

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

9 August 2012

AEMC REF: ERC0147

Dear Mr Pierce

Consultation paper – National Electricity Amendment (Connecting embedded generators) Rule 2012

The Private Generators listed in the side bar appreciate the opportunity to comment on the Australian Energy Market Commission's (AEMC) Consultation Paper on National Electricity Amendment (Connecting embedded generators) Rule 2012.

The PGG notes that the Consultation Paper is based on the rule change submitted by ClimateWorks Australia, Seed Advisory and the Property Council of Australia in relation to the connection of embedded generators in the National Electricity Market.

Private Generators note further that the key elements of the proposed rule change are to:

1. amend the connection process to have more prescriptive timeframes for distributors to provide responses;
2. require distributors to publish standard embedded generation information requirements;
3. require distributors to set out standard terms for embedded generation connections;
4. introduce an automatic access standard for embedded generators;
5. give embedded generators the right to export electricity to the network;
6. exclude embedded generators from paying shared network augmentation costs;
7. allow network service providers the option to charge a fee for service to provide services to embedded generation proponents at the project development stage; and
8. require distributors to publish annual network reports.

Points 1 to 4 and point 8

In principle, where the proposed rule change seeks to improve transparency, timeliness of connection, certainty and broadly improve access for new entrants – and where the provisions are not already included in the Rules – the Private Generators are supportive of the rules being changed to deliver on these objectives.

AGL Energy

Alinta Energy

Energy Brix

Intergen

International Power
GDF Suez

NRG Gladstone

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We consider that the benefit of delivering on these objectives include: reducing and removing regulatory red tape, increasing diversity in electricity supply, removing barriers to entry and improving transparency in connection arrangements.

Point 5

Private Generators question whether embedded generators should be provided an automatic right to export electricity to the grid.

Although Private Generators are comfortable with embedded generators exporting electricity to the grid, from a system security and reliability perspective, it is important that any new generation capacity connected to the grid be compliant with relevant specifications.

Providing for automatic export raises the possibility of system security and reliability being adversely impacted.

Point 6

The Private Generators do not support the proponents' proposal that embedded generators should be excluded from paying shared network augmentation costs.

The Consultation Paper states that the AEMC is to assess the rule change against a number of considerations, including whether the proposed changes will lead to:

- lower costs for embedded generators and distributors; and
- more efficient investment outcomes, including providing clearer, more cost-reflective price signals¹.

Private Generators consider that this element of the rule change – that embedded generators be excluded from paying shared network augmentation costs – would run counter to these two considerations.

Specifically, whilst lowering costs for embedded generators, excluding embedded generators from paying shared augmentation network costs would increase costs to the relevant distributor which would ultimately be recovered from all of the customers within the distributor's network. This would create a cross-subsidy – as the cost of the connection of the embedded generator would be smeared across all consumers and not borne by the project proponent.

Furthermore, excluding embedded generators from paying shared augmentation network costs would dilute cost-reflective price signals as the connecting party would not have to consider the cost of connecting to the network at their intended point of connection. This may result in connection costs being higher than would otherwise be the case.

Point 7

At present the Rules do not prevent network service providers from charging a fee for service. The Private Generators see no need to make this explicit in the Rules.

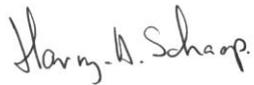
¹Pg. 7 Australian Energy Market Commission's (AEMC) Consultation Paper on National Electricity Amendment (Connecting embedded generators) Rule 2012. Available at <http://www.aemc.gov.au/Media/docs/ERC0147---Consultation-Paper-for-publication---new-b4424339-5a14-4a2a-a8b7-523d8e45d1d8-1.PDF>

In conclusion, Private Generators consider that where the proposed rule change improve outcomes, from a regulatory, transparency and timeliness perspective – and where the provisions are not already included in the Rules – then the rules should be amended to deliver on these objectives.

However, Private Generators do not support the proposed changes where they create inefficiencies or override relevant technical or security requirements.

Should you have any enquiries regarding this matter please do not hesitate to contact me on 03 9499 4249 or 0413 623 043 or via email Harry.Schaap@tpg.com.au.

Yours sincerely

A handwritten signature in black ink that reads "Harry A. Schaap". The signature is written in a cursive style with a clear, legible font.

Dr Harry Schaap
(on behalf of the listed generators)