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## Connecting embedded generators rule change

AEMC workshop on the connection process, expert appraisal process and technical register of plant and equipment

Friday, 1 November 2013

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This document is intended to provide a record of the discussions held at the workshop. The AEMC will consider the views expressed during the workshop as part of the current rule change process.

### Review of connection process

- AEMC staff outlined some proposed changes to the connection process to be made in response to the discussion held at the last workshop.
- One key change proposed was to remove the **validity periods** between the preliminary enquiry and detail enquiry stages. The effect of this change would be to reinstate the current circumstance: that it would be in the interest of the connection applicant to carry out the required work in a timely manner in order to progress the connection process.
- In general, DNSP representatives expressed support for making this amendment to the connection process set out in the draft rule. It was noted that it was consistent with the NEM's open access market approach and reflects current practice. However, the rule change proponents expressed concern that without these validity periods, a connection process could stall and a connection applicant would not have any recourse to this. In brief, the rule change proponents regarded the proposed change as a 'step backwards'. In response, the AEMC clarified that DNSPs should notify connection applicants when there are changes in circumstances that may impact on their connection process. Also, that the connection process needed to work for a wide range of potential connecting embedded generators and that a network is subject to change. It was also noted that most connection applicants thought the validity periods were insufficient to be able to properly prepare a connection process (and answer DNSP queries as part of the enquiry process). However, they would have recourse to the dispute resolution process.
- The second key change proposed was to remove the **agreed project and the related fast-track timing** (in moving from lodging a connection application to the DNSP making an offer to connect). The AEMC noted, and DNSPs acknowledged, that even though these formal steps in the connection process could be removed, there was nothing to prevent DNSPs and connection applicants effectively achieving a similar outcome in practice.
- The rule change proponents stated that the loss of the agreed project concept from the Chapter 5 connection process would be a serious step backwards. Small generators should be able to access a fast connection process – a year-long process is too long for applicants that are interested in connecting a modest generator to a distribution network.
- In response to this, it was noted that a faster process can occur if a connection applicant makes use of the published standards. However, the rule change proponents stated that most access standards are not appropriate for many embedded generators and there has been to date a significant lack of public information. For this reason, in the rule proponents' view, it is important to include a fast-track option in the process for those connection applicants who may like to use it.

- DNSPs commented that a 5MW generator is not small for a distribution network and that negotiation will be needed to settle the connection requirements. AEMO also noted that negotiation would be desirable to obtain requirements that are suitable for the particular circumstances – published standards could be high (and a bit difficult to satisfy) because they are written to accommodate a wide range of situations.
- The rule change proponents acknowledged that negotiating access may be worthwhile for some connection applicants. However, there will be other applicants who are more interested in achieving connection as quickly as possible and will be less interested in negotiating with a DNSP.
- An embedded generator proponent commented that the onus is on the connection applicant to show that it satisfies the DNSPs standards. In their view, this can be achieved by providing the relevant information on the equipment to the DNSP. The rule change proponents commented that in their view DNSPs did not always accept such information and requested more information.
- In addition, the rule change proponents noted that because the standards are set high they are difficult to achieve. This is why the rule change proposal sought to have the NER include a standard suitable for small embedded generators. AEMC noted that the development of new standards is being managed with the Department of Industry and is not otherwise a matter for this rule change process.
- The AEMC outlined proposed changes to **Schedule 5.4A** on information to be provided by a DNSP in a preliminary enquiry response that would better reflect the intended outcome of this part of the proposed process. In general, it was noted that information provided in this context should be information that is readily accessible by a DNSP and not require any further detailed work. The following outlines the views of the workshop participants:
  - **S5.4A(a)**: It was agreed that amendment of the leading paragraph to “technical information to the extent relevant to the application to connect to any or all of the following matters” would better reflect the intent of this phase of the proposed process. Participants also suggested that the intent of the policy (that the information be that readily available to a DNSP and not be information that requires significant work) could be clearer in this paragraph.
  - **S5.4A(b)**: This clause was proposed to be retained. The AEMC will consider whether this clause should reflect the current clause 5.3.3 (b)(1).
  - **S5.4A(c)**: Embedded generator proponents requested that this information (technical requirements such as plant standards and voltage levels) be provided at this stage of the process. DNSPs indicated that reasonable range type of information could be feasibly provided within the specified time. With this in mind, this clause could remain in Schedule 5.4A.
  - **S5.4A(d)**: Participants considered that the information to be provided under this proposed clause is to assist a connection applicant with an early feasibility of a project that could, for example, assist in ordering priorities across alternative projects. In this context, the information would be general information, not site specific detailed information (this would emerge later in the process) but information about the broader relevant area. That is, more information than can be obtained from a DAPR but not a detailed study. Some DNSPs then suggested that this information was likely to be captured by **S5.4A(i)** and some other participants agreed.
  - **S5.4A(e) – (l)**: It was agreed that these clauses were appropriate to this stage of the proposed process.
  - **S5.4A(j)**: It was suggested by participants that this information (on whether network augmentation may be required) could be determined from information provided under S5.4A(i). Some participants agreed and others suggested that this clause may be better placed in Schedule 5.4B (the detailed enquiry response) as detailed

