



Part of Energy Queensland

25 September 2023

Ms Anna Collyer
Chair
Australian Energy Market Commission

Project Reference Code: ERC0363

Dear Ms Collyer,

National Electricity Rules (NER) Amendment (Enhancing Investment Certainty in The R1 Process) Rule 2023, Consultation Paper

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex), both distribution network service providers (DNSPs) operating in Queensland, welcome the opportunity to provide comment to the Australian Energy Market Commission (AEMC) in response to its Consultation Paper on the *National Electricity Rules (NER) Amendment (Enhancing Investment Certainty in The R1 Process) Rule 2023*.

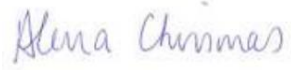
Ergon Energy and Energex are supportive of attempts to reduce poor engagement and process delays associated with the existing R1 process. However, in our experience, delays and negative outcomes often occur as a result of loss of continuity with project ownership or contracted consultants. New proponents often seek a complete redesign of the generating system. This in turn leads to delays. Therefore, we suggest that it may be of benefit to the AEMC, in considering this rule change request, to seek further information from the Clean Energy Council regarding the specific project cases which have prompted this rule change request to determine whether the issues originate from deficiencies in the NER or from project specific circumstances.

We are also seeking clarity as to whether the proposed rule change is being considered in relation to generating systems seeking to connect to the distribution network. We would welcome additional clarity from the AEMC in relation to this.

Our views on the questions posed in the Consultation Paper are included in the enclosed submissions template. Neither this cover letter nor our detailed responses to questions contain confidential information.

Should the AEMC require additional information or wish to discuss any aspect of this submission, please contact either myself, or Mark Simpson on 0467 837 450.

Yours sincerely

A handwritten signature in blue ink that reads "Alena Christmas".

Alena Christmas
Acting Manager Regulation

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Encl: *Comments to consultation questions*

AEMC – Enhancing investment certainty in the R1 process

AEMC Rule Change Request (reference number ERC0363)

AEMC questions	Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex) comments
1. Do you agree that the absence of NER obligations on parties to the R1 process is contributing to poor engagement and process delays?	<p>Ergon Energy and Energex do not support the position that an absence of NER obligations is the primary contributor to poor engagement and process delays. Broadly, we are supportive of improved clarity as to parties' obligations and processing timeframes for the assessment of an R1 package. However, we are of the view that there are other factors contributing to poor engagement and process delays. In our recent experience, process delays are often occurring as a result of:</p> <ul style="list-style-type: none">• incomplete R1 packages; or• significant plant changes such as a change of OEM (original equipment manufacturer); or• loss of continuity with generation proponents selling projects or changing consultants which often results in complete redesign of the generating system.
2. How do connecting parties currently manage uncertainty regarding timeframes for the R1 modelling package assessment and to what extent does public data (e.g. AEMO connection scorecards) assist?	No comment.
3. Does the existing process for renegotiating technical performance standards create barriers for enabling connecting parties to negotiate efficient system security and reliability outcomes?	We consider that proponents should make every endeavour to meet the performance standards originally agreed under the 5.3.4A and 5.3.4B processes. The renegotiating of technical performance standards should ideally only be minor in nature and not

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	<p>affect the generator's ability to meet agreed standards. The 4.14(p) process is available for any changes that may be required to performance standards.</p> <p>As stated above, we have noticed an increase in project proponent/consultant turnover which often leads to a complete redesign. It is our view that this contributes to process delays and poor outcomes.</p>
<p>4. Do you agree that there are problems with the way the R1 process seeks to resolve external system security issues?</p>	<p>In our opinion it should not be a connecting generator's responsibility to resolve a network issue. However, it is reasonable for a generator to consider the security issues of the network it is connecting to, especially given that a significant period of time may have elapsed between commitment and registration. As the network will change over the life of a project, a project should be compliant with their performance standards at all times, therefore, generating systems should be designed appropriately to withstand reasonable variations in network parameters.</p>
<p>5. How material is the absence of an independent, external dispute resolution process for the efficient negotiation of technical performance parameters before registration approval?</p>	<p>The absence of an external dispute resolution process is not material for the efficient negotiation of performance standards. We note that the NER contains several existing dispute resolution processes, as discussed in the Consultation Paper. Additionally, there are other available means to include dispute resolution processes, such as via specific clauses in commercial contracts.</p>
<p>6. Would the proposed timelines provide sufficient certainty about the duration of the R1 model assessment phase?</p>	<p>Ergon Energy and Energex are supportive of a proposed timeline in the R1 model assessment phase. However, we note that the current process involves assessment by the Network Service Provider (NSP) prior to review by AEMO. The proposed rule change would see AEMO and the NSP assessing simultaneously. It is possible that this could lead to the same issue being picked up by both, thus incurring double costs for the proponent as all of AEMO's and the NSP's costs are charged to them.</p>

AEMC questions	Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex) comments
7. Do you agree with the CEC's proposal for materiality guidelines, including whether they could appropriately define materiality thresholds for the categorisation of connection types?	<p>Ergon Energy and Energex would only be supportive of a category self-assessment process if there are clear and meaningful penalties associated with false or misleading self-categorisation.</p> <p>Further, we are of the view that any self-assessment should be as straightforward and streamlined as possible to reduce administrative timeframes and costs. It is our view that materiality guidelines may be helpful but would need to be balanced to ensure that they do not introduce additional assessment complexity or stifle the NSP's engineering assessments.</p>
8. What are your views about the proposed pathway for each connection type, including the assignment of obligations and the allocation of costs and risks?	<p>It should be noted that the recent system strength rule changes now obligate certain levels of system strength, so the unexpected retirement of synchronous generating units is unlikely to have any effect on generating system performance as this will have already been considered in the application stage.</p> <p>It is our view that proponents should be responsible for any remediation required to support a generating system meeting its agreed performance standards. As generators do not pay transmission use of system or distribution use of system charges, we are of the view that customers should not bear any costs associated with generating system remediation.</p> <p>We would be happy to work with generation proponents to build capability and assist the development of technical aspects, such as harmonics, and how they can be appropriately managed.</p> <p>Further, we are of the opinion that collective re-tuning may be a suitable path forward, but greater clarity of roles and obligations would be required.</p>
9. What are your views about the CEC's proposal for dispute resolution?	<p>Ergon Energy and Energex have no objection to an independent assessment body. However, we note that this may increase costs and timeframes.</p>

AEMC questions	Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex) comments
<p>10. Do you support the CEC's proposed model or do you prefer an alternative approach? Are there any modifications to the CEC proposals that you believe may improve it?</p>	<p>Increased delays and negative outcomes often occur as a result of loss of continuity with project ownership or contracted consultants. New proponents often seek a complete redesign of the generating system. This in turn leads to delays.</p> <p>Therefore, we suggest that it may be of benefit to the AEMC, in considering this rule change request, to seek further information from the CEC regarding the specific project cases which have prompted this rule change request to determine whether the issues originate from deficiencies in the NER or from project specific circumstances.</p>
<p>11. Do you agree with the proposed assessment criteria? Are there additional criteria that the commission should consider or criteria included here that are not relevant?</p>	<p>No comment.</p>