

9 August 2012

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A244
Sydney South NSW 1235

Via website: www.aemc.gov.au

Dear John,

Grid Australia Response to AEMC connecting embedded generators Rule change proposal (ERC0147)

Grid Australia welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission's) Consultation Paper (14 June 2012) on the Rule change proposed by ClimateWorks Australia, Seed Advisory and the Property Council of Australia (the proponents). Grid Australia also welcomes the development of efficient and cost effective generation technologies in the National Electricity Market, including embedded generators.

This submission focuses upon issues pertinent to electricity transmission and is not intended to be a complete response to the issues raised in the Commission's Consultation Paper.

1. Embedded Generators: Fundamentally a distribution connection issue

Grid Australia agrees with the Commission that embedded generators "are electricity generating units that are connected within a distribution network and do not have direct access to a transmission network"¹. As a result, Grid Australia considers that the focus of this particular Rule change should be quarantined to specifically address the connection processes of Distribution Network Service Providers (DNSPs) for embedded generators.

Grid Australia notes (as has the Commission) that as currently drafted, electricity transmission connection processes have inadvertently become caught up in the current Rule change². Such an outcome appears to be beyond the remit of this 'embedded generators' focussed Rule change.

¹ AEMC Consultation Paper, p.2.

² As highlighted by footnote 15, p.5 of the AEMC's Consultation Paper.

Grid Australia understands that Chapter 5A of the National Electricity Rules (NER, “the Rules”) is designed to deal with connection of retail customers including all sizes of non-registered generation. It follows that varying Chapter 5 would not meet the intended purpose of the Rules structure. Therefore, the best way to ensure that the proponents’ concerns are dealt with, and transmission connection arrangements are not inadvertently impacted, is for the embedded generation connection process to be contained to Chapter 5A of the Rules.

Generation connection to the transmission network is being specifically dealt with as part of the Transmission Frameworks Review (TFR). In light of this, Grid Australia considers that it would be duplicative and inefficient to extend the rule change request considerations to transmission connection.

Furthermore, the Australian Energy Regulator (AER) recently foreshadowed in its April - June 2012 Wholesale Markets Quarterly Compliance Report that it expects to commence its special project on generator connections to the transmission network this quarter. The AER intends to undertake a survey focussed on the performance of TNSPs and, specifically, on timeliness, the provision of information, cost, design, availability of competitive procurement and responsiveness to the connection applicant’s commercial requirements. Grid Australia also notes that some of these issues are directly under examination in this particular Rule change.

Having said this, Grid Australia provides the following comments on matters subject to the consultation.

2. Understanding embedded generators – Key principles

Embedded Generator proponents often require the services of the distribution network, *in the main*, to:

- Provide a secure back-up supply when they are not generating;
- Export surplus electricity; and
- Regulate the quality of exported electricity.

In providing these services and satisfying the safety, security, reliability, flexibility and power quality needs of the electricity market as a whole, (distribution) network businesses must ensure that the following requirements are met:

- Safety to customers, personnel working on or near networks assets and the general public;
- Protection of network equipment and other customer installations;
- Reliability and quality of supply to all customers; and
- Establishment of appropriate access standards.

Grid Australia considers that these principles need to be clearly taken into account when the proponents ask for the ability to export back into the grid.

3. Existing National Electricity Rule requirements

Chapter 5 contains connection enquiry process steps which Grid Australia members have generally found to be workable.

(a) As the Commission highlights, network service providers are required to provide information to a connection applicant once a connection enquiry has been made.

As described in footnote # 36 of the Commission's Consultation Paper, Clause 5.3.2(b) of the Rules states that '[i]f the information submitted with a *connection* enquiry is inadequate to enable the [network service provider] to process the enquiry, the provider must within 5 *business days*, advise the *Connection Applicant* what other preliminary information of the kind listed in schedule 5.4 is required before the *connection* enquiry can be further processed'.

Grid Australia considers this is a tight, but appropriate, time frame.

(b) Currently under clause 5.3.3 (c) of the NER, a network service provider must respond to a connection enquiry in writing setting out, among other things, all the further information that the connection applicant must provide to enable it to assess the application to connect.

Grid Australia considers this is a tight, but reasonable approach.

(c) Clause 5.3.6(a) of the NER requires a network service provider to make an offer to connect within the timeframe outlined in the preliminary program.

Grid Australia agrees with the way the current Rule clause is intended to operate. It is also supportive of the arrangements, which the Commission highlights under Clause 5.3.3(b)(6) of the NER that provides the scope for parties to agree to modify proposed milestones under the preliminary program.

4. Flexibility required to accommodate different circumstances

Grid Australia acknowledges that information exchange between applicants and the relevant NSP is a key aspect of the connection enquiry process and one that is necessarily iterative. The level of information exchange and discussion may vary according to, for example, the complexity of the applicant's requirements, the potential site of connection to the network as well as the familiarity of the applicant with the connection process.

As a result, Grid Australia does not consider that it would be appropriate to adopt a 'one-size-fits-all' or 'boiler plate' approach across all circumstances. In other words, flexibility should be retained to facilitate commercial realities.

5. Specific comments on proposed new or amended Rules

Insert new clause 5.1.2(ba) in Chapter 5

This new clause entrenches a right on the part of embedded generators (including cogeneration proponents) to require a **DNSP** to comply with Chapter 5.

(ba) Any person who is an Embedded Generator has the right to require a Network Service Provider to comply with this Chapter.

Grid Australia notes that Network Service Providers (NSPs) are already required to comply with Chapter 5 of the Rules, and therefore does not consider the rule change to be beneficial. However, in the event that the rule change is considered to have merit Grid Australia notes that this could inappropriately include TNSPs. This clause should not apply *verbatim* to TNSPs.

Insert new clauses 5.1.3(ca) and 5.1.3(cb) in Chapter 5

This new clause sets out additional principles applicable to the connection process.

(ca) Each party must act in good faith in relation to connection to a network.

Existing Clause 5.3.6 (f) already addresses this issue. Specifically, that:

Both the *Network Service Provider* and the *Connection Applicant* are entitled to negotiate with each other in respect of the provision of *connection* and any other matters relevant to the provision of *connection* and, if negotiations occur, the *Network Service Provider* and the *Connection Applicant* must conduct such negotiations in good faith.

(cb) Each party must provide the other with information the other reasonably requires in order to facilitate connection to the network.

Grid Australia notes that this proposed clause would also be subject to the existing Rules' prescribed confidential information provisions.

Insert new clause 5.3.3(b)(7) in Chapter 5

The new clause will require NSPs to give (within 10 business days) details of any applicable fees needed to process the applicant's application.

Grid Australia is aware that Clause 5.3.3(c)(5) of the NER already requires NSPs to provide this type of information within 20 business days. To create a similar clause as a new requirement under Clause 5.3.3(b) creates duplication and exposes NSPs to a new civil penalty provision. Grid Australia does not consider this appropriate.

Should you wish to discuss any aspect of this submission, please contact me via email on korte.rainer@electranet.com.au or on (08) 8404 7983.

Yours sincerely



Rainer Korte
Chairman
Grid Australia Regulatory Managers Group