



28 January 2016

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
Level 6, 201 Elizabeth Street  
Sydney NSW 2000

Lodged via [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Mr Pierce

**RE: Transmission Connection and Planning Arrangements Rule change (Ref ERC0192)**

GDF SUEZ Australian Energy (GDFSAE) appreciates the opportunity to comment on the Australian Energy Market Commission (AEMC) Transmission Connection and Planning Arrangements Consultation Paper (Consultation Paper).

**Connections framework**

The Council of Australian Governments (COAG) Energy Council have proposed that the objective of the connections framework is to deliver efficient connection services to those parties seeking to connect to the transmission network. The Energy Council then propose a connections framework which would, in summary:

- facilitate timely, technically appropriate and cost-reflective connections;
- promote transparency;
- enable competitive provision of assets;
- facilitate effective negotiation;
- maintain clear accountability; and
- incorporate a robust dispute resolution process.

GDFSAE believes that the proposed objective and framework are appropriate in that they focus on the areas that have prevented timely and efficient connection outcomes in the past. It is inevitable that as the review of the connection arrangements considers matters of detail, there will be tension or conflict between some of the facets of the proposed framework. For example, achieving timely outcomes may not sit comfortably with ensuring technical rigour or clear accountability. Nevertheless, GDFSAE agrees that all framework elements need to be included.

**GDF SUEZ Australian Energy**

Level 33, Rialto South Tower, 525 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel. +61 3 9617 8400 Fax +61 3 9617 8401

[www.gdfsuezau.com](http://www.gdfsuezau.com)

INTERNATIONAL POWER (AUSTRALIA) PTY LTD  
ABN 59 092 560 793

### New transmission asset categories

The rule change request proposes to include new categories of transmission assets in the National Electricity Rules (NER) as set out in the following table:

Asset type	Description	Paid for by	Contestability
Shared assets	Used by the broad base of consumers	All market customers (through TUOS)	Built, owned and operated by TNSP
Identified user shared assets	Required for connecting generators or load but not used exclusively by it	Connecting generator for generator connections Potentially by the connecting load	TNSP accountable for operation, control and maintenance Construction and ownership contestable
Dedicated connection assets	Required and used exclusively by connecting generators or load	Connecting generator or connecting load	Construction, ownership and operation contestable

GDFSAE understands that the shared assets category is essentially unchanged from the existing NER classification, and that the main impact of the rule change proposal is to define the “identified used shared assets” and the “dedicated connection assets”.

The Consultation Paper describes the proposed identified user shared assets as those assets that form part of the shared transmission network, which are developed and constructed for the purpose of connecting an identified user group to an existing transmission network, but not used exclusively by the relevant identified user group.

GDFSAE supports the proposed contestable arrangement whereby connecting parties would be able to choose who constructs the identified user shared assets.

The requirement that the local Transmission Network Service Provider (TNSP) be responsible for high-level design, operation and maintenance of the identified user shared assets creates the potential risk that the local TNSP will introduce design or operational requirements that are difficult for a potential contractor to achieve.

Similarly, the proposal that a connecting party would be able to retain ownership of identified user shared assets is supported by GDFSAE. The requirement to agree terms with the local TNSP to allow TNSP full operation, control and maintenance rights is reasonable in principle, but this could potentially allow TNSPs to impose unreasonable onerous requirements on connecting parties.

To prevent the TNSP responsibility and control becoming an impediment to contestable ownership, the NER could include a negotiating framework that must be adhered to by TNSPs (and connecting parties) when negotiating on ownership terms and conditions.

GDFSAE supports the introduction of the new asset category of “dedicated connection asset”, as this would overcome the current ambiguity between extensions and negotiated connections services. The definition of the boundary between dedicated connection assets and identified user shared assets as the first point at

which the dedicated assets can be isolated from the shared network would seem to provide a clear and transparent line of demarcation.

### **Exemptions from registration and third party access**

The rule change proposal includes an automatic exemption of user shared network assets or dedicated connection assets from regulation under Chapters 5 and 6A of the NER. This reflects the fact that the construction and ownership of these assets would be subject to contestable processes, and not monopoly provided.

GDFSAE supports the proposed distinction between regulated monopoly provided assets and non-regulated contestable assets.

