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Australian Energy Market Commission
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2nd April 2020

Submitted online to: <https://www.aemc.gov.au/rule-changes/connection-dedicated-connection-assets>

Dear Ms McCowan,

Connection to Dedicated Connection Assets
Reference: ERC0294

The Australian Energy Council (the “**Energy Council**”) welcomes the opportunity to make a submission in response to the Australian Energy Market Commission’s (“**AEMC**’s”) *Connection to Dedicated Connection Assets Consultation Paper*.

The Energy Council is the industry body representing 23 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

Discussion

The Energy Council notes that the substantive portions of the *National Electricity Amendment (Transmission Connection and Planning Arrangements) Rule 2017 No. 4* came into effect less than two years ago on 1st July 2018, and the industry is presently in a state of transition. One of the pieces of work to facilitate the transition is the Energy Security Board’s task to implement Renewable Energy Zones,¹ and the outcomes from these deliberations will affect both the existing transmission connection and planning arrangements, and any changes contemplated under this rule change request.

While the Energy Council appreciates that certainty and visibility in network operations is favoured, these preferences must be balanced against the economic efficiencies created by providing a platform for legitimate commercial interests to be explored.

In a similar vein to gas shippers sharing arrangements at common transmission pipeline delivery points, the Energy Council believes that, to the extent possible, flexibility should be maintained to allow businesses to develop innovative solutions to their corporate objectives, while managing their risks in accordance with their individual risk appetites.

To this end, requiring separate connections and metering installations for each facility connecting to a Dedicated Connection Asset (“**DCA**”) must not restrict the ability of Dedicated Connection Asset Service Providers (“**DCASPs**”) to strike economically efficient, flexible agreements with connecting parties.

Nevertheless the Energy Council agrees with the operational issues identified by the Australian Energy Market Operator (“**AEMO**”) in the rule change request, and the issues facing parties connecting to a DCA, the DCASPs and Transmission Network Service Providers, in negotiating connection arrangements for a DCA. The Energy Council believes that the principles proposed can address these issues.

As identified in the Consultation Paper, several key rights and responsibilities under the National Electricity Rules are determined by reference to a connecting party’s connection point. If market participants do not have an individual connection point, it is practically difficult to allocate these rights and responsibilities between participants who share a single connection point. Of considerable concern is the inability to identify individual

¹ <http://coagenergycouncil.gov.au/publications/energy-security-board-outcomes-23rd-energy-council-ministerial-meeting>

plant non-performance, for which non-compliance would lead to disconnection at the single DCA connection point affecting all connected parties. Furthermore, although not highlighted in the Consultation Paper, as a connection point can only have one Financially Responsible Market Participant (“FRMP”), under the current DCA framework the FRMP is exposed to the creditworthiness of each party connected to the DCA in respect of AEMO settlements (and vice versa). For all other connection points across the National Electricity Market, market participants do not have exposure to other market participants’ creditworthiness in respect of AEMO settlements.

While the Energy Council supports the rule change request, it is imperative that the issues identified in Section 5 of the Consultation Paper are properly considered, and suggests that significant further detail is required. The Energy Council would not like to see resolution of these issues give rise to further operational concerns, given the solutions need to be applied to the fixed market responsibilities for connecting parties, as set out in the National Electricity Rules.

In addition, the Energy Council would not like to see the opportunity for flexibility completely removed, and instead submits that the proposed rule could still allow negotiated arrangements, but have the fall-back of the DCASP, existing connected parties or new connecting parties initiating the requirement for AEMO-proposed arrangements to be put in place if negotiations prove unsuccessful over a specified period, e.g. 12 months after a formal connection enquiry is made.

It is also most important for the principles of open access to be maintained, and spare capacity in DCAs to be made available to prospective users on equitable terms, but not to the detriment of existing connected users.

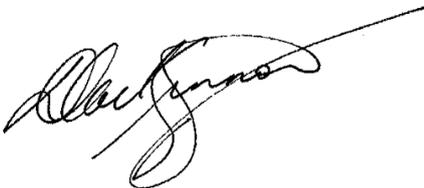
The rules must ensure that the use of a single FRMP at the connection point does not deter other interested parties from using the assets to the extent possible within the capacity available, nor does “first mover advantage” limit further connections. The open access principles must therefore be clearly embodied in any rule change made.

The Energy Council also notes that there is also the issue of how the rule should apply to existing DCAs. The Energy Council suggests that the rule should not apply to existing DCAs, unless a new party seeks to connect, in which case the prior consent of existing connected parties should be sought.

The Energy Council does not consider changes are necessary to the access framework for large DCAs as currently prescribed by the National Electricity Rules, including the access principles set out in Schedule 5.12, although it believes there is merit in considering whether this access framework be extended to small DCAs. The Energy Council considers the current criteria for classification as a large DCA (i.e. 30km or longer) is arbitrary. If the access framework was extended to small DCAs, the current position for existing small DCAs (i.e. small DCAs are not subject to an access regime) should be grandfathered.

Any questions about this submission should be addressed to the writer, by e-mail to Duncan.MacKinnon@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,



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