

A few
words.

9 August 2013

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 2013, Connecting Embedded Generators, Draft Rule Determination (Reference ERC0147)

AGL Energy (AGL) welcomes the opportunity to comment on the Draft Rule Determination on Connecting Embedded Generators, released by the AEMC on 27 June 2013.

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

AGL notes that the key features of the Draft Rule Determination are to:

- Require distributors to publish an information pack to guide applicants on the process requirements to improve clarity and transparency of the connection requirements;
- Introduce two stage connection enquiries to improve timeliness and certainty of connection enquiries;
- Require distributors to make a connection offer within 20 business days for agreed projects to improve certainty to connection applicants;
- Require distributors to publish a register of generating plants that meets their minimum technical requirements;
- Introduce an expert appraisal process to assist in the resolution of technical disputes;
- Permit distributors to charge an enquiry fee;
- Not grant an automatic right for the applicants to export electricity to the grid; and
- Not exempt applicants from shared network augmentation costs.

AGL generally supports the above features of the Draft Rule Determination. These features are consistent with AGL's previous views on the proposed rule change that seeks to improve transparency, timeliness of connection, certainty and access to applicants, where such provisions are not already included in the National Electricity Rules (the Rules).

For smaller embedded generators, AGL generally agrees with the Draft Rule Determination that it will simplify and clarify the provisions in the current Rules. The Draft Rule Determination can be effectively applied to this class of generators that are generally smaller than 5 MW or export less than 20 GWh per annum. These are the two capacity

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thresholds that AEMO has adopted to exempt generators from having to register in the National Electricity Market. AGL believes that the Draft Rule Determination could prescribe these two thresholds so that they are applied to this class of generators. In AGL's view, this approach would be consistent with the original rule change requested by the proponents.

However, AGL is concerned that the Draft Rule Determination that provides for these features may become unworkable for the connection of larger scale embedded generators. The connection of larger scale embedded generators is generally technically more complex and requires a much longer lead time. In some cases, it could take 18 months or more before the technical requirements can be negotiated and agreed between the applicant and the distributor.

Furthermore, AEMO is more likely to be involved in the connection of larger scale embedded generators as the potential impact on the power system security is much higher. The coordination effort between the parties and the provision of additional data and analysis further extends the time required for a negotiated agreement. AGL therefore considers that the provisions on the timing and technical requirements in the Draft Rule Determination may become unworkable for the connection of this class of generators.

It is also worth noting that the issues and benefits identified by the AEMC in making the Draft Rule Determination are also relevant to generators larger than 5 MW or exporting more than 20 GWh. AGL believes that the transparency and clarity of the technical requirements, and the certainty in the timing of the connection process for this class of generators, can be improved.

The features provided in the Draft Determination can potentially be adopted, enhanced or expanded to address these issues. For instance, there may be merit in considering an independent expert appraisal process where there is a material dispute on technical requirements. However, given the more complex nature of these types of connections, further consultation will be required by the AEMC to examine these issues and any subsequent rule change for the connection requirements of this class of generators.

Please contact Kong Min Yeh on 03 8633 6988 if you wish to discuss this matter further.

Yours sincerely,



Simon Camroux
Manager Wholesale Market Regulation

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