

20 February 2014

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



Dear Mr Pierce

Draft Final Rule: Connecting Embedded Generators (ERC0147)

Energex Limited (Energex) appreciates the opportunity to provide a submission on the Australian Energy Market Commission's (AEMC's) proposed draft final rule for connecting embedded generators and acknowledges the AEMC's consideration of the issues raised by Distribution Network Service Providers (DNSPs) during the extended consultation process.

Energex supports the need for clear and efficient processes for connecting embedded generators to distribution networks and is generally satisfied that the connection process set out in the draft final rule will achieve the intended objectives of this rule change. However, Energex does have some concerns with regard to the drafting of the final rule which are discussed below.

Application of the draft final rule

Energex supports the policy intent that, in jurisdictions where the National Energy Customer Framework (NECF) has been implemented, generating systems greater than the AEMO standing exemption, i.e. greater than 5 MW, will connect under the draft final rule and those generating systems less than or equal to the standing exemption will connect under Chapter 5A of the National Electricity Rules (Rules).¹

However, the drafting of the final rule provides some uncertainty in relation to the proposed application and does not appear to adequately reflect this policy intent. Clause 5.1.2(a)(2)(ii) and clause 5.3.1 state that the connection process under Chapter 5 of the Rules will apply to registered participants, or a person intending to become a registered participant. Chapter 5A states that the application of that chapter is to a connection applicant that is not a registered participant, or intending to become a registered participant.

However, Energex is concerned that a generating system may apply (or intend to apply) to AEMO for an exemption from registration or be subject to the standing exemption and therefore not be considered a registered participant. Therefore, under the current drafting, it is arguable that a generating system greater than the standing exemption threshold would be connected under the Chapter 5A process.

Enquiries
Rachel Leaver
Telephone
(07) 3664 4115
Facsimile
(07) 3664 9818
Email
rachel.leaver
@energex.com.au

Corporate Office
26 Reddcliff Street
Newstead Qld 4006
GPO Box 1461
Brisbane Qld 4001
Telephone (07) 3664 4000
Facsimile (07) 3025 8301
www.energex.com.au

¹ AEMC Position Paper Connecting Embedded Generators, s. 1.6.1, p. 5-6.

Further, Energex questions the necessity to retain clause 5.1.2(b) because the policy intent was for any generating system less than the standing exemption to follow the process outlined in Chapter 5A of the Rules.²

Energex considers that the drafting of the final rule should assume that NECF has been implemented with transitional arrangements under Chapter 11 of the Rules to accommodate those jurisdictions that do not have NECF.

Preliminary response

As outlined in the AEMC's position paper, the intent of the preliminary response stage is to "provide general, high level information and any project information that the DNSP has at hand that may help the connection applicant understand its connection options".³ In this regard, Energex notes that clause 5.3A.7(d) of the draft final rule was amended to specifically acknowledge that the preliminary enquiry response does not oblige a DNSP to undertake detailed design or technical analysis of the connection application.

However, contrary to clause 5.3A.7(d), it would appear that Schedule 5.4A requires DNSPs to provide a considerable level of detail specific to individual connection applications in its preliminary response, which may not necessarily be "at hand". Examples include the following:

- Draft subclauses (a)(5) and (6) require the inclusion of existing fault levels and fault clearance times of relevant local zone substations and switching and isolation facilities. This information is not typically provided on a site-specific basis at the preliminary enquiry stage. Consequently, in order to adequately reflect the intent of clause 5.3A.7(d), Energex suggests that the requirement under Schedule 5.4A(a)(5) and (6) should be moved to Schedule 5.4B.
- Draft subclause (i) requires DNSPs to include in the preliminary response "an indication of whether network augmentation may be required and if required, what work the network augmentation may involve". This requirement also does not reflect the stated intent of the preliminary response phase. As DNSPs will not have conducted sufficient analysis at this early stage in the process to provide details of any network augmentation that may be required, Energex recommends that this clause should be amended by removing the words "... and if required, what work the network augmentation may involve".
- The requirements of draft subclauses (g) and (n), seem to duplicate some of the requirements already published in the information pack. Amongst other requirements, the information pack requires worked examples of connection service charges, single line diagrams of the DNSP's preferred connection arrangements as well as a model connection agreement to be published. This level of information is more than sufficient for a preliminary response.

