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Ref: AC/TF/JD ERC0158

2 October 2014

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Mr Pierce

**RE: "ERC0158" Draft Rule Determination – National Electricity Amendment  
(Connecting Embedded Generators Under Chapter 5A) Rule 2014**

Ergon Energy Corporation Limited (Ergon Energy) welcomes the opportunity to provide comments to the Australian Energy Market Commission (AEMC) on its Draft Rule Determination - National Electricity Amendment (Connecting Embedded Generators Under Chapter 5A) Rule 2014 (the Draft Determination) and associated Draft National Electricity Amendment (Connecting embedded generators under Chapter 5A) Rule 2014 (the Draft Rule). This submission, which is available for publication, is made by Ergon Energy in its capacity as an electricity Distribution Network Service Provider (DNSP) in Queensland.

At a high level, Ergon Energy is supportive of the AEMC's decision to make a more preferable rule. This is because Ergon Energy did not consider that the proposal submitted by the Clean Energy Council (CEC) had revealed sufficient evidence to warrant significant changes to the negotiating framework for Embedded Generators (EGs) (load customers were excluded) under Chapter 5A. However, despite this, Ergon Energy does not consider that the more preferable rule is required as it would be premature to advocate change to the negotiating framework of Chapter 5A when it is very much in its infancy.

Ergon Energy notes the AEMC's view that the election to use the Chapter 5 process is at the discretion of the EG connection applicant. In reality, we do not consider that this will happen and we think that DNSPs will inevitably be required to spend more time educating connection applicants. It is not implausible to consider that the connection applicant will ring the DNSP on an "informal" basis to enquire about the 2 connection processes and seek an understanding of the differences between them. We therefore recommend that the AEMC consider that the Draft Rule include a requirement that the connection applicant

seek the relevant DNSP's agreement if the connection applicant elects to connect under Chapter 5 and that the DNSP's agreement cannot be unreasonably withheld.

Ergon Energy is concerned that non-registered EGs, such as micro EGs, may be inadvertently caught under the definition of "connection applicant" as it applies to clause 5.3.1A of the Draft Rule. Clause 5.3.1A(b) of the Draft Rule provides that rule 5.3A applies to "Connection Applicants" wishing to connect an embedded generating unit, where "Connection Applicant" is defined in rule 5.3.1A(c) to be:

- A person who intends to be registered as an Embedded Generator (potentially, anyone who wishes to be registered);
- A person who is required to apply to AEMO for an exemption from the requirement to register; or
- A non-registered EG who has made an election under clause 5A.A.2(c); and
- A person who has made a connection enquiry under clause 5.3A.5 or an application to connect under clause 5.3A.9.

Our concern is with the drafting of rule 5.3.1A(c)(2). Specifically, our understanding is that any connected embedded generating unit that doesn't meet the requirements for the standing exemption will be "required to apply to AEMO for an exemption from the requirement to register". In our view, this captures not only those generating systems of more than 5 MW, but also those generating systems of 5 MW or less that do not sell electricity in the manner required to benefit from the standing exemption. Therefore, small and micro generating systems that don't sell electricity in accordance with the requirements of the standing exemption would be a Connection Applicant under rule 5.3.1A. We have not been able to identify any provisions that would override this interpretation, hence our concern. We wish to query whether this was the intention of the drafters and seek clarification as to this drafting.

Our final concern relates to the requirement to maintain a register of completed non-registered embedded generation projects. If the AEMC agrees with our view above, the register of completed non-registered EG projects will be extensive and will inevitably increase Ergon Energy's administrative and compliance costs. Even if the AEMC does not support our view above, Ergon Energy does not support this requirement. Ergon Energy currently has 166 connection enquiries for EGs ranging in size from 30 kVA up to 5 MW. In the last 3 years we have had 54 non-registered EG projects connected to the distribution network. We consider this is a significant impost on DNSPs with no proven benefit.

Should you require additional information, or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely

A handwritten signature in black ink, appearing to be 'JD', with a long horizontal line extending to the right.

**Jenny Doyle**

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