chapter 8 of the NER.
- **Enquiry fee:** distributors will be able to charge an enquiry fee for preparing detailed enquiry responses. The enquiry fee will cover the reasonable costs incurred by a distributor.

In addition, the Commission considered two other issues raised by the rule change proponents:

- **Exporting to the grid:** the current provisions remain in place, providing parties with the ability to agree to an embedded generator exporting surplus electricity to the grid subject to assessing the network's safety and reliability requirements. Distributors are still required to use reasonable endeavours to provide an applicant with the access arrangements they seek.
- **Shared network augmentation costs:** the current rules remain in place, embedded generators will still be required to contribute to shared network augmentation costs related to their connection. If embedded generators were exempt from contributing then other users of the network would have to bear these costs.

The final rule comes into effect on 1 October 2014.

Refer to the connection process factsheet for more information on the process requirements under the final rule.

For information contact:

AEMC Director, **Meredith Mayes** (02) 8296 7800

AEMC Senior Adviser, **James Eastcott** (02) 8296 7800

Media: Communication Manager, Prudence Anderson 0404 821 935 or (02) 8296 7817

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