



Connection to dedicated connection assets

The Commission has made a final rule to facilitate more efficient investment in, and use of, transmission assets built to connect generation to the ‘shared’ network. This is achieved through more effective protections for parties investing in and sharing these assets. As a result, the new arrangements also encourage efficient connection of new generation to the system.

Background

The framework for dedicated connection assets (DCA) was established through the AEMC’s 2017 Transmission Connection and Planning Arrangements (TCAPA) Rule. DCAs are privately owned and operated connection assets that provide the services required to connect a party to the shared transmission network. A DCA connects a party to the shared transmission network at a single connection point and can be isolated from electricity flows on the shared transmission network, e.g. the power line that connects parts of a substation to a generating system. The framework applies throughout the national electricity market (NEM) except in Victoria, which is subject to different transmission arrangements.

The rule change request

On 3 January 2020 the AEMC received a rule change request from AEMO which seeks to amend the National Electricity Rules (NER) to clarify the framework for transmission connections through a DCA. AEMO requested changes to the current Rules to address issues that arise when multiple facilities seek to connect to the same DCA. This is because many NER obligations and processes are unable to work where a one-to-many relationship is required at a single connection point.

The rule change request seeks to address this issue by providing for there to be a separate transmission network connection point (TNCP) for each facility, located at the point where the facility connects to a DCA. However, the point where the DCA connects to the transmission network would continue to also be a TNCP. As DCAs are ‘connection assets’ and not part of the transmission ‘network’, the Commission, in common with many stakeholders, is concerned that establishing TNCPs on a DCA would blur the boundary between ‘network’ and ‘connection assets’.

The Commission’s final rule

The final rule establishes a new framework for ‘designated network assets’ (DNAs). The new arrangements will replace the current arrangements for ‘large DCAs’ to treat material additions to the transmission system (i.e. those including transmission lines with a total route length of 30km or more) as part of the transmission network, rather than as connection assets. ‘Small DCAs’ (i.e. transmission lines with a total route length of less than 30km) will continue to be treated as connection assets unless they voluntarily choose to opt into the DNA framework.

The key features of the final rule are:

- **Establishment of individual TNCPs:** Under the new framework, DNAs form part of the transmission network, operated by a Primary Transmission Network Service Provider (TNPS). This means the point where an individual facility connects to a DNA will be a TNCP. This allows for the application of existing arrangements for settlement, metering, calculation of loss factors, transmission use of system charges, system strength and performance standards, with only minor modifications.

- **Application of a special third-party access regime:** DNAs will not be subject to the open access regime that applies elsewhere on the transmission network. Instead, a DNA owner, i.e. the party that made the investment and funded the asset, is responsible for administering third-party access to its DNA. This will provide appropriate protections for the DNA owner and incumbent connected parties. In the absence of broader access reforms across the shared network as a whole, the special access regime can only be provided on radial transmission assets. The final rule therefore limits DNAs to radial configurations.
- **Slight reduction of contestability:** As DNAs are part of a Primary TNSP's network, the Primary TNSP is responsible for operation, maintenance and setting the functional specifications of DNAs. However, DNAs can be contestably designed, constructed and owned. This represents a slight reduction in contestability compared to the existing arrangements for large DCAs. The Commission considers this is an unavoidable consequence of facilitating the creation of individual TNCPs by treating assets as part of the transmission network. The greatest benefits from allowing for competition in the provision of transmission services are likely to arise during construction, which remains contestable.

Benefits of the Commission's final rule

The Commission's final rule promotes more efficient investment in transmission and generation, and use of the transmission system through the following features:

- **Application of a special access regime for DNAs:** the party making the initial investment controls third-party access and negotiates access with potential access seekers.
- **Facilitate sharing of assets by connecting parties:** through reduced complexity by establishing individual TNCPs and application of existing arrangements for settlement, performance standards and system strength.
- **Increased transparency:** by strengthening the role of the Primary TNSP and ensuring each connecting party has a direct contractual relationship with the Primary TNSP.
- **Improving power system security and reliability:** by treating material additions (in terms of their length and size, e.g. capacity connected) as part of the network, the Primary TNSP will control and operate these assets. This provides a single point of accountability for power system security and ensures the Primary TNSP has visibility of all material additions to the network for planning and operation purposes.

Implementation and transitional arrangements

The new framework applies throughout the NEM except in Victoria, due to the continuing application of different transmission arrangements.

The final rule has a two week implementation period. The existing rules theoretically allow, but practically make it too difficult, to connect multiple parties to the same DCA. Given that the existing arrangements are largely 'unworkable', the Commission considers a commencement date for the more preferable final rule as soon as practicable is desirable. Connection applicants already in the connection process when the final rule commences may choose to voluntarily opt into the new framework.

To allow Primary TNSPs sufficient time to comply with the new framework, the final rule provides for an additional allowance period of 60 business days from the commencement date for the Primary TNSP to respond to connection enquiries to establish new DNAs. It also extends the standard time for a TNSP to respond to a connection enquiry to establish a DNA to 40 business days.

For information contact:

Director, **Ben Davis** 02 8296 7851

Senior Adviser, **Martina McCowan** 02 8296 0618

Media: Media and Content Manager, Kellie Bisset 0438 490 041

08 July 2021