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Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 16, 1 Market Street
SYDNEY NSW 2000

Email: submissions@aemc.gov.au

Dear Dr Tamblyn,

TECHNICAL STANDARDS FOR WIND GENERATION

Thank you for providing CitiPower and Powercor with the opportunity to comment on the proposed *National Electricity Rule (NER)* changes related to the technical standards for wind generation. As a network service provider servicing Western Victoria, the business has been involved in the connection of a number of wind generators. Typically wind generators, at least in Victoria, have chosen to connect to the distribution system rather than the transmission system. This trend is expected to continue and having some of the best wind locations in Australia, the business expects to receive many more requests for connection over the next few years. As a consequence CitiPower and Powercor have a particular interest in the proposed NER changes proposed by NEMMCO.

Negotiation of connection agreements

The proposed rule changes propose a number of amendments to the provisions associated with negotiating connection. Whilst NEMMCO have stated the intention of the rule changes related to connection are to streamline the compliance process, it is the view of the business the changes complicate the process of negotiating connection agreements.

The proposed rule changes expand NEMMCO's role in the negotiation framework by providing it a role at two distinct stages of the negotiation process:

- firstly, the proposed amendments to clauses 5.3.4A(b), S5.2.5 and S5.2.6 make NEMMCO a party to the negotiation of the negotiated access standards for the relevant technical requirements. Currently, NEMMCO's involvement in the negotiation of negotiated access standards is in the nature of being consulted by the network service provider (**NSP**) (see existing clauses 5.3.3(b1)(4) & 5.3.4A(b)); and

- second, proposed clauses 5.3.7A and 5.3.7B confer on NEMMCO a power to approve the performance standards included in a connection agreement after the negotiation, but prior to the execution, of that agreement, based on its assessment of whether the standards (as drafted in the connection agreement) meet the relevant technical requirements, enable a compliance program to be instituted and maintained, and can be complied with.

The elevation of NEMMCO's role in the negotiation of performance standards to being a party to those negotiations and requiring NEMMCO approval of performance standards prior to execution of a connection agreement appears cumbersome and unnecessarily costly, rather than streamlined and efficient. It is unclear why scrutiny by NEMMCO of negotiated access standards and the drafting of performance standards cannot be effected by establishing a single stage of the connection process for NEMMCO's involvement.

It is also noted under the proposed rule changes that the approval of performance standards by NEMMCO occurs at the completion of the negotiation of a connection agreement by a NSP and a connection applicant. This potentially gives rise to uncertainty and resultant disincentives for investment, as a connection applicant would be required to invest considerable resources in agreeing the form of a connection agreement with a NSP without any certainty regarding the approval of performance standards by NEMMCO and the potential inefficient incurring of negotiation costs.

There would also appear to be duplication in the two processes for determining performance standards in which NEMMCO is involved. The provision establishing the process for approval of performance standards provides for NEMMCO to assess matters that would presumably have already been assessed by NEMMCO in the earlier process for negotiation of negotiated access standards. In particular, proposed clause 5.3.7A(d) provides that, when assessing a proposed performance standard, for example in respect of the quality of supply to other network users, NEMMCO must:

'...require a Connection Applicant to meet or exceed the minimum access standard but must not require the Connection Applicant to exceed the relevant automatic access standard for that requirement'.

Both the assessment in respect of the quality of supply to other network users and the requirement to meet or exceed the minimum access standard would presumably have been the subject of the earlier process for acceptance of a negotiated access standard.

The rule change proposals also result in uncertainty regarding the respective roles and responsibilities of NEMMCO and the NSP in the negotiation of performance standards. This is primarily a product of NEMMCO's proposed involvement in negotiating connection as a party to negotiations regarding negotiated access standards (discussed above). In addition, the manner in which a number of proposed provisions confer functions and powers on NEMMCO exacerbates this uncertainty regarding respective roles and responsibilities, including:

- existing clause 5.3.4A(b), which requires a NSP to consult with NEMMCO on certain matters in respect of proposed negotiated access standards and, where it does so, to accept NEMMCO's advice in negotiating negotiated access standards. The proposed amendments to that clause and to S5.2.5 and S5.2.6 provide for NEMMCO to be a party to the negotiation of negotiated access standards. However, amended clause

5.3.4A(b) still contemplates that NEMMCO will not participate directly in decision-making in respect of negotiated access standards, but will instead provide ‘advice’ to a NSP, which it is required to accept and act upon. This is despite amended s5.3.4A(d), which provides for NEMMCO and not the NSP to determine whether a negotiated access standard satisfies most of the criteria for acceptance of a negotiated access standard. (Satisfaction of all new criteria, e.g. reliability of supply and those established in respect of specific technical requirements, is to be determined by NEMMCO.) This results in a lack of clarity regarding accountability for decision-making in respect of negotiated access standards; and

- proposed clause 5.7.6(a1), which confers on NEMMCO an ability to require a generator to conduct a test where it considers that the analytical parameters for modelling of a generating unit or system are inadequate. However, rather than conferring a power on NEMMCO to directly require the generator to do this, the power conferred on NEMMCO is one to direct a NSP to require a generator to conduct such a test under an existing provision of clause 5.7.6.

NEMMCO power to establish additional regulatory requirements as a condition of registration

NEMMCO proposes new clause 2.9.2(d) which will confer on NEMMCO a power to impose such terms and conditions NEMMCO considers appropriate on any registration, provided those terms and conditions:

- are reasonably related to:
 - ensuring power system security;
 - reliability of supply; or
 - the quality of the network service to other network users; or
- are consistent with the market objective (p.2 of Attachment B).

While NEMMCO refers to the power conferred as ‘a conditional power’, the power conferred is very broad. For example, it would suffice that a term or condition on registration was consistent with the market objective for the imposition of that term or condition to fall within the power that would be conferred by proposed clause 2.9.2(d).

Proposed clause 2.9.2(d) would confer on NEMMCO a broad-reaching power to impose terms and conditions on any registration without the resultant obligations being subject to the scrutiny of a rule change process. NEMMCO would, in effect, have the power to impose obligations that would ordinarily be imposed by rules on individual registered participants, including NSPs.

No explanation of the benefits of conferring such a power on NEMMCO in respect of registered participants other than generators is provided by NEMMCO (see p.2 of Attachment B).

Significant impact on DNSP Connection Agreements

CitiPower and Powercor have not yet concluded a detailed examination of the extensive drafting amendments proposed by NEMMCO. If any other significant issues are identified, CitiPower and Powercor will make a further submission.

CitiPower and Powercor are also uncertain about the interaction of this review of Technical Standards for Wind Generators with the AEMC review of Enforcement and Compliance with Technical Standards. The AEMC should seek to ensure this does not lead to complications or consider merging the two reviews into a common Rule change process.

If you wish to discuss further the matters raised by CitiPower and Powercor Australia in this submission, please do not hesitate to contact me on (03) 9683 4282.

Yours sincerely

[signed]

Rolf Herrmann
MANAGER REGULATION