site specific information could not be provided within the specified time frame relevant to the preliminary enquiry response. Nevertheless, it was considered important that reasonable guidance on the need for network augmentation should be provided to connection applicants.

- **S5.4A(m)**: This clause was not considered appropriate for the preliminary stage.
- **S5.4A(n) – (o)**: These clauses were considered appropriate to this stage of the proposed process. .
- **S5.4(p)**: This clause was not considered appropriate as it is not a matter for the DNSP to advise on.
- **S5.4A(q) – (t)**: These clauses were considered appropriate to this stage of the proposed process. Some participants questioned whether clause S5.4A(q) should relate to the current clause 5.5(c)(2). An embedded generation proponent also asked whether the information provided at this point would include, if relevant to the project, a draft construction agreement or draft asset transfer agreement. The AEMC will consider this.
- **S5.4A(r)**: While DNSPs agreed that information on the enquiry fee payable could be provided there was some concern about DNSPs' abilities to obtain relevant cost information from other parties (such as AEMO) within the timeframe for this purpose. Embedded generation proponents noted that cost estimate information is important at this preliminary enquiry stage as it is likely to be a key decision variable. It is also important for connection applicants to be aware of the limitations of the cost estimate information. It was suggested that this clause be amended to clarify that DNSPs would provide an estimate of the enquiry fee.
- The AEMC outlined some proposed changes to **Schedule 5.4B** (which sets out information to be provided by a DNSP in a detailed enquiry response) that would better reflect the intended outcome of this part of the proposed process.: The following outlines the views of the workshop participants
  - **S5.4B(a)**: This clause was considered appropriate to this stage of the proposed process.
  - **S5.4B(b)**: This clause was not considered appropriate to this stage of the proposed process .
  - **S5.4B(c) – (d)**: These clauses were considered appropriate to this stage of the proposed process. .
  - **S5.4B(new)**: former clause 5.4.A(d) was considered more appropriate to this stage of the process.
  - **S5.4B(new)**: clause 5.4.A(q)(3) was also considered appropriate to this stage of the process.
  - **S5.4B(e) – (k)**: These clauses were considered appropriate to this stage of the proposed process. It was noted that the phrase 'so far as is relevant' in S5.4B(f) would be relevant for NSW DNSPs to accommodate that some services are contestable. It was suggested that this clause clarify the information on the relevant asset valuation methodology (for assets that may be transferred) to be provided by a DNSP.
- The rule change proponent commented that the matter of **reimbursement of costs** related to shared network augmentation was not scheduled to be discussed at the workshop. The AEMC noted that this was the case and not all issues raised during this rule change process were to be discussed in a workshop environment. In some cases, submissions have themselves provided sufficient relevant information to the AEMC.
- Some DNSPs noted the flow chart of the proposed connection process for discussion included that connection applicants carry out **network studies** before lodging an application to connect. However, it was noted that a DNSP would need more than five