Detailed Response

Clause S5.4B(h)(6) of the draft final rule requires DNSPs to provide an itemised estimate of connection costs, including "details of any ongoing operation and maintenance costs and charges to be undertaken by the DNSP". However, it is not

² AEMC Position Paper Connecting Embedded Generators, s. 1.6.1, p. 5-6.

³ AEMC Position Paper Connecting Embedded Generators, s. 2.2, p. 12.

clear to Energex how these costs relate to connection costs. Further, ongoing operation and maintenance costs are typically factored into network tariff charges and may be a component of the shared network cost and, as such, are difficult to isolate.

Clause S5.4B(j) of the draft final rule requires that DNSPs must use reasonable endeavours to include in the detailed response “all risks and obligations in respect of the proposed connection associated with planning and environmental laws not contained in the Rules”. Energex considers that this requirement should be removed from the final rule as it is not appropriate for DNSPs to bear the risk of providing legal advice pertaining to planning and environmental laws.

Offer to connect

Clause 5.3.6(b2) of the draft final rule requires an offer to connect to be accompanied by an itemised statement of connection costs. Energex suggests that the final rule should clarify that DNSP's costs should not include third party costs (where applicable), e.g. AEMO or Transmission Network Service Provider (TNSP) costs.

Timeframes

Energex considers that further clarity is required with regard to timeframes for the various stages of the connection process, i.e. the final rule should clearly define when the timeframes specified for the provision of information and response commence and conclude in order to avoid confusion and disputes between DNSPs and connection applicants. For example, clause 5.3.6 of the draft final rule requires DNSPs to make an offer to connect within four months from the date of receipt of a connection application. However, it is unclear whether the time taken for a connection applicant to provide any further information requested by the DNSP is included or excluded from the four month timeframe.

Energex also considers that the five day timeframe within which DNSPs are required to review an application to connect and advise the connection applicant of a deficiency is too short. As the connection of embedded generators typically requires complex design and technical analysis, it is important that DNSPs are allowed adequate time to thoroughly review the connection application to ensure sufficient information has been provided to prepare an offer to connect. Energex therefore suggests that the timeframe within which DNSPs must advise the connection applicant that an application is incomplete should be extended, e.g. to ten business days.

Further, as there may be instances where DNSPs will need to consult with other DNSPs on connection applications, Energex considers that clause 5.3.6(a) should be extended to include any period taken to consult with other DNSPs (in addition to AEMO and TNSPs).

Register of completed embedded generation projects

Draft clause 5.4.5 requires DNSPs to establish and maintain a register of all embedded generating units connected to its network within the preceding five year period. This requirement, as currently drafted, would require publication of the details of all embedded generating units, including solar PV installations. As this is outside the scope of the policy intent and due to the high volume of embedded generating units that would fall within this category, Energex considers that this clause should be amended to require the publication of details of embedded generating systems greater than the standing exemption (i.e. 5 MW).

Commencement date of final rule

Energex understands that NECF implementation is currently under consideration by the Queensland Government and is concerned that it will potentially be required to comply with two different arrangements over a short period of time. Therefore it is recommended that for those jurisdictions yet to implement NECF, the implementation of the new framework should be delayed to align with the NECF commencement date for that jurisdiction. Energex considers that this brief delay in implementing the new framework would avoid unnecessary duplication of effort and potential confusion for connection applicants.

Civil penalty provisions

Energex notes that the AEMC is recommending civil penalty provisions for the new connection process for embedded generators. However, Energex believes that any new civil penalties should be considered as part of the broader review of enforcement regimes currently being undertaken by the Standing Council on Energy and Resources (SCER).

Should you have any enquiries regarding this submission please contact Rachel Leaver, Network Regulation Manager, on (07) 3664 4115.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Neil G. Andersen', written in a cursive style.

Neil Andersen
Group Manager Regulation and Pricing