

Connecting embedded generators

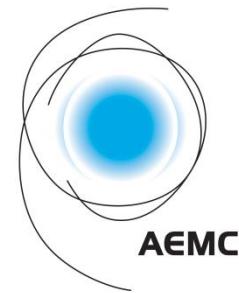
Workshop on the connection process – 17 October 2013



AUSTRALIAN ENERGY MARKET COMMISSION

Agenda

- Location of the connection process in the NER
- Connection process timing
- Ability to opt out of the preliminary enquiry stage
- ‘Agreed projects’
- Provision of information
- Way forward



Location of the connection process in the NER



Connection in NECF jurisdictions

- For those generating systems greater than the standing exemption from registration with AEMO:
 - Classified as a ‘person’ under s. 11 of the NEL – (defined as, either a registered participant or otherwise exempt by AEMO from the requirement to be a registered participant in relation to that activity under the NEL and the NER);
 - Applicable process for connection is the Chapter 5 connection process
 - During or after the connection process, may apply to AEMO for exemption from registration;
 - AEMO generally requires that a project be committed prior to considering exemption – potentially too late for Chapter 5A connection process to be used.
- For those generating systems less than the standing exemption from registration with AEMO:
 - Currently size of standing exemption from registration is 5MW;
 - Classified as non-registered embedded generators for the purposes of the NER; and
 - Chapter 5A provides the relevant application process

Connection in non-NECF jurisdictions

- For those generating systems greater than 30MW:
 - Registration as a generator is required with AEMO;
 - The applicable process for the connection of embedded generation is the Chapter 5 process
- For those generating systems less than 30MW and unregistered:
 - Applicable process for connection of embedded generation is local jurisdictional instruments;
 - However, NER clause 5.3.1(c) states “any person wishing to establish a connection to a network may elect to follow the procedures in this rule 5.3”;
 - Therefore, for those generating systems less than 30MW and in a non-NECF jurisdiction, the connection process may be under Chapter 5.
 - Where no jurisdictional instruments for the connection of embedded generators exist, the DNSP will determine the appropriate connection process.

Summary of connection under the NER

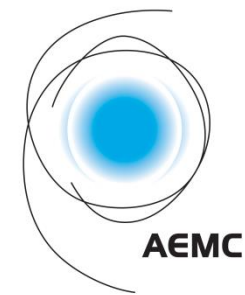
- Generating systems with a standing exemption from registration with AEMO:
 - defined by AEMO as those generating systems that “cannot significantly affect market outcomes or impact power system security”;
 - currently those with a nameplate capacity less than 5MW;
 - for NECF jurisdictions, the connection must be progressed under Chapter 5A; and
 - for non-NECF jurisdictions, the applicable connection process will be jurisdictional instruments, or DNSPs connection processes, or may elect to use the Chapter 5 process.
- For those generating systems greater than the standing exemption from registration:
 - there is a presumption under the NER that these generators will be registered; and
 - the applicable connection process for these generating systems will be under Chapter 5.

Why is the AEMC now looking at Chapter 5A?

- The rule change request initially contemplated amendments to Chapter 5. The proponents did not consider that the Chapter 5A process would be adequate for their needs.
- At the time that the rule change request was received, the NECF had not been implemented and Chapter 5A was not operational in any jurisdiction.
- In response to the proposal and submissions, the draft rule included amendments to the Chapter 5 connection process.
- However, most jurisdictions have now adopted the NECF.
- In response to the draft rule determination, DNSPs, the CEC and a number of larger embedded generation proponents suggested that a better location for the draft rule connection process would be Chapter 5A as this would be more suitable for the size of generator contemplated by the rule change request.
- This has led the AEMC to consider what is the most appropriate location in the NER for the proposed embedded generator connection process.

