

18 April 2024

Ms Tiffany O'Keefe  
Adviser, Economics and System Security  
Australian Energy Market Commission



**EnergyAustralia**  
LIGHT THE WAY

Lodged electronically: via AEMC website

Dear Ms O'Keefe

### **Investment Certainty in the R1 Process – Draft Determination**

EnergyAustralia Pty Ltd  
ABN 99 086 014 968

Level 19  
Two Melbourne Quarter  
697 Collins Street  
Docklands Victoria 3008

Phone +61 3 8628 1000  
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au  
energyaustralia.com.au

EnergyAustralia (EA) is one of Australia's largest energy companies with around 2.4million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We own, contract, and operate a diversified energy generation portfolio spanning coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise over 5GW of generation capacity.

EA welcomes the opportunity to comment on the AEMC's draft determination and preferred draft rule which seeks improvements to the current R1 process. We acknowledge and applaud the AEMC's efforts over the course of this rule change process to seek to understand the broader problem associated with connection studies (beyond the R1 process) and to work with stakeholders in order to provide regulatory reform.

EA understands that the narrow scope of the rule request, the technical nature of the issue and the individual assessment process of projects makes it difficult to develop meaningful reform with broad industry support. However, we consider that a number of proposed administrative amendments in the draft determination should be considered across the connections framework holistically.

As we noted in our submission to the consultation paper, EA supported the claims and limitations set out by the Clean Energy Council in its rule change request. In our view it is becoming increasingly difficult to reach registration approval due to the lack of clear accountability, direction, clarity on modelling requests, an avenue for disputes, and adherence to timed obligations (where they exist) on AEMO and NSPs. The growing volumes of generation and storage connecting (and required to connect to meet Australia's national renewable generation 2030 target) will only serve to worsen operation of this framework and could put the national target in jeopardy if these fundamental issues are not addressed.

Overall, EA is supportive of the proposed amendments outlined in the AEMC's draft determination and preferred rule as a step in the right direction. However, given the significance of the energy transition and growing bottleneck facing the connections framework, we believe more can be done by the AEMC to address serious information asymmetry barriers, process transparency concerns, perceptions of judgement calls without clear evidence and unnecessary modelling loops. These issues are resulting in projects taking longer to reach registration and commercial operation, impacting project costs and ultimately putting upward pressure on wholesale prices. Leaving these issues unaddressed will impede the energy transition and will not deliver benefits in the long term interests of consumers, especially in the current inflationary environment. EA

provides details of further areas requiring improvement below. We welcome the opportunity to constructively collaborate on ways to address each of these areas.

### **Areas of Improvement**

EA strongly encourages the AEMC to further consider, clarify and respond to previously unaddressed elements of our submission to the consultation paper<sup>1</sup>, to ensure that the rule change achieves its objective and delivers real beneficial changes:

- **A simple and robust process for additional modelling requests**

- EA broadly supports the draft determination to enable connection applicants to seek written justification from the NSP and AEMO for additional modelling requests issued as part of the R1 process. We note that under the AEMC's preferred approach, the connecting party could only seek further justification if it has 'reasonably met all information provision obligations in the NER'<sup>2</sup>.
- In our view, any requests for additional modelling by the NSP and/or AEMO must be accompanied by a robust rationale and supporting evidence for why the request has been made. This justification should be sufficiently detailed that it provides valuable insights on the identified issue and irrefutable proof of unfavourable outcomes, in the absence of access to the network model itself. The extent of the rationale should be linked to the level of impact (or materiality) identified in the request, such that serious issues, including those with external impacts, would require more supporting evidence from the NSP and/or AEMO to demonstrate why the modelled outcomes assessed require changes by the connecting party.
- EA also queries why the AEMC has designed a two-step process, instead of obligating NSPs/AEMO to provide their justification (and evidence) together with their additional modelling request. The latter approach provides a simpler and more timely process which benefits all parties by ensuring both counterparties have an equal level of understanding of the identified issues. Any issues associated with connecting applicant information and data will have been addressed at the connection stage as a requirement for connection assessment, and therefore should not remain outstanding. Irrespective, this information provision should not impact the ability for the NSP and/or AEMO to qualify their own request for further engineering modelling.
- We understand that an alternative argument may be that condensing the proposal to one step could increase the administrative burden on NSPs and AEMO, however we believe that the bulk of this administrative effort should have been complete as part of any proper rigorous R1 assessment process.

