



# Connection to dedicated connection assets

**The AEMC has made a more preferable draft rule to promote more efficient investment in, and use of, the transmission system by facilitating the sharing of transmission assets by connecting parties.**

Currently, dedicated connection assets (DCA) connect to the transmission network at a single transmission network connection point (TNCP). Many obligations and processes under the National Electricity Rules (NER), which are linked to a connection point, do not work where multiple parties seek to connect to the same DCA. Also, in case of non-compliance with obligations at the single TNCP, only disconnection of all connected parties is possible. This effectively prevents 'sharing' of DCAs by multiple parties.

## **The Commission's draft rule**

The draft rule establishes a new regime for 'designated network assets'. Designated network assets will replace the concept of 'large DCAs' to treat material additions to the transmission system (i.e. those including transmission lines with a total route length of 30km or longer) as part of the transmission network, rather than as connection assets. Only 'small DCAs' will continue to be treated as connection assets under the new framework. The key features of the more preferable draft rule are:

### ***Application of existing NEM arrangements at individual TNCPs***

As designated network assets will form part of the transmission network operated by a Primary Transmission Network Service Provider (TNSP), the point where an individual facility connects to a designated network asset will be a TNCP. This allows for the application of existing NER arrangements for settlement, metering, calculation of loss factors and Transmission Use of System (TUOS) charges, system strength and performance standards, with only minor modifications.

### ***Application of a special third party access regime***

Designated network assets will not be subject to the open access regime that applies elsewhere on the transmission network. A Primary TNSP must put in place access policies to protect the access rights of participants funding the provision of designated network assets, similar to the current arrangements for large DCAs.

In the absence of broader access reforms across the shared network as a whole, these access protections can only be provided on radial transmission assets. The draft rule therefore limits designated network assets to radial configurations. Access protections will only apply between individual connected parties' TNCPs and a single 'boundary point' where the designated network asset joins a Primary TNSP's wider transmission network.

### ***Contestability and contractual arrangements***

As designated network assets are part of a Primary TNSP's network, the Primary TNSP is responsible for operating and maintaining these assets. However, designated network assets can be contestably designed, constructed and owned, similar to the existing contestability arrangements for identified user shared assets (IUSAs). Further, the draft rule removes two restrictions that currently limit the scope for competition in the form of a monetary threshold and a third-party ownership restriction.

DCAs (i.e. those including transmission lines with a total route length of less than 30km) remain fully contestable. The party who owns or operates them is not required to register, i.e. the DCA Service Provider (DCASP) registration category is removed.

## The rule change request

The Commission received a rule change request from the Australian Energy Market Operator (AEMO) that seeks to clarify the current arrangements for transmission connections through DCAs. AEMO considers the current DCA arrangements work well where there is a single proponent, but to be unworkable where multiple parties seek to connect to the network via the same DCA.

The rule change request and proposed rule address this issue by providing for there to be a TNCP at the point where a facility connects to a DCA. The point where the DCA connects to the transmission network would also continue to be a TNCP. However, as DCAs are currently not part of the transmission network, the Commission - in common with many stakeholders - is concerned that establishing TNCPs on a DCA blurs the boundary between 'network' and 'connection assets'.

## Benefits of the Commission's draft rule

The Commission considers that the more preferable draft rule better promotes efficient investment in, and use of, the transmission system. In particular, the establishment of individual TNCPs for each connecting party will allow for better sharing of assets. As material additions to the transmission system will form part of a Primary TNSP's network, the draft rule will also contribute to improved power system security outcomes.

## Interaction with Renewable Energy Zones (REZs)

The Energy Security Board (ESB) has instigated a work program to develop arrangements to support the development and operation of REZs, and a number of jurisdictional governments are promoting the establishment of REZs in their respective jurisdictions. Many of these REZs will be of a considerable size, which will require them to be an integral (or 'meshed') part of the transmission network. The arrangements for designated network assets, which are based on radial configurations, might not be appropriate in this case.

However, designated network assets can be used to facilitate smaller REZs, based on a radial configuration, or to support radial 'spokes' that feed this into a larger REZ.

## Background

The AEMC's 2017 *Transmission Connection and Planning Arrangements* Rule introduced DCAs as a defined term. DCAs are privately owned and operated connection assets that provide the services required to connect a party to the network, e.g. the power line that connects parts of a substation to a generating system. A DCA connects a party to the network at a single TNCP and can be isolated from electricity flows on the shared network through disconnection at the single TNCP.

The party who owns, operates or controls a DCA is required to register as a DCASP. A DCASP must classify its DCA as either 'large' (30km or more) or 'small' (less than 30km). Large DCAs are subject to a third party access regime.

## Consultation on draft rule determination

The Commission invites written submissions from stakeholders on the draft rule presented in the draft determination by **28 January 2021**.

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