

2 October 2014



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

Ref: ERC0158

Draft Rule Determination - National Electricity Amendment (Connecting Embedded Generators under Chapter 5A) Rule (ERC0158)

Dear Mr Pierce,

Thank you for the opportunity for the Energy Networks Association (ENA) to provide feedback on the Australian Energy Market Commission (AEMC) draft rule determination regarding amendments to Chapter 5A of the National Electricity Rules (NER) as proposed by the Clean Energy Council (CEC).

By way of background, the Energy Networks Association (ENA) is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over \$100 billion in energy network infrastructure.

ENA recognises the significant role that embedded generation will play in the future of Australia's energy mix and the need to manage the integration of embedded generation into networks in a transparent, fair and cost-reflective manner. ENA members also understand that project proponents can be frustrated by what they see as complicated connection processes given the technical and operational issues which must be managed.

ENA is generally supportive of the draft rule change proposed by the AEMC and considers it preferable to the original rule change proposed by the Clean Energy Council (CEC). ENA acknowledges that the AEMC has made a draft rule that provides eligible embedded generator proponents with a choice of which process to use when negotiating connection to a distribution network. The draft rule applies to proponents of non-registered embedded generators (generators with a generating capacity of less than 5MW). However, where proponents are not eligible for a basic or standard connection offer made by a DNSP, they can use either the detailed Chapter 5 embedded generator connection process or the less prescriptive and more flexible negotiated connection process set out under Chapter 5A. The draft Rule proposed by the AEMC does not replace the existing Chapter 5A process, or create any new connection processes in the NER.

Overall ENA considers that the draft Rule proposed by the AEMC is preferable to the original Rule proposal by the CEC which was problematic from a practical and legal perspective. This was of concern to ENA as Chapter 5A was originally introduced to streamline the connection process for customer and generator connections.

ENA are pleased that the draft Rule determination has addressed concerns in the original Rule change proposal and removed the "negotiated connection application" stage. We welcome the Draft Rule Determination rejection of an impractical provision which would allow connection applicants' access to Network Service Providers legal advisers which would cause a conflict of interest. ENA also supports the AEMC's conclusions that the proposed amendments to exemptions from charges for forecast load growth, power transfer capability, dispute resolution and DNSP liability are not required as the relevant Chapter 5A provisions as they stand are "sufficiently clear in their scope and intent or are otherwise appropriate".

However, ENA has identified the following concerns which it considers should be addressed.

Key Concerns

1. Connection applicants can choose which framework to apply

ENA supports the draft rule where the embedded generator proponent can select and use either the Chapter 5 or Chapter 5A connection process. However, ENA recommends that a connection applicant be encouraged to consult with DNSPs regarding its choice of connection process prior to lodging an application. This will allow both parties to exchange views on which process would be most appropriate given the specific characteristics of the particular connection. If the AEMC would like the opportunity to discuss potential alternatives to address this issue, ENA is available to assist.

ENA is also concerned that the current drafting of clauses 5A.A.2(b-c) may inadvertently allow non-registered embedded generators that have a basic offer available to elect to use the Chapter 5 process. This is because clause 5.A.A.2(b) makes no reference to availability of a basic connection service as a reason to exclude the use of the Chapter 5 process. ENA suggests that a reference to the availability of a basic connection service be included in 5.A.A.2(b).

ENA also has concerns regarding the timing of the choice of which framework to apply to negotiate under. We are aware that the policy intention of the AEMC is that the choice can only be made before a preliminary enquiry has been made under Chapter 5A. However, a preliminary enquiry is an optional stage of the process, so it is arguable that even if an applicant has commenced the Chapter 5A process (but has not made a preliminary enquiry), it is still eligible to make an election that Chapter 5 applies. We consider that the better option as to when a proponent can elect for Chapter 5 to apply may be "at the time a connection application has been submitted or when the preliminary enquiry is made (whichever is first to take place)".

2. Definition of a "connection applicant"

It has been identified 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. Our concern is with the drafting of clause 5.3.1A(c)(2). Explicitly, our understanding of the wording of this clause 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".

ENA consider that this has the potential to capture 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 exemption. Therefore, potentially a small micro generating system that does not sell electricity in accordance with the requirements of the standing exemption would be a Connection Applicant under rule 5.3.1A. In reviewing the draft rule we have not been able to identify any provisions that would override this interpretation, hence our concern. We consider from our discussions with the AEMC that this was not the intention of the clause and recommend its clarification in the final rule change.