- **Removal of the 'no less onerous' clause**

- EA supports the draft determination which broadly seeks to relax application of the generator performance standards (GPS) between the connection and registration stages. We consider that this will enable pragmatic engineering judgement to apply where there are non-material differences between models and should also eliminate unnecessary engineering overwork (i.e. additional modelling which delivers no real or overall benefits), costs and connection delays.

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<sup>1</sup> [6\\_230927 EnergyAustralia.pdf \(aemc.gov.au\)](#)

<sup>2</sup> [ERC0363 Draft determination \(aemc.gov.au\)](#) Page 17

- As an additional enhancement, we encourage the AEMC to consider further simplifying the applicable rule drafting to permit GPS reductions where there is uniform agreement between the connecting participant, NSP and AEMO.
- **Improved transparency on NSP and AEMO processes**
  - EA supports the addition of new obligations which require the NSP and AEMO to confirm receipt and completion of R1 connection studies. As above these are welcomed milestones which provide improved transparency on the status of an R1 package. However, critical to the R1 assessment is understanding exactly when an NSP moves from receipting an R1 model to actually commencing their assessment process. We encourage the AEMC to include an obligation on the NSP and AEMO to formally notify the connecting party in writing when it commences the R1 assessment. To maintain consistency with the proposed new timed milestones, we proposed this communication should also be made within 5BDs.
  - One of the biggest unknowns associated with the R1 process relates to the amount of time an NSP requires when conducting its modelling assessment. While we acknowledge that each project is different and their assessment process itself requires flexibility, improving the broad transparency of this process will provide NSPs and AEMO with an incentive to complete the review quickly but diligently, with a focus on the identification of material issues.
  - EA suggests that new obligations are codified to obligate NSPs and AEMO to *"maintain continuous contact with the connecting party"* and *"apply reasonable endeavours and good engineering judgement"* to ensure timely updates<sup>3</sup> and an efficient assessment. Once completed and if further details or models are required, the NSP or AEMO (as proposed by the draft determination) could issue an additional modelling request supported by a robust justification and evidence.
- **Increased access to and publication of network snapshots**
  - As we articulated in our submission to the consultation paper, EA considers another key barrier to an efficient R1 and registrations assessment process is the lack of access to current network configurations. We note that our concerns on this issue were not addressed by the draft determination.
  - New connections and a range of changing external dynamics are a core feature of the NEM, but something that is completely outside of a connecting party's control. In almost all cases, the NSP and AEMO will have complete visibility of these network changes, whereas the connecting party may be aware of new projects around their asset but not the interrelated impacts to their local network. Network models and modelled outcomes using these models by NSPs and AEMO are not currently shared with connecting parties.
  - This information asymmetry is creates a 'black box environment' and prevents connecting parties from fully understanding what issues have been identified by NSPs and AEMO, where the source of the problem arises, how the problem interactis with the connecting project, and therefore why a particular

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<sup>3</sup> Including insights on modelled outcomes and potential areas of concern which may require additional modelling requirements by the connecting party

modelling request has been issued. In other words, connecting parties are forced to accept on face value what NSPs and AEMO are telling them is required without an ability to scrutinise the underpinning data or outputs, and validate this information independently themselves.

