



7 July 2016

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

Dear Mr Pierce,

**ERC0192: TRANSMISSION CONNECTION AND PLANNING ARRANGEMENTS – DISCUSSION PAPER 2015**

Origin Energy Limited (Origin) welcomes the opportunity to provide a further contribution to the Australian Energy Market Commission (AEMC) review of the transmission connection and planning arrangements.

Overall Origin is supportive of this package of reforms and is pleased with the incorporation of stakeholder viewpoints, garnered from public forums and submissions, into the current discussion paper.

One of the fundamental reasons for the proposed reforms is to bring clarity to the connection process and foster competition in the provision of connection services. Origin's views on the contents of the Discussion Paper are organised under the following headings, with more detail provided below:

- Transparent information provision by TNSPs
- Negotiating principles
- Dedicated Connection Assets
- Identified User Shared Assets – Model A & B
- Dispute resolution
- Transitional arrangements

**Transparent information provision by TNSPs**

The further strengthening of information publishing requirements is welcomed, as it will help clarify any initial questions and provide general information before submitting to a connection assessment. Origin agrees that information requirements for site specific or bespoke connections should incur a fair and reasonable fee.

Cost transparency for negotiated services is vital for the proponent to understand how capital is allocated across its project. The breakdown of costs into a minimum of 6 categories (Pg 23 of the Discussion Paper) is welcomed, although a TNSP should not have the right to refuse a further breakdown of costs if that request by the proponent is fair and reasonable.

**Negotiating principles**

Origin supports the establishment of an amalgamated set of negotiating principles that forms part of the NER and applies to all TNSPs. This removes the obligation of developing individual negotiation frameworks and introduces a clearer framework and consistency for proponents looking to connect across multiple jurisdictions.

It is likely that the majority of future connections to the network will be from renewable energy proponents to meet the 2020 Renewable Energy Target (RET). As such, timeliness of connections will become an increasingly important part of the negotiation framework. Origin welcomes the strengthening of Chapter 5 of the NER and would like to see greater emphasis around timely decision making by the incumbent TNSP.

Origin further supports two of the proposed negotiation rules relating to future expansions and service level degradation. Origin agrees that future network expansions should not be impeded by the existing owner; however the existing owner should not be required to bear the cost of future network expansion that is surplus to their connection requirements.

Additionally it is important that the rights of the existing connection party are preserved and that any augmentation to support the connection of a third party or an upgrade of the network is paid for by each of those parties respectively. In regards to network augmentations, these should continue to be subject to the regulatory investment test for transmission (RiT-T) or paid for through unregulated revenue.

#### **Dedicated Connection Assets (DCA)**

Overall Origin supports a fully contestable DCA framework. Connection proponents should be freely able to design and construct a DCA that satisfies its own requirements.

#### **Preservation of existing rights and third party access for DCA**

A generators connection to the network should remain unencumbered by preserving its existing rights, including additional capacity that has been built at its expense. Origin welcomes the preservation of these rights within the discussion paper.

Origin also agrees with the principle that any third party access is subject to commercial negotiation on reasonable terms. It is important that, as stated above, the existing connection is not degraded upon third party access and that any additional augmentations are undertaken at the cost of the newly connecting proponent.

#### **Automatic exemption as a TNSP for a DCA**

Currently any party owning transmission voltage equipment is required to register as a TNSP or gain an exemption from the Australian Energy Regulator (AER). Origin agrees that the owner of a DCA should be granted an automatic exemption from the AER and we support the proposed development of a new sub-category of registration - the dedicated transmission connection asset owner.

#### **DCA Transition to the shared network**

Origin is comfortable with the process whereby dedicated connection assets can be transitioned to the shared network subject to a two trigger mechanism that is stipulated in the NER. We agree that this would provide clarity for owners of DCAs around timing a move to the shared network. Again Origin would like to emphasise that the existing asset owner's rights should not be impeded when this transition occurs.

Another point worth noting is that a dedicated connection asset will be built using a fully contestable process and to the specifications made by the connecting proponent, subject to performance standards. This may not necessarily align with specifications provided through a negotiated process under the IUSA framework. As such any additional expenditure required to form part of the shared network should be met by the incumbent TNSP and subject to the appropriate regulatory investment decision making process.