3. Register of completed non-registered EG projects

ENA understands that the draft Rule proposed by the AEMC requires all completed Chapter 5A embedded generator projects, excluding micro-embedded generation projects, are to be included in a public register. We also understand that: DNSPs will be able to decide whether they have two separate registers or one single register; and that the information in the register/s is to be made available regarding successfully connected embedded generation projects that occur for an initial five year period (rolling over every five years).

Our members are concerned that the requirement to establish and maintain a register of completed non-registered EG projects will be extensive and will result in increasing the DNSP's workload, administrative and compliance costs without any major benefits to customers. A better alternative would be that the register is limited under Chapter 5A to non-registered EG projects; and that instead of requiring all connections (excluding micro-embedded generators) be included below 5 MW, it excludes all connections below a minimum threshold (i.e. 1MW) to reduce the numbers of projects required to be included in the register. We also consider that due to the increasing speed in the innovation in technology, the five year period proposed in the draft rule should be reduced to two years.

As the rule is currently drafted, ENA is concerned that it does not specifically support the policy intent as articulated by the AEMC for the DNSPs to be able to choose whether to maintain a single register (for the intentions of Chapters 5A and Chapter 5) or two separate registers. It is ENA's interpretation that the draft rule currently indicates that DNSPs would be obliged to establish two separate registers; a Chapter 5 register from 1 October 2014 and a second Chapter 5A register from the time the draft Rule comes into affect. ENA suggests that the drafting should be amended to clarify that the register requirements under Chapters 5A and 5 can be included in the same register.

4. Draft rule 5A.D.1A

ENA considers that amendments are required to clause 5A.D.1A(b) as there are a number of issues that we have identified that should be addressed before the rule change is finalised. These include:

- Clause 5A.D.1A(b)(5) where the requirement for the publication of single line diagrams in the register of completed embedded generation projects should be removed. Single line diagrams would be difficult to manage from an operational perspective and would not be helpful or informative for this level of network connection;
- Clause 5A.D.1A(b)(6) should be removed, as the information required for publication is highly prescriptive and proprietary in nature. However, if this clause is retained, then it should be revised to reduce the level of prescriptive detail required regarding the information on protection systems and communication systems;
- Clause 5A.D.1A(b)(7) is not required for this scale of generation and should therefore be removed. However, if this clause is retained, then it should be revised to make clear the level of detail required in regard to voltage control and reactive power capability;
- Clause 5A.D.1A(b)(8) where compliance may be difficult as the requirement to publish details specific to the location of a facility connected to the network (that are relevant to subparagraphs (1)-(7)) are very broad and require clarification on what information DNSPs are required to publish. There also is the potential for privacy and confidentiality issues arising out of any requirement to publish the address of an embedded generator's facility.

5. Locational component of prescribed Transmission Use of System (TUOS) services

ENA is concerned that the AEMC considers that all provisions of Chapter 5 will apply for the proponent if they chose to follow the Chapter 5 process. We acknowledge that while the general principles of this process should be followed, non-registered embedded generators should not be eligible for the locational component of prescribed TUOS services that would be payable by the DNSP to a TNSP, had the connection proponent not been connected to its distribution network.

This requirement was designed for larger registered generators so they could avoid customer TUOS charges for the locational component of prescribed TUOS services as they have a defined impact on load on the distribution network. As generators under 5MW do not have a material impact, any requirement to calculate an avoided customer TUOS charge would be an unnecessary administrative burden. Consequently, it is recommended that an amendment is made such that where the proponent of a connection under 5MW chooses to follow the process under Chapter 5, this does impose a requirement to

calculate an avoided customer TUOS charge. Specifically, amendments are required to Rules 5.5(a) and 5.5(h) to exclude the application of avoided TUOS charges from non-registered generators.

Submission Questions

ENA would welcome the opportunity to consult further with the AEMC in relation to this submission regarding the draft rule determination to Chapter 5A.

If you have any questions or wish to discuss this matter further, please contact Stuart Johnston on (02) 62721513.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Bradley', with a long horizontal flourish extending to the right.

John Bradley

Chief Executive Officer