Preliminary view

- It is proposed that the final rule will provide a new connection framework for all generation connections to distribution networks (outside of the standing exemption) under Chapter 5 of the NER:
 - following adoption of the NECF in all jurisdictions, there will be two processes for the connection of generation to distribution networks
- It is proposed that the final rule will not make any amendments to the connection framework under Chapter 5A
 - amendments to the process for connection enquiries under Chapter 5A will be considered as part of the Clean Energy Council rule change request
 - the Clean Energy Council rule change will be initiated following completion of the current rule change process



Connection process timing



Issues with timeframes (I)

1. Timeframe for DNSPs to provide receipt of enquiries to applicants

- Draft rule determination:
 - 2 business days for DNSPs to provide receipt of connection enquiry; and
 - 2 business days for DNSPs to provide receipt of application for detailed enquiry response;
- Stakeholder feedback:
 - NSW DNSPs and the ENA considered that this timeframe was too short.
 - Under the NECF there is no corresponding obligation for DNSPs to acknowledge receipt of a customer enquiry within two business days, but rather provide relevant information within five business days if the required information is not on the DNSPs website. If written response requested, the DNSP must provide as soon as reasonably practicable.
 - DNSPs, aligning these two processes would address the risk of processing errors and would reduce the administration burden on DNSPs from having to implement separate processes.
 - Recommended 5 business days as more appropriate.
- Proposed AEMC solution:
 - Propose to amend these timeframes to five business days

Issues with timeframes (II)

2. General calculation of timeframes:

- Draft rule determination:
 - The draft rule provided timeframes for each aspect of the proposed connection process
- Stakeholder feedback:
 - DNSPs sought clarification from the AEMC on how timeframes are to be calculated. Specifically in relation to the time taken for:
 - the connection applicant to provide the DNSP with further information or clarify any aspect of their application should not be counted in time taken for DNSP to provide its response;
 - a DNSP request for expert advice on a technical issue relating to the proposed connection, (any time taken to engage the consultant or time while the consultant undertakes its analysis is not counted) should not be included;
 - the connection applicant to correct a deficiency in their enquiry is not calculated; and
 - third parties to the connection process (such as under contestability arrangements in NSW) to provide the DNSP with information is not counted towards timeframes.
- AEMC proposed solution:
 - Propose to apply a stop the clock mechanism where third parties are involved

Issues with timeframes (III)

3. a) Timeframe and information requirements for DNSP's preliminary enquiry response to applicant

- Draft rule determination - timeframe:
 - Provided DNSPs with 15 business days to provide applicant with preliminary enquiry response
- Stakeholder feedback:
 - DNSPs, the level of information set out in rule S5.4A is too onerous to provide within the stipulated 15 business day time limit;
 - for large or complex connections, given the number of different areas which must be involved, meeting the timeframes will be difficult;
 - unless timeframes are appropriately amended there is a risk that the proposed process will result in inefficient outcomes;
 - given the information requirements, the preliminary enquiry response should be amended so that the requirement is to provide the information where practicable; and
 - civil penalty provisions associated with the provision of this information should be removed

3. b) Timeframe and information requirements for DNSP's preliminary enquiry response to applicant

- Draft rule determination – information provision:
 - The draft rule proposed the introduction of a new schedule 5.4A detailing the information that must be included in the preliminary response.
- Stakeholder feedback:
 - Some of the preliminary response requirements include a number of provisions that require completion of detailed design work – DNSPs considered this inappropriate for this stage;
 - DNSPs, removal of draft clauses relating to technical information relevant to a connection;
 - also clause S5.4A(m) should be deleted as a description of how the DNSP proposes to amend its model contract is not reasonable this early in the connection process; and
 - civil penalty provisions associated with the provision of this information should be removed.
- AEMC proposed solution:
 - Drafting amendment: remove “including minimum requirement necessary to maintain system security and reliability of supply”;
 - Remove civil penalty provision;
 - No change to timeframe or provision of information;
 - Extension possible, but DNSP must provide reasons for extension and seek applicants agreement which must not be unreasonably withheld

Issues with timeframes (IV)

