



Ms Anita Lai
Project Leader
Australian Energy Market Commission
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Email: submissions@aemc.gov.au

Dear Ms Lai

RE: ERC0147 – NATIONAL ELECTRICITY AMENDMENT (CONNECTING EMBEDDED GENERATORS) RULES 2012

1. Introduction

CitiPower and Powercor Australia (**the Businesses**) welcome the opportunity to comment on the following documents issued on 14 June 2012:

- The Australian Energy Market Commission's (**AEMC**) "Consultation Paper National Electricity Amendment (Connecting Embedded Generators) Rules 2012" (**Consultation Paper**); and
- A proposal from ClimateWorks Australia, Seed Advisory and the Property Council (**proponents**) to amend the National Electricity Rules (**Rules**) for connecting embedded generators (**Rule change proposal**).

2. Context

The proponents consider that there are a number of barriers and gaps under Chapters 5 and 5A of the Rules to connecting small to medium sized generation, including co-generation, with name plate ratings of between 10kW and 30MW, to the distribution network. The proponents are therefore seeking to amend certain aspects of Chapters 5 and 5A of the Rules to address these issues.

3. Issues

The Businesses support the connection of generators to their networks provided that these connections promote the National Electricity Objective (**NEO**). The Businesses also recognise their role in facilitating customers' choices regarding their appropriate energy generation and consumption decisions..

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The Businesses have experienced a greatly increased number of connection enquiries and applications from small to medium sized generation proponents in recent years, as a result of State and Commonwealth Government climate change policies, programs and incentive schemes, which seek to encourage greater investment in renewable and lower carbon intensive generation, along with overall energy efficiency.

While the Businesses support changes to the Rules to facilitate a timely and efficient connection process for generators, the existing connection process and the technical and information requirements are designed to ensure that future connections to the distribution network do not result in a reduction in the quality or reliability of supply or network safety standards for existing customers. Accordingly, the Businesses caution that any changes to the existing connection process and requirements should be carefully assessed.

Attachment 1 to this submission provides a detailed description of the Businesses' preferred positions on each of the issues raised in the Consultation Paper for the AEMC to incorporate into its Draft Report. The Businesses would welcome the opportunity to comment on this draft when it is released. An overview of the Businesses' preferred positions is as follows:

- The process and information required for the connection of registered generators under Chapter 5 of the Rules is entirely appropriate, however the Businesses agree that further guidance could be provided to connection applicants to assist them in preparing their applications;
- A “one size fits all” approach to information requirements for connection applicants is not appropriate. DNSPs require flexibility to determine the nature and scope of information that they require to assess connection applications having regard for technical and other jurisdictional specific requirements;
- There are number of variable factors which can affect the time taken for DNSPs to make a connection offer and therefore it is not practical for DNSPs to include specific timeframes in connection offers;
- The requirement to provide a connection offer within 65 business days:
 - Should commence only once DNSPs have received all required information from the connection applicant;
 - Should be based on “best endeavours” and provide “stop the clock” provisions; and
 - Should not apply to generators seeking to connect to a section of the network that is technically constrained.
- It is appropriate for the terms and conditions of connection contracts to vary between DNSPs to reflect differences in technical, commercial and legal arrangements;
- The limits on the export capacity for generators should continue to be set out in their connection contracts;
- The proposed Rule amendment should clarify that the proposed introduction of a “fee for service” relates to the preparation of connection applications including addressing enquiries from connection applicants; and
- Regardless of any future policy decisions in relation to the sharing of costs between generators and all other customers, DNSPs should be fully compensated for investment in network augmentation required to connect generators.

Any changes to the Chapter 5 of the Rules should take effect from the commencement of the next regulatory control period. For Victorian DNSP, the next regulatory control period commences on 1 January 2016.

4. Further submission

The Businesses wish to advise that they intend to make a further “cross-submission” to address specific matters raised by Wood & Grieve Engineers in their submission on the Consultation Paper dated 6 August 2012.

5. Further rule change proposal

The Rule change proposal indicates that a further Rule change proposal will be submitted seeking amendments to the connection charges approach under Chapter 5A of the Rules. The Businesses would welcome the opportunity to comment on this Rule change when it is released.

6. Closing

Please do not hesitate to contact Stephanie McDougall, Manager Regulatory Projects, on (03) 9683 4518 or smcdougall@powercor.com.au, if you would like to discuss the positions presented in this submission or have any questions regarding this submission.

