

Suite 201 T: + 61 3 9929 4100
18 Kavanagh Street F: + 61 3 9929 4101
Southbank Vic 3006 E: info@cleanenergycouncil.org.au
Australia W: www.cleanenergycouncil.org.au
ABN: 84 127 102 443



9/08/2012

John Pierce, Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
Lodged Electronically

Dear Mr Pierce,

RE: ERC0131 Distribution Network Planning and Expansion Framework Draft Determination

The Clean Energy Council (CEC) welcomes the release of the Australian Energy Market Commission's Draft Determination. In particular it is the CEC understands that distribution network planning and decision making processes undertaken by Distribution Network Service Providers (DNSPs) have to date been undertaken behind mostly closed doors. Further, this framework is rapidly losing context with the objectives of both small scale generation proponents and consumers as embedded generation and non-network alternatives are playing an increasing role in distribution networks.

The CEC is the peak body representing Australia's clean energy and energy efficiency industries. Its priorities are to:

- create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies
- develop effective legislation and regulation to improve energy efficiency
- work to reduce costs and remove all other barriers to accessing clean energy

The CEC works with over 550 member organisations and the government to identify and address the barriers to efficient industry development in the energy efficiency and stationary energy sector. The clean energy industry contributes to the generation of electricity using wind, hydro, solar, biomass, geothermal and marine energy as well as the emerging technologies and service providers in the energy efficiency sector, including solar hot water and cogeneration.

The CEC supports the direction provided by the Ministerial Council on Energy and the Commission's initiative in developing the Draft Determination. In particular the CEC agrees with the Commission that the Draft Determination makes a significant contribution to achieve the intended objectives of

1. establishing a clearly defined and efficient planning process for distribution network investment;
2. supporting the efficient development of distribution networks;
3. providing transparency to, and information on, DNSP planning activities and decision making processes, and;

4. assisting market participants in making efficient investment decisions and enable non-network providers to put forward credible non-network options as alternatives to network investment.

While the CEC supports the Draft Determination and the Commission's intention in its making, the CEC also has some comments, and minor changes which are intended to enhance access to the planning process by non-network providers. The CEC expects that these changes will remain within the Commission's expectation of reasonable additional obligations on DNSPs.

The proposed changes are discussed below.

Changes to the structure of NER Chapter 5

The CEC supports the Commission's planned separation of the planning and connections components of NER Chapter 5. The proposed changes are acceptable and are expected to clarify the functions of Chapter 5 as intended by the Commission.

Distribution Annual Planning Report (DAPR)

The CEC supports the Commission's proposed content of the DAPR and believes that the report will meet the objective of providing outcomes of the planning review. The CEC would like to offer the following input to the Draft Determination.

Public forum

Although the Commission has removed the suggested requirement for DNSPs to take part in public forums when requested this should be recognised as an important part of the stakeholder engagement process. However, the CEC also believes that DNSP business structures should not require a regulatory obligation to undertake this function. Their organisations should already be engaged with consumers and network users. Therefore it would seem logical that DNSPs would engage with non-network providers where these providers show interest.

Public forums are an excellent means to engage target audiences while holding a body accountable for its decision making processes. Despite this, the CEC also observes that DNSP's may not be engaged with consumers at this level and this inexperience may be leading to concerns about DNSPs being exposed to vexatious claims, which also raises concerns about the focus of DNSP business models in their role as essential service providers.

Exemptions

The CEC supports the Commission's position on ensuring that the content of the DAPR provides an optimisation of completeness and effort from DNSPs, rather than passing additional roles onto the Australian Energy Regulator to approve exemptions.

CEC members have expressed concern over the variety of approaches to the treatment of non-network providers by different DNSPs. As this framework creates a significant barrier to entry in each jurisdiction the Commission's view is consistent with reducing this barrier.

DAPR certification

The CEC is somewhat concerned that the Commission has removed the requirement for certification of the DAPR from the executive level. While there may be structural reasons for DNSPs to argue against this, DNSPs should also be willing to be held accountable for their investment decisions.

The construction, operation and maintenance of distribution networks is a monumental engineering task. The role DNSPs and their networks play in maintaining Australian living standards and economic prosperity relies on this engineering. It therefore stands to reason that the executive levels of these organisations should have an understanding of the implications of investment and planning decisions, and these organisations should therefore be held accountable for such decisions.

DAPR content suggestions

Peak demand times

Schedule 5.8(b)(2) of the draft rule contains a requirement for DNSPs to report on peak demand and the number of hours in which over 95% peak demand occurs along with the power factor at these times. While the number of hours in which the peak demand occurs is important it is essential that the time of day in which this peak has been recorded, or is forecast to occur is also reported in the DAPR.

The times of day in which the peak is forecast to occur would inform crucial decisions made by generation technologies such as solar photovoltaic or co- and tri-generation for example. In the case of the former a proponent could orientate the solar array to better match generation to peak demand, or include an efficiently sized storage solution. Commercial co- and tri-generation equipment could also be tailored more effectively and efficiently to meet the peak demand requirements.

In conjunction non-network proponents would be better informed on the risk which they would be taking on thus improving the efficiency of their investment decisions. In turn this would meet the Commission's objective of delivering effective non-network solutions at efficient cost.

As time-stamp data is usually directly associated with SCADA records of demand and power factor, its extraction should be simple and would be provided at a very low cost for DNSPs. The only instance where it may not be available is in locations where SCADA systems are not in place. In these cases it is reasonable to accept an estimate the time of day from available information and state the source of the data (e.g. recorded or estimated).

Information technology investment

Schedule 5.8(m) includes a reporting requirement on the investment in the previous year and planned investment in the coming year on metering and information technology systems. The CEC observes that this requirement supports a minimalistic view of the crucial role that these systems will play in the future design of distribution networks.

The CEC expects that investment in these systems will be a significant proportion of the coming investment in distribution networks. It is therefore critical that DNSPs incorporate information technology investment into their forward planning processes and the DAPR should reflect this with longer term requirements for planning investment in these crucial enabling technologies.

Demand Side Engagement Strategy

Schedule 5.9(g) and (h) provide for DNSPs to outline their incentive payment schemes and the methodology to be used for determining avoided customer transmission use of system charges in accordance with the new NER clause 5.4AA and the existing clause 5.5.

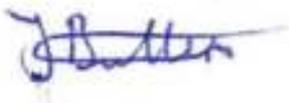
In general, an embedded generator which is contracted by a DNSP to provide network support is subject to a penalty for failing to provide the support on demand, as contracted. The extent of this penalty could deter non-network providers from becoming involved in planning processes as intended by the draft determination. However, the draft determination does not require the strategy to recognise this penalty.

The CEC suggests that it is essential that a complete demand side engagement strategy would also provide information on the methodology for calculating penalties applicable to non-network providers contracted for support. Such information should be transparently provided in conjunction with any relevant payment schemes as intended by Schedule 5.9(g).

The CEC expects that this inclusion in the Draft Determination would better enable non-network proponents to understand the risks they face and therefore make more efficient investment decisions. The CEC would also note that the potential exists for the Commission's intent in the Draft Determination to be over-ridden, should this information not be disclosed to non-network providers at an early stage.

Please do not hesitate to contact the undersigned for any queries regarding this submission.

Yours sincerely,



Tom Butler | Network Specialist | Clean Energy Council

Direct +61 3 9929 4142

Mobile +61 431 248 097

Email tom@cleanenergycouncil.org.au