4. Timeframe for DNSPs to provide connection applicant with detailed enquiry response

- Draft rule determination:
 - Provided DNSPs with 30 business days to provide detailed enquiry response unless otherwise agreed.
- Stakeholder feedback:
 - DNSPs suggested amending the maximum timeframes to align with the time required to process large or technically complex connections.
 - amending the maximum timeframes does not mean that DNSPs will take the maximum time for all connections, but would allow the framework to be applied flexibly so that it accommodates all connection types contemplated by the connection process.
 - Alternatively, the NER does not stipulate a set timeframe and instead requires the DNSP to provide its response “as soon as practicable”.
 - Victorian DNSPs, the maximum timeframe, unless otherwise agreed, for completing the detailed enquiry stage if there is no shared network augmentation should be extended to 40 business days from 30 business days.
- AEMC proposed solution:
 - No change – ‘as otherwise agreed’ provides some flexibility for more complex connections

Issues with timeframes (V)

5. Timeframe for validity of detailed enquiry response

- Draft rule determination:
 - The preliminary enquiry response remains valid for 6 weeks, after which an applicant may be required to submit a new connection enquiry.
- Stakeholder feedback:
 - Embedded generator proponents indicated that this timeframe was too short and should be increased to 12 weeks to allow for approvals and contracts to be signed under often complex ownership structures.
 - While the validity period can be extended under agreement, DNSPs are incentivised to reject an extension as they receive additional fees from the applicant (at minimal cost) if a new enquiry is required.
 - CEC suggested to extend the validity period to six months.
 - The CEC also recommended amendments to the NER regarding the concurrent connection of two projects.
- AEMC proposed solution:
 - Propose to amend to 12 weeks unless parties agree to longer

Issues with timeframes (VI)

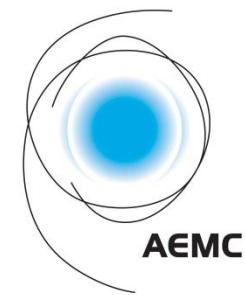
6. Fast-tracked timeframe for agreed projects

- Draft rule determination:
 - Provided DNSPs with 20 business days to provide connection offer where no shared network augmentation.
- Stakeholder feedback:
 - Stakeholders considered that this timing issue was linked to the definition of what constitutes an ‘agreed project’
 - Embedded generator proponents were concerned that DNSPs could use cosmetic, irrelevant or minor changes to an application to justify delays or changes to a connection agreement.
 - DNSPs, 20 days to make a connection offer for an ‘agreed project’ is unrealistic
 - CEC considered 20 days for acceptance of a connection offer was not appropriate suggested a maximum timeframe of six months to appreciate the commercial impact of the terms and conditions.
 - DNSPs, maximum timeframe, unless otherwise agreed, to make a connection offer for an agreed project should be extended to 65 business days
- AEMC proposed solution:
 - Propose to amend the definition of ‘agreed project’; and
 - No change to the timeframe – the purpose of the fast-tracked process is for less complex connections

Issues with timeframes (VII)

7. Timeframe for non-fast-tracked connection applications

- Draft rule determination:
 - The draft rule proposed that for projects that are likely to require shared network augmentation, the DNSP provides the detailed response within the time agreed with the applicant, but in any case, within four months.
- Stakeholder feedback:
 - DNSPs, the draft rule determination indicated that longer timeframes are only appropriate in circumstances where share network augmentation is required.
 - Longer timeframes should be determined according to whether the proposed installation is small/simple or large/complex.
 - The maximum timeframe, unless otherwise agreed, to make a connection offer for connections that are not agreed projects should be extended to six months
 - The proposed maximum timeframe is contingent on there being a ‘stop-the-clock’ mechanism for the time it takes proponents to respond to requests to provide further information needed by the DNSP to enable it to make a connection offer.
- AEMC proposed solution:
 - No change to the four month maximum timeframe
 - Extension possible, but DNSP must provide reasons for extension and seeks applicants agreement which must not be unreasonably withheld



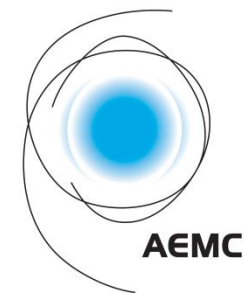
Ability to opt out of preliminary process