The owners of these dedicated transmission connection assets would still be required to allow third party access on reasonable terms, and a negotiating framework would be established under the NER. GDFSAE agrees that if dedicated transmission connection assets are owned by a TNSP, the existing generator or customer should not have to accept terms that disadvantage it as a result of the TNSP providing access to a third party.

### **Transition to the shared network**

The proposed rule changes include consideration of circumstances where it may be appropriate for assets developed as dedicated connection assets to transition to shared transmission assets. GDFSAE accepts that there may be circumstances whereby this seems a logical transition - for example, where a TNSP needs to augment the shared network and the most efficient option would be to utilise the dedicated connection assets.

Any such transition needs to be considered carefully, as it raises a number of potentially anti-competitive possibilities. For example, where a connected party has funded a dedicated asset that subsequently becomes part of the shared network, the TNSP should not be able to seek further funding through TUOS for assets that have already been paid for. Furthermore, the protections against disadvantage that a connected party enjoys against third party access to its dedicated connection assets should be retained if the dedicated assets are transitioned into the shared network.

### **Negotiated services**

Negotiated services are subject to negotiation between parties, or alternatively arbitration and dispute resolution. The rules attempt to set out "ground rules" for negotiation, focusing on cost and price issues, but do not adequately cover issues like perceived over specification by TNSPs, timelines and risk allocation. Furthermore, the current principles are approved for individual TNSPs by the AER on a case-by-case basis. Thus, there can be a number of different outcomes for individual TNSPs, which restricts transparency and effectiveness.

Under the proposed rule change, negotiated services would be rationalised into a single set of negotiation principles that apply directly to all TNSPs. GDFSAE supports the move towards consistency of approach across all TNSP, as this will facilitate streamlined and transparent arrangements for connecting parties, particularly those that deal with multiple TNSPs.

## Transparency

As noted in the Consultation paper, in assessing the options for construction of dedicated assets, connecting parties need accurate and timely information to be able to compare the costs and services of various options. Under the proposed rule change, TNSPs would be required to publish:

- design standards and philosophies;
- standard form connection contracts; and
- pro-forma preliminary programs.

In addition, TNSPs would be required to provide a range of options in any quote for negotiated services, as well as a reasonable cost breakdown.

These moves towards greater transparency are supported by GDFSAE.

## Planning arrangements

The Consultation Paper sets out a number of measures to improve the coordination of transmission planning processes between TNSPs and AEMO.

## Cross-regional investment

TNSPs would be required to investigate investment options in other regions that may help them to meet their reliability standards. If an option in another region was identified as being the preferred option, the TNSP in that region would need to agree to be the proponent of the investment.

GDFSAE understands that the aim is to allow the importing region's local TNSP the option of investigating options in other regions, although it seems inappropriate that the other regions TNSP should be required to become the proponent of the investment. It would seem more appropriate that the burden of demonstrating the benefit of the proposal should lie with the region that is seeking to meet its reliability standard obligations.

## TNSP input into NTNDP

The proposal to formalise the existing informal arrangements whereby AEMO collects input from TNSPs in preparing the NTNDP seem sensible to GDFSAE. Since the NTNDP represents a national plan that covers all NEM jurisdictions, it would seem inappropriate not to include an obligation for AEMO and all TNSPs to provide input to this important planning document.

## Consistently of Annual Planning Reports

GDFSAE agrees that introducing some consistency of presentation of information contained in the annual planning reports would be beneficial. This may simply be in the form of a minimum set of information that would need to be provided for each proposed network project.

GDFSAE would not recommend a completely structured approach to the presentation of annual planning reports. TNSPs should rather be encouraged to strive for accurate and engaging methods of presenting the information.

In summary, GDFSAE believes that the measures outlined in the Consultation Paper have the potential to result in improved arrangements for connection of generation and customer assets to the transmission network, and for coordination of planning processes. There is however, a great deal of detail that will need to

be worked through to ensure that these changes have the desired impact without introducing unintended consequences.

GDFSAE trusts that the comments provided in this response are of assistance to the AEMC in its deliberations. Should you wish to discuss any aspects of this submission, please do not hesitate to contact me on, telephone, 03 9617 8331.

Yours sincerely,



**Chris Deague**  
Wholesale Regulations Manager