

30 January 2025

Achint Jain
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Dear Mr Jain

Ausgrid response re Improving the NEM access standards – Package 1

Ausgrid welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) draft rule determination *National Electricity Amendment (Improving the NEM access standards – Package 1) Rule 2025* (the **draft rule**). We support the objective of the AEMC's draft rule and the Australian Energy Market Operator's (**AEMO**) rule change proposal to simplify and speed up the connections process under the National Electricity Rules (**NER**).

Australian consumers are continuing to invest in rooftop solar, enabling them to save money and help our electricity system transition to net zero. However, the rapid influx of new rooftop solar into our grid is outpacing demand and the connection of new load, triggering more frequent 'minimum operation demand' events. The timely connection of load within the distribution network - close to this abundance of rooftop solar - is the most efficient way to soak up excess generation and restore the balance of our network. Ausgrid strongly believes that energy networks and market bodies should therefore be prioritising reforms that make it easier for new loads to connect into areas of the network that offer the most benefit.

This draft rule is the first of two rule change requests submitted in April 2024 by AEMO, based on recommendations made in its *2023 Review of Technical Requirements for Connection*¹. We note the AEMC considers this first package to have low implementation costs and complexity, as it only amends the access standards to apply them by plant type rather than by registration category. However, Ausgrid is concerned that the classification of load plant, specifically how 'large load' is determined, is not sufficiently clear.

For this reason, we do not support the fast-track approach being undertaken by the AEMC for this draft rule. Network Service Providers need more time to fully understand the implication of these proposed amendments. We also understand the AEMC intends for this draft rule to inform Package 2 of the *NEM Access Standards* reform, which will be progressed later this year and consider amendments to Schedule 5.3 of the NER that affect the access standards for prospective large load projects seeking to connect into the National Electricity Market (**NEM**). Given this, Ausgrid is further concerned that definitional decisions made in this draft rule could unintentionally commit the AEMC to establishing technical connection process for new load projects in Package 2.

¹ [AEMO Review of Technical Requirements for Connection – National Electricity Rules Schedule 5.2, 5.3 and 5.3a](#) (22 December 2023)

We suggest the AEMC directly consult with Network Service Providers to further understand the implications of the issues raised in our submission before publishing its final rule.

The current definition for large load is too broad

We note AEMO's concerns that the current process under Schedule 5.3 of the NER is inadequate for large loads and that there is a risk the "power system may need to be significantly constrained" to maintain power system security to manage the risk of large plant disconnections. These concerns appear directed primarily at very large loads, such as hydrogen hubs or aluminium smelters.

However, under the NER², 'large inverter-based load' is defined in accordance with AEMO's System Strength Impact Assessment Guidelines, which states "the key criterion for classifying" an inverter-based load as large is a minimum capacity of 5 MW or 5 MVA.³ Under the draft rule, this means that all load projects over 5 MW are classified as a *Schedule 5.3 plant*, regardless of whether the proponent intends to register with AEMO as a market participant.

We welcome the AEMC's inclusion of Schedule 5.3.1a (a1)(2) in the draft rule, which empowers the relevant Network Service Provider to determine whether or not Schedule 5.3 should apply to a connecting load proponent. Network service providers are best placed to determine the impact a connection application's project could have on their network. However, this Schedule only offers a binary decision-making power to the network service provider, namely to apply Schedule 5.3 in full or not at all.

The rule change request under Package 2 of these reforms would substantially increase the technical standards required to connection a large load project, including a requirement to perform a system strength assessment. The 5 MW threshold for these standards is too low. In practice, the proposed draft rule would force a Network Service Provider to either forego all performance testing under Schedule 5.3 or subject relatively small load plant, with proponents of less financial means, to unnecessarily onerous technical standards designed to resolve risks triggered by very large plant.

Ausgrid considers the threshold for classifying a load project as 'large' should be raised above 5 MW. For those 'medium-sized' load projects between 5 MW and the new threshold, DNSPs should be given flexibility to scale the technical requirements for connection, depending on the potential impact the project could have to the system. These classification issues should be resolved before amending the Schedule 5.3 connections process as part of Package 2 and future AEMO reforms.

If changes to the connections process are not proportionate, load proponents may be discouraged from connecting

Package 2 of the *NEM Access Standards* reform will consider amendments to Schedule 5.3 of the NER, affecting access standards for prospective load. We also understand AEMO intends to conduct further in-depth reviews of the access standards for load in the future. If amendments to the technical standards, progressed as part of these reforms, are not carefully designed to be proportionate to the project's size and potential impact on the grid, the added costs and time to connect could discourage projects critical to our energy transition from connecting altogether.

² National Electricity Rules, Rule 5.3.1A

³ AEMO [System Strength Impact Assessment Guidelines](#), CI 2.2(d) Classification of IBL and IBR

For example, the current load connection process for negotiated connections typically takes approximately 2-3 years from the initial application to energisation. The associated Ausgrid ancillary network services fees (covering planning, design, construction, and commissioning) range from \$250,000 - \$1 million, depending on the complexity of the project. From our initial review, the rule change request in Package 2 could delay connection timelines for load proponents, to whom Schedule 5.3 applies, by an additional six months-to-two-years and add between \$500,000 - \$1 million to the project's connection costs. These delays and cost increases could be extended even further if applied to smaller proponents who are inexperienced with the advanced modelling requirements.

Noting these potential risks, it is clear Package 2 will be considerably more complex than the current draft rule. We thank the AEMC for its decision to undertake a standard rule change process for this second package so that stakeholders can be meaningfully engaged.

We welcome the opportunity to further discuss our submission with the AEMC and to stay closely engaged as this rule change and Package 2 progress. Please contact Emma Vlatko, Senior Policy Advisor at Emma.Vlatko@ausgrid.com.au for further information.

Regards,

A black rectangular box redacting the signature of Andrew Scott.

Andrew Scott
Acting Head of Asset Management & Planning