- Furthermore, under the current framework, connecting parties lack the ability to dispute (or disagree) with an NSP/AEMO assessment request<sup>4</sup>, irrespective of whether the connecting asset is physically capable of delivering the outputs requested; and without impacting their connection status or financial position.
  - To better assist connecting applicants to understand modelling requests and produce the best possible modelling results efficiently, we strongly encourage the AEMC investigate how best to require NSPs and AEMO to provide better access to ongoing network snapshots.
  - We note that NSPs, AEMO and some OEMs cite confidentiality as a core concern with 'opening up' network models. However, we believe there are a range of ways that can be explored to improve transparency and the efficacy of the R1 process<sup>5</sup> without compromising confidentiality and other concerns. For example, EA is supportive of a 'pay per view' network snapshot option for a fee that is reflective of the owner's effort and the quality of information shared. Alternatively, timed-access to a local network snapshot could accompany a request/s for further modelling as part of an obligation on NSPs/AEMO to evidence the need for their request. This model snapshot could have strong contractual and/or regulatory controls limiting user access and apply sharing restrictions, in addition to other controls deemed necessary to protect intellectual property.
  - EA is very happy to collaborate with the AEMC and other stakeholders to further develop a range of options and workable solutions.
- **Clarity on roles and responsibilities under Chapter 5**
    - Historically, generator connections above 30MW have almost always occurred on the transmission network. As such these NSPs have developed core business operations designed to manage their large connection responsibilities. However, EA notes that large-scale generation and storage connecting to the distribution network is increasing, in part due to the significant volumes of new investments and the lack of quality available transmission capacity.
    - While we understand that Chapter 5 applies to all NSPs, distribution network businesses may not be aware of their responsibilities or have sufficient operational/technical capability to deliver this function.
    - We encourage the AEMC to clarify in the final determination that the final rule (including NER Chapter 5) applies to all NSPs.
  - **Addressing modelling and technical mistakes**
    - As we noted in our consultation submission, it is likely that mistakes will be made by the connecting applicant, AEMO or the NSP during R1 application process. The current framework, nor the draft determination seeks to address

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<sup>4</sup> including modelling outcomes

<sup>5</sup> and broader connections framework

this issue. EA remains keen to understand how the framework can accommodate these issues, without penalising the applicant.

- We suggest the AEMC give consideration to the provision of very clear guidance (without room for interpretation) on remedies for manifest errors by any party, and how developers should be protected where the error falls on AEMO or the TNSP.

- **Dispute Resolutions**

- The current framework has limited options for connecting parties to raise disputes in relation to R1 and connection issues<sup>6</sup>. We note that while the rule change request proposed a dispute resolution pathway, the AEMC's draft determination did not progress this proposal nor suggest an alternative mechanism. EA is very concerned at the continued lack of access to a rules-based dispute mechanism.
- We note that issues of commercial or technical grounds can be challenging to resolve by an independent arbitrator, in addition to the significant costs associated with raising a challenge through NER Chapter 5. In addition, the lack of transparency and asymmetrical information referred above, also mean it is unlikely that a connecting applicant could be sufficiently informed to progress a disputes case successfully. These issues reflect possibly why the NER Chapter 5 pathways are ill-used.
- In addition to the suggested changes above to address transparency and information dissemination, EA also proposes the AEMC extend the Chapter 8 disputes resolution framework to the connection and registration framework for administrative or procedural issues. The disputes resolution framework should be used as both a backstop and an incentive tool to ensure that NSPs and AEMO (as the case may be) meet their regulatory obligations set out in the NER and supporting documents/frameworks. This would extend, for example, to capture requisite information exchange, continuous tangible effort to progress R1 packages as expeditiously as possible, technical/manifest errors and general obligations, amongst other responsibilities.
- EA welcomes the opportunity to work closely with AEMC on the design of an appropriate disputes resolution mechanism.

If you would like to discuss this submission, please contact me on 0422 399 181 or [Dan.Mascarenhas@energyaustralia.com.au](mailto:Dan.Mascarenhas@energyaustralia.com.au).

Regards

**Dan Mascarenhas**  
Regulatory Affairs Lead

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<sup>6</sup> Including with respect to manifest errors arising through modelling studies or technical assessments by the NSP and AEMO.