business days to confirm that the studies were appropriate. The DNSPs suggested the process include a stop-the-clock mechanism at this point to accommodate the work required by the DNSP. Other DNSPs noted that in this part of the proposed process they could only be expected to acknowledge whether relevant material had been received, and not to check its veracity. The AEMC noted that any work required by a DNSP at this stage (consideration of an application to connect) was proposed to be subject to a four month time frame that is extendable upon agreement which should not be unreasonably withheld. As the time frame is extendable, an embedded generation proponent suggested that a stop-the-clock mechanism relating to work carried out by AEMO or a TNSP was not required – such work could be accommodated by the extendable time frame.

### **Independent expert appraisal**

- The AEMC outlined that the proposed approach for the final determination would be that the existing dispute resolution provisions in Chapter 8 of the NER should be used by connection applicants and DNSPs in the context of the process to connect embedded generators to a distribution network, instead of the independent expert appraisal process set out in the draft determination.
- The Wholesale Energy Market Dispute Resolution Adviser (WEMDRA), Shirli Kirschner, spoke about the processes available under Chapter 8 that can be used to assist in the resolution of disputes (see slide pack provided by the WEMDRA).
- It was suggested by the WEMDRA that the AEMC review, and clarify where required, the scope of parties able to access Chapter 8 in the context of the Chapter 5 connection process; what types of disputes may need to be resolved; and suggested DNSPs provide contact details for their dispute management staff as part of the preliminary enquiry response.
- The rule change proponents noted they would consider implications of using the existing dispute resolution process. Most participants appeared to appreciate the potential for the existing process to mediate disputes in an early and least-cost manner and were interested in the commercial-friendly approach of this process.
- However, some proponents appeared to consider the existing Chapter 8 process to be flawed because it does not function to cure alleged breaches of the rules. The WEMDRA explained that potential breaches of the NER are a matter for the AER to investigate and sanction. The Chapter 8 process is primarily intended to resolve discrete disputes by direct commercial negotiation.

### **Technical register of equipment**

- The AEMC set out the information proposed to be included in the technical register of compliant equipment to be maintained by each DNSP.
- DNSPs suggested that the use of the word 'compliant' to describe the register was not appropriate. Instead, a better description would be a 'register of completed projects' as the content of the register compiles certain information about connections that have been successfully completed under the Chapter 5 process.
- It was suggested that basic, broad contextual information about a connection could be provided and would be useful. The rule change proponents also suggested that information on the particular plant connected (such as make and model) would be useful. However, DNSPs commented that they are not always privy to this information and it may be subject to confidentiality requirements. AEMO agreed with this comment. In response, the AEMC suggested that make and model type of information could be provided with the agreement of the party who had connected to the network. This would require DNSP's to collect this information and seek agreement from the relevant equipment owners to provide such information to third parties.
- DNSPs suggested the proposed timeframe over which plant information is collected could be a rolling five years. This would capture the most relevant information as equipment that is more than five years old is less likely to be relevant and useful to connection applicants.

- DNSPs also requested the AEMC clarify that the register provides information for guidance only and it should not be binding upon a DNSP to accept the connection of equipment that appears on the register.
- With these comments in mind, the DNSPs considered that the creation and maintenance of a technical register should not be onerous. However, it was suggested that the AEMC compare these requirements to the DAPR and the demand-side engagement document.

**Other matters**

- A number of participants requested they be able to review a draft of the final rule before it is made. The AEMC commented this request would be considered; although, it should be noted that if this additional consultation were carried out, the final determination would not be provided by 19 December.