

A few
words.

20 February 2014

Mr John Pierce

Australian Energy Market Commission

Level 5 , 201 Elizabeth Street

Sydney NSW 2000

Lodged (online): <http://www.aemc.gov.au>

AGL

Dear Mr Pierce

AEMC ERC0147 Connecting Embedded Generators, Draft Final Rule Determination

AGL Energy (AGL) welcomes the opportunity to comment on the Draft Final Rule Determination on Connecting Embedded Generators (Draft Final Rule).

AGL operates across the energy supply chain and has investments in gas and electricity retailing, coal-fired electricity generation, gas-fired electricity generation, renewables and upstream gas extraction.

AGL considers that the proposed Draft Final Rule changes to Chapter 5 of the NER are likely to improve the connection process and provide more clarity for the connection of embedded generation plant.

AGL supports the policy changes outlined in the Draft Final Rule. In particular, the enhanced information transparency and defined timelines. These provisions would provide greater certainty for connection applicants and enhance their capacity to manage both the commercial and technical risks often associated with the development of new power stations. AGL also supports the Commission's proposed amendments to the National Electricity Rules and the level of stakeholder engagement.

AGL provides the following specific comments on the Draft Final Rule position on the application of validity period.

Validity Period

AGL supports the Commission's decision to remove the provision of a validity period as outlined in the position paper. AGL does not believe a validity period following the connection enquiry serves a useful purpose – as project requirements are subject to changes during the project life cycle.

The risk for applicant of not having certainty in the final project and network requirements following the enquiry could be somewhat mitigated by the proposed Draft Final Rule requiring distributors to disclose both adequate and relevant information in their detailed response to the applicant. This would provide both parties an opportunity to gain a reasonable level of understanding of the capability of the connection and network services and any related risks that may be imposed.

In addition, AGL supports the Commission's decision to provide a choice for parties to agree on a validity period if, and when, it is warranted.

However, in the absence of a validity period, AGL would like the Commission to consider having explicit obligations to require distributors to promptly disclose any potential

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changes to their earlier advice – where relevant to access requirements. The obligations should, for example, include the reasons why the earlier requirements will or may change including new or concurrent applications that may affect the ability to connect as advised.

This is especially critical as the project negotiation is progressing through the application stage to finalisation of the connection agreement. In AGL's view, it is problematic for project delivery if distributors can make significant changes to connection requirements with little notice or warning. AGL considers that this would effectively allow connection applicants to manage projects such that changes do not impose material risks to the project and investment.

Please do not hesitate to contact Mr Kong Min Yep on 03 8633 6988 if you wish to discuss this matter further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Camroux'.

Simon Camroux
Manager Wholesale Market Regulation

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