

1st August 2013

Mr James Eastcott, Project Leader
Australian Energy Market Commission
Level 5
201 Elizabeth Street
Sydney NSW 2000

Dear Mr Eastcott,

RE: Connecting Embedded Energy Draft Rule Determination

Moreland Energy Foundation Ltd (MEFL) is an active facilitator of renewable energy and demand management projects working in partnership with local government, business and households. Embedded generation is a key measure for our partners to actively manage energy demand, its cost and greenhouse emissions. Barriers to connection have been a long standing constraint on the development of embedded generation projects. The Connecting Embedded Energy draft rule determination is an important step in recognising and responding to the need for simpler, inexpensive connections to the national grid for medium sized embedded energy generation systems.

Moreland Energy Foundation Limited (MEFL), a not for profit organisation, was established in 2000 by the Moreland City Council with a mission to develop practical solutions and continue local action aimed at reducing greenhouse gas emissions and to implement energy efficiency within the municipality and beyond.

MEFL has developed and delivered a range of sustainable energy outcomes including active facilitation of solar PV for the residential and commercial sectors. In addition MEFL has worked to identify and implement precinct energy solutions with local government and the property development sector. MEFL has been an active participant in the development of lead by Climate Works in partnership with the Property Council and Seed Advisory. MEFL's partnership project with the Moreland City Council to install cogeneration at the Fawkner Leisure Centre was a featured case study in the Unlocking Barriers to Cogeneration: Project Outcomes Report.

MEFL welcomes the features of the proposed connection process in the AEMC's draft determination that allows:

- > Better certainty on timeframes, with maximum limits at each stage.
- > Enquiry forms to be created and published by electricity distributors.
- > Information packs to be provided by electricity distributors, including: distributor's technical standards, costs, application details, timing and a model connection agreement.
- > Location specific network information for customers by distributors.
- > Expert appraisal process for technical disputes with an independent engineer.
- > A register of compliant equipment to be published and maintained by distributors.
- > The allowance for the development of a national technical standard(s).

MEFL recognises that several key areas the draft determination would provide a better outcome. MEFL supports the following improvements put forward by ClimateWorks in partnership with the Property Council and Seed Advisory:

1. Maximum timeframes better aligned to commercial development timeframes.

Recommendation (a): Extend the time between the detailed enquiry response and the lodgement of a connection application to 12 weeks.

Reason: the current six week provision is too short. According to project proponents at this stage it takes longer than six weeks to sign off on relevant contracts. This six week timeframe is challenging for projects which have single owners, and it is especially short for other ownership structures (such as joint ventures).

Recommendation (b): provide the option for project proponents to bypass the preliminary enquiry stage. This could apply where the project proponent has had similar projects anywhere in the National Electricity Market (NEM) or the relevant distribution network.

Reason: with upfront information to be published on DNSPs' websites, proponents that have previously gone through connection processes may wish to expedite the process on future projects. For example, imagine project proponents simultaneously rolling out projects in different states and/or distribution networks. A proponent that is embarking on a connection for the first time, though, will benefit by the preliminary enquiry stage.

2. Improved definition of the agreed project. It should be clearly based on performance criteria, not equipment specific criteria or left to distributors' discretion.

Recommendation: clarify the definition of agreed project. It should be: clearly based on performance criteria; not equipment specific criteria; linked to the DNSP's published standards; and, not left to distributors' discretion. Only material performance differences relative to the original proposal should constitute variations in an agreed project definition.

Reason: companies have highlighted the critical importance of achieving an 'agreed project' with DNSPs. Projects could be seriously derailed, or prevented from proceeding, if there are disputes on the determination of an agreed project. The 'fast track' process centred on the agreed project could be subverted without adequate guidance in advance of the introduction of the proposed process.

3. Spreading network augmentation costs fairly amongst customers.

Recommendation: spread shared network costs equitably over customers that use the same distribution network. This could be achieved by:

- enforcing the current (high level) obligation on DNSPs to reimburse a proponent that has invested in deep augmentation when other customers are connected to that portion of the network; and,
- requiring a DNSP to provide the information on which the reimbursement should be calculated.

Reason: the AEMC draft determination has endorsed the current system, which does not effectively address the 'last in, worst dressed' and 'free rider' problems, but refers to the DNSPs' existing obligation in the National Electricity Rules (NER) to reimburse the project proponent for subsequent use of the proponent's investment. We would be interested to understand how the AEMC believes the proposed contractual clauses would operate.

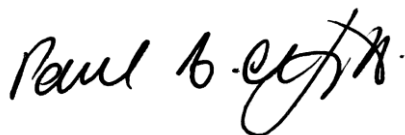
4. Greater customer export rights.

Recommendation: provide greater clarification and an objective, technical assessment of a customer's right to export.

Reason: the AEMC's draft determination endorses the status quo (allowing DNSPs alone to determine a customer's right to export). Furthermore, the AEMC's discussion of the issue is overly simplistic: there is a spectrum of possible outcomes in choosing an embedded generation system that include: operating in island mode (not ever exporting); synchronising with the grid either regularly or occasionally (a small quantity of power exported, generally insufficient to warrant a sale agreement); and, exporting a quantity of electricity for sale in the wholesale market. Only the last of these outcomes is affected by other policy consideration being given to feed-in tariffs.

We recognise the active role that the AEMC has taken in developing the draft rule change and welcome your consideration of several improvements ahead of the final determination.

Yours sincerely

A handwritten signature in black ink, appearing to read "Paul B. Murfitt". The signature is fluid and cursive, with a large initial "P" and "M".

Paul Murfitt, CEO