#### **IUSA - Negotiated and Contestable Services – Model A versus Model B**

From a high level perspective, regardless of which model is chosen, a connecting generator is still required to utilise the negotiated services of the local TNSP when undertaking a connection agreement. From a practical perspective the utilisation of a local TNSP may provide a level of reassurance with regards to technical expertise. Additionally, the AEMC has rightly proposed that the incumbent TNSP will be responsible for the safety, security and reliability of the network. Given these three factors, there still potentially remains a bias towards employing the services of the incumbent TNSP when connecting.

Origin's past experience within this area has generally negotiated the majority of the connections agreement with the incumbent TNSP. This is often due to time savings associated with equipment and procedural familiarity. Having said that, in recent times as TNSPs look to additional revenue streams, competitive pressures have seen the emergence of cost effective and timely, negotiated connection services. Origin feels that with this competitive momentum and a suitable negotiation framework competition will continue to strengthen in this area.

A key issue in determining the merits of either model A or B is determining the actual contestability of various connection services. If a particular service is most likely to be provided by the incumbent TNSP, this may call into question the extent to which there can truly be effective competition for its provision. Where a service is deemed to be contestable its provision is no longer subject to the negotiated framework and so it is crucial that these services are appropriately identified. For example under Model B, high-level design and operation and maintenance are designated as contestable services. Should Model B be adopted and competition is ineffective, the proponent will have no choice but to seek services from the incumbent TNSP, without the protection of the negotiated framework.

Origin believes it is important that any over-sizing of assets by the TNSP be sourced from unregulated revenue or a requirement be made to undertake a RIT-T to ensure appropriate expenditure from a regulated business. Given the TNSP will be fully accountable for the safety, security and reliability of the network and will be providing the specifications for each connection, it is important that over-sizing or future proofing is not paid for by the connecting proponent.

### **Dispute Resolution**

Origin agrees with the AEMC that despite the fact that there have been no disputes raised under the existing connections framework, this does not necessarily mean that the dispute resolution process is fit for purpose. Further to this we agree that the Rules should clarify and extend the provision of a commercially binding dispute resolution service under Park K, Chapter 6. This would apply to all disputes arising out of the IUSA framework.

The introduction of an independent engineer who is able to assess connection proposals is a welcome step. It is important that this facility is able to be accessed early to prevent unwanted delays and cost overruns should a dispute around connections specifications be warranted. The AER is an appropriate body to appoint and administer suitably qualified candidates.

Origin recognises the intent of the proposal and the value that the independent engineer could bring to connecting generators who may not have the technical expertise in house. However we would question the enforceability of a dispute resolution that is non-binding. Without any risk or consequence to either party, the independent engineer could add cost and time to a connection process without any suitable resolution of the issue.

Origin suggests the best way to strengthen the independent engineer's advice is to stipulate in the Rules that any future commercial arbitration should have regard to the findings of the independent engineer. This will make it clear to all parties that the advice provided will carry weight should commercial arbitration be undertaken by a disputing party.

Origin suggests that guidelines could be developed that will help the independent engineer in its deliberations and manage the expectations of both parties. Guidelines around expected timeframes, indicative costs, information requirements and access to key staff would be helpful in weighing up the commercial drivers apparent in any connection process. We agree with the AEMC that the specific scope of the independent engineer remit should not be limited by defining it in the Rules. Rather it can be agreed between the TNSP and connecting party before the commencement of investigations. Finally we reiterate the comments made at the second industry forum that the independent engineer should have access to all relevant information from both parties and that it should remain commercial in confidence.

Origin is also supportive of the provisions around the misuse of an independent engineer by either party to delay or impede the progress of a connection. Further elaboration on how this would be enforced would be useful. As any party can call for the advice of the independent engineer but costs must be evenly split, it has the potential for misuse. It would be beneficial if the AEMC outline some of the determining factors that would identify excessive use of the independent engineer, including detailing possible ramifications for the responsible party.

### **Transitional Arrangements**

Origin welcomes clarity around potential transitional arrangements that would occur when changes to the rules come into effect. It would be helpful to define at what point existing connections can continue under the current Rules and which connections must be processed under the new Rules.

Should you have any questions or wish to discuss this information further, please contact James Googan on [james.googan@originenergy.com.au](mailto:james.googan@originenergy.com.au) or (02) 9503 5061.

Yours sincerely,



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