Yours sincerely



Brent Cleeve
MANAGER REGULATION

ATTACHMENT 1: THE BUSINESSES' DETAILED COMMENTS ON ISSUES RAISED BY THE AEMC

1. Complying with Chapter 5

The nature and scope of technical and access standards and other information requirements relating to the connection of generators to the distribution network, as set out in Chapter 5 of the Rules, are suited to large registered market generators (i.e. around 30MW). This information is used by DNSPs to ensure that proposed connections will not compromise the quality, reliability or safety of supply to other network users.

Consistent with its intent, only large generators (around 30MW and above) have sought connection to the Businesses' distribution networks under Chapter 5 of the Rules.

All non-registered generators (less than 5MW) and generators between 5MW and 30MW¹, have relied on the Victorian jurisdictional connection arrangements when seeking connection to the Businesses' distribution networks.

The Businesses submit that the standard and information required for connection under Chapter 5 of the Rules is entirely appropriate, however they agree that further guidance could be provided to connections applicants to assist them in preparing their applications.

2. Good faith provisions

The Businesses always negotiate in good faith and note that there are already a number of good faith provisions in the regulatory framework including:

- The Victorian Distribution Code – clause 7.1.2 requires that where an embedded generation connection agreement is sought by an embedded generator, the DNSP and embedded generator must negotiate in good faith;
- Chapter 5 of the Rules - clauses 5.3.6(f), 5.3.7(a) and 5.5(f) provide that parties must negotiate in good faith when negotiating a connection agreement; and
- Chapter 5A of the Rules – clause 5.A.C.3 provides that as part of the National Energy Customer Framework (NECF) negotiating framework parties must negotiate in good faith.

The Businesses do not oppose the proposed amendments, however consider that the existing provisions are sufficient and that the proposed amendment would not provide any additional benefit.

3. Publishing details of information requirements

The Businesses support the publication of information requirements, and note that already extensive connection process and technical information is available in their “Customer Guidelines for Sub-transmission Connected Embedded Generation” (**Connection Guidelines**), which are available on their website². The Businesses consider that this information assists in facilitating a timely and efficient connection process and intend to shortly publish guidelines on low and high voltage connected generator guidelines .

Accordingly, the Businesses do not oppose a Rule amendment to require DNSPs to prepare, and publish on their websites, information relating to the connection process, including an

¹ Who have been granted an exemption from registration by the Australian energy market Operator (**AEMO**)

² Found at:

<http://www.citipower.com.au/docs/pdf/Electricity%20Networks/Powercor%20Network/Customer%20Guidelines%20for%20Sub%20Transmission%20Connected%20Embedded%20Generation%20no.pdf>

application form, application fees as well as other information reasonably required to facilitate connection to the distributor's network.

The Businesses do not support a "one size fits all" approach to information requirements on the basis that DNSPs require flexibility to determine these requirements having regard for technical and other jurisdictional specific requirements. Further, the Businesses do not consider that the connection fee is something that could be published on the website as this will need to be developed based on information specific to each connection including infrastructure connection requirements and generation size. DNSPs are also required, under the Rules, to detail the connection charge in each connection offer.

4. Information to be included in connection offers

The Businesses provide a detailed break-down of the connection charge in each connection offer made under Chapter 5 of the Rules.

The Businesses do not oppose a Rule change to Chapter 5 to require DNSP to provide an itemised statement of connection costs including information on connection charges, meter type and cost, cost of system extension, details of upstream augmentation and any other incidental costs.

Chapter 5A of the Rules already requires DNSPs to provide a breakdown of the connection charge, therefore the proposed amendment should only apply to Chapter 5 of the Rules.

5. Timeframes for connection

There are several key factors which impact on the timeframes in which the Businesses make a connection offer including:

- The quality and completeness of the initial information provided by the proponent.

Generally, connection applicants are still in the process of defining their own project, including determining the level of supply required, when they first contact the Businesses in relation to seeking a connection. Accordingly, there is usually a long lead time between when the connection applicant first contacts the Businesses in relation to a connection and when the applicant has all the information required by the Businesses in order to commence assessing their application against the technical and safety requirements.

- The extent of network upgrade required to facilitate a connection.

If a connection application is seeking to connect to an area of the network that is already constrained, then it is possible that extensive network reinforcement is required to connect the customer. This may require the Businesses to undertake detailed technical assessments to determine the nature and scope of work required to facilitate the connection and maintain the quality, security and reliability of supply to other customers and ensure that the network continues to operate safely;

- The number of alternative feasible network options, and customer side options for connecting the embedded generator. As noted, an interactive approach between both parties can work to determine the most appropriate overall solution; and
- The volume of applications being considered concurrently.

Given that there are a number of variable factors which can affect the time taken for the Businesses to make a connection offer, it is not possible to include specific timeframes in the connection offer.

