

Australian Energy Market Commission
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Transmission Connection & Planning Arrangements (ERC0192)

The Australian Energy Council (the “Energy Council”) welcomes the opportunity to comment on the Australian Energy Market Commission’s (“AEMC”) National Electricity Amendment (Transmission Connection and Planning Arrangements) Rule 2016 Discussion Paper.

The Energy Council is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

Discussion

Equitable access to the transmission system is an important issue for Energy Council members, and making the arrangements for transmission connection simpler and clearer will assist members in engaging with transmission network service providers and agreeing new connections. By clarifying the connection framework and increasing the transparency of the transmission connection process, information asymmetries will be reduced, and connecting parties will be able to negotiate in a more informed manner to achieve faster, fairer outcomes.

The proposed standardisation of negotiating principles will streamline discussions between prospective connecting parties and transmission network service providers (“TNSPs”), and make connection more easily achievable, particularly for smaller parties which may not have the resources to engage in protracted negotiations. The availability of an independent engineering expert will also provide comfort to both parties that the proposed connection is technically reasonable – although the Energy Council notes that the expert’s advice would not be binding, therefore it would only influence the process rather than provide a determining role.

Dedicated Connection Assets

The Energy Council supports the proposal that dedicated connection assets be fully contestable, however it is cautious about the conditions suggested for third party access and would appreciate more detail being set out on the principles proposed. For example, the discussion paper proposes that “access should only be offered if the asset has spare capacity”. It’s unclear from the paper whether the test for “spare capacity” would be a physical test, in which case the original contracting party, which may have contracted the dedicated connection assets on the basis of a planned future expansion, could be gazumped by a new connecting party. If instead the test is for contracted capacity, the connection assets will have been overbuilt, and the original contracting party will need to ensure that it is not being charged for an underutilised asset.

Identified User Shared Assets

Increased competition in the provision of connections is encouraged by the Energy Council. The Energy Council is supportive of all aspects of dedicated connection assets being fully contestable and provided as a

non-regulated service, as its members seek to establish feasibility for their projects. Improved market efficiency is the result of contestability, and to this end the Energy Council prefers Model B “Increased contestability with TNSP accountability”, which opens up all connection services to the torch of competition while keeping overall accountability for the assets with the TNSP. While it may be argued that the TNSP will have insufficient control over the connected assets to mitigate the risks it faces, the Energy Council believes that service reliability and allocation of risk can be adequately managed through contractual arrangements between the parties acting reasonably. There may be a need for the National Electricity Rules to detail what is expected of the parties in striking such an arrangement.

Arrangements for Victoria

For standardisation across the NEM, the Energy Council supports the rule changes proposed being applied to AEMO’s declared network functions in Victoria, as doing so will achieve consistency and assist parties which participate in more than one region.

Conclusion

In conclusion, the Energy Council supports the proposed rule change. Implementing all the proposals set out in the Discussion Paper will reduce the administrative burden on prospective connecting parties and address the current information asymmetries. The Energy Council believes that the National Electricity Objective will have been satisfied, since the rule changes will “promote efficient investment in, and efficient operation and use of, electricity services”.

Any questions about this submission should be addressed to the writer, by e-mail to kieran.donoghue@energycouncil.com.au or by telephone on (03) 9205 3116.

Yours sincerely,



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