Ability to opt out

8. Ability to opt out of the preliminary enquiry stage

- Draft rule determination:
 - The draft rule introduced a preliminary enquiry stage to the connection process to replace ‘ad hoc’ negotiations.
- Stakeholder feedback:
 - The City of Sydney, the proponents, TEC and Moreland Energy Foundation welcomed the new preliminary enquiry process, but suggested that some project proponents be able to skip this stage.
- Proposed AEMC solution:
 - Propose to allow opt-out of the preliminary enquiry stage subject to agreement of both parties



'Agreed projects'



Feature of an 'agreed project'

9. Description and definition of an 'agreed project'

- Draft rule determination:
 - The draft rule proposes that under the revised connection process, the resultant detailed enquiry response would be an 'agreed project' for the purposes of the connection application stage.
- Stakeholder feedback:
 - Stakeholders supported this recommendation, but believed that greater clarity must be given over what constitutes an 'agreed project';
 - the definition of 'agreed project' and 'fast-tracked' must be clearly defined and be based on performance criteria, not other discretionary criteria, such as specific equipment and must be linked to the DNSP's published standards.
 - Also the definition of 'materially different' must be restricted to only include those parts of an 'agreed project' which have a material impact on the distribution network user access arrangements.
 - Stakeholders considered that these definitions should not be left to the DNSPs discretion.
- AEMC proposed solution:
 - propose to amend the definition of an 'agreed project', as policy intent was not to allow a cosmetic change to constitute a change to an agreed project

Provision of information



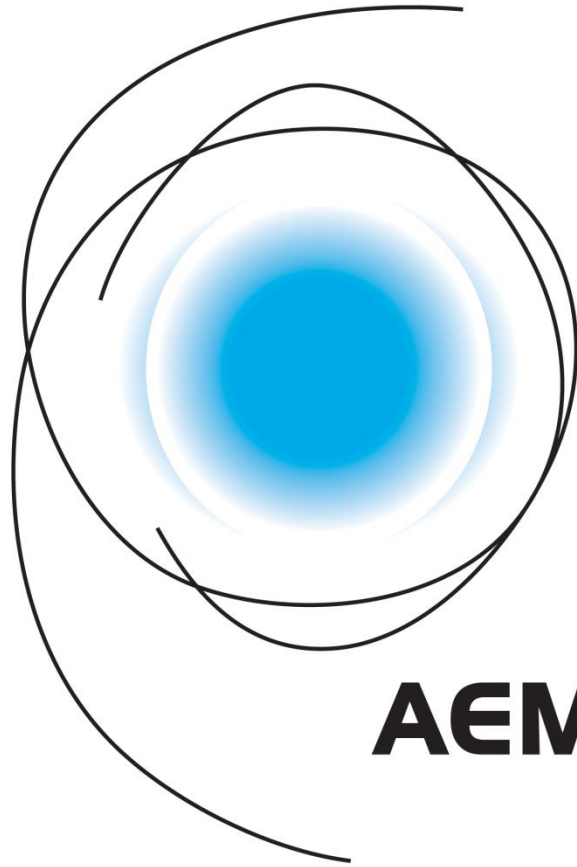
Details of information requirements (II)

10. Information requirements for the detailed enquiry response

- Draft rule determination:
 - The draft rule proposed the introduction of a new schedule 5.4B detailing the information that must be included in the detailed response.
 - Amended clauses to oblige DNSPs to nominate each technical requirement
- Stakeholder feedback:
 - Current rules obligate DNSP to provide all relevant technical information, whereas the new framework is on the basis that the DNSP determines all technical requirements
 - Negotiating framework for technical requirements has been made obsolete by the draft rule
 - The detailed enquiry stage must be framed appropriately to ensure complete provision of detailed technical information to fully assess the distribution network user access arrangements sought.
 - The CEC thought that a maximum time period of 20 business days should be applied to the provision of this information and technical justification be provided by DNSP for any proposed access standards
- AEMC proposed solution:
 - Propose to amend the draft rule to reinstate the negotiating framework allowing connection applicants to propose negotiated access standards

Way forward

- Provide a summary of today's meeting on the AEMC's website;
- Hold another workshop with stakeholders on:
 - the technical register of compliant equipment; and
 - the dispute resolution process/expert appraisal process
- Consultation with stakeholders where required; and
- Publish the final rule determination by 19 December 2013.



AEMC