6. Providing an offer to connect within 65 business days

As discussed above, the connection process is generally iterative with connection applicants often providing multiple rounds of information before satisfying the Businesses' information requirements as well as satisfying their own needs. This information is necessary for the Businesses to commence undertaking technical assessments to determine the nature and scope of work required to facilitate the connection.

Accordingly, the requirement to provide a connection offer within 65 business days:

- Should commence only once DNSPs have received all required information from the connection applicant;
- Should be based on “best endeavours” and provide “stop the clock” provisions; and
- Should not apply to generators seeking to connect to a section of the network that is technically constrained.

7. Terms and conditions of connection

It is appropriate, and consistent with technical, commercial and legal arrangements, for contract terms and conditions to vary between DNSPs. These differences may reflect, amongst other things, differences in:

- Jurisdictional requirements;
- The AER's Final Distribution Determination;
- Whether augmentation is required to facilitate the connection; and
- The size and voltage level of the embedded generator.

The Businesses submit that it is not possible to introduce a “one size fits all” approach to terms and conditions.

8. Technical standards (automatic access standards) for small to medium embedded generators

The Businesses consider that the negotiation process remains the most appropriate process for connection of non-micro, non-registered embedded generators.

Without significant upfront investment in their distribution networks to address fault levels, it would not be possible to determine a single set of technical standards that would safely allow automatic connection of non-micro, non-registered embedded generators to the Businesses' distribution networks – particularly for CitiPower.

Before “automatic access standards” can be contemplated, they require investment to alleviate the fault level constraints that currently exist. This involves augmenting or replacing existing distribution system equipment to safely and securely allow increased connection of embedded generators in areas where the network is being pushed towards its design limits.

CitiPower raised this issue with the Australian Energy Regulatory (AER), and sought the AER's approval of funding to undertake such investment in its 2011-15 Regulatory Proposal. The AER did not approve this investment, i.e. “fault level mitigation”, on the basis that it considered that such investment should be funded by embedded generators rather than all customers.

To this end, the Businesses emphasise that to safely operate their network in accordance with their technical requirements they must undertake detailed, case by case, assessments of

the impact of any proposed connection on the network including in terms of security and reliability of supply to other customers.

9. Automatic right for embedded generators to export to the grid

The Businesses:

- Emphasise that generators connected to the Businesses' networks have at all times been able to export to the grid in accordance with their connection contracts;
- Do not support unlimited export capacity for embedded generators. This would introduce risk to DNSPs technical, reliability and safety requirements. The Businesses emphasise that they have obligations to ensure that their network operates in a safe and reliable manner and unlimited export capacity for embedded generators could impact on their ability to do this; and
- Support limits on export capacity continuing to be set out in connection contracts.

10. Introduction of optional fee for service

The Businesses welcome the opportunity to work with connection applicants in developing their connection applications for a "fee for service". The Businesses note that there are already provisions under Chapter 5 of the Rules (clause 5.3.3(b)(7)) for DNSPs to recover the cost of processing connection applications.

The Businesses therefore suggest that the proposed rule amendment clarify that the "fee for service" relates to the preparation of connection applications including addressing enquiries from connection applicants.

11. Shared network augmentation costs

Chapter 5A of the Rules and the AER's Final Connection Charges Guidelines provide that:

- Micro-embedded generators are not required to contribute to shared network augmentation charges where they elect a "basic connection service". This is appropriate because these types of connection services involve minimal or no augmentation;
- Non-registered embedded generators, which seek to remove a specific constraint, are required to pay for the total cost of connection including shared network augmentation costs, unless "the DNSPs normal asset management may lead to a DNSP funding such shared network augmentation if there is a demonstrable net benefits to network users"; and
- The AER's Connection Charges Guidelines further states that services for removing specific output constraints should be classified as alternative control, negotiated or unregulated services and that the non-registered embedded generators should pay for the cost of these services in accordance with the AER's Final Distribution Determination.

The Businesses note that the cost recovery provisions are relatively broad and provide for a number of possible cost recovery arrangements. The Businesses caution that regardless of any future policy decisions in relation to the sharing of costs between generators and all other customers, DNSPs should be fully compensated for their investments in the network either through upfront charges paid by the connection applicant or on-going network charges paid by all customers, where the assets are included in the regulatory asset base.

12. Standard connection contract(s) for non-registered embedded generators

For the same reasons previously presented by the Businesses throughout the development of Chapter 5A of the Rules, the Businesses do not support any requirement for DNSPs to offer a “Standard Connection Contract” for non-registered embedded generators. The timeframes associated with making an offer for “Standard Connection Contract” are too short – DNSPs are required to make an offer within 10 business days of receiving a completed connection offer. This timeframe is not sufficient for the Businesses to undertake the required technical and safety assessments required for connecting these customers.