



Transmission Connection and Planning Arrangements

Discussion paper released for consultation

The AEMC has published a discussion paper on a rule change request submitted by the COAG Energy Council that seeks to amend those aspects of the National Electricity Rules (NER) that relate to the arrangements for transmission connection and planning. The discussion paper sets out our proposed changes to the transmission connections framework.

Purpose of the paper

The AEMC has prepared a discussion paper to facilitate stakeholder feedback on the connections aspects of the Transmission Connection and Planning Arrangements rule change request.

The paper sets out the changes the Commission proposes to make to reduce the complexity, ambiguity and lack of clarity in the NER transmission connection framework and redress the asymmetric power held by transmission network service providers (TNSPs) when negotiating with parties seeking connecting to the transmission network.

Proposed changes to the NER transmission connection framework

To improve outcomes for parties involved in connections, the AEMC proposes to:

- make the arrangements for transmission connection in the rules clearer and simpler;
- enhance transparency in transmission connection arrangements by requiring TNSPs to publish information about the specifics of connecting to their network on their websites, and to provide certain information to the connection applicant upon request;
- revise and strengthen the principles in the NER that underpin negotiations between connecting parties and TNSPs, including introducing new 'negotiating rules' to govern negotiations;
- introduce an ability for either the TNSP or the connecting party to engage an independent engineering expert to provide advice on the technical aspects of a connection; and
- clarify the process that applies to the resolution of disputes raised in relation to transmission connections.

These changes should result in significant improvements to the efficiency of connections to the transmission network, by making things clearer and more transparent.

Contestability arrangements

The introduction of competition, where appropriate, is likely to give connecting parties a greater ability to manage the costs and timing of their connection and would place competitive pressure on the incumbent TNSP to improve its service offerings.

We propose to introduce two new categories of transmission assets:

- *Dedicated connection assets* – assets that are used to connect a particular user to the transmission network but do not form part of the shared network
- *Identified user shared assets* – assets that are used to connect a particular user to the transmission network and form part of the shared network

We propose to clarify that the provision of all services for dedicated connection assets is contestable. This is because the risks of inadequate design, construction and operation are confined to the user alone and do not affect the operation of the shared network and the provision of safe, reliable and secure electricity services to consumers.

The AEMC invites submissions on the discussion paper by 30 June 2016.

A public forum, with Commissioners in attendance, will be held in Sydney on 16 June 2016.

However, identified user shared assets form part of the shared network. Any new arrangements will therefore need to maintain clear accountability for the safe, reliable and secure supply of electricity across the shared transmission network.

The paper sets out two approaches to the treatment of identified user shared assets:

- A. The model proposed in the rule change request in which construction and ownership of identified user shared assets could be provided on a contestable basis. All other services (i.e. operation, maintenance etc.) would be provided by the incumbent TNSP.
- B. A model which introduces contestability for the majority of services for identified user shared assets, including operation and maintenance. This model has been developed based on stakeholder submissions to the consultation paper, which generally indicated support for a more contestable approach to identified user shared assets than that proposed in the rule change request. Under this model the incumbent TNSP would remain ultimately accountable for any impact these assets have on the shared transmission network.

We seek feedback from stakeholders on which of the above models best meets the National Electricity Objective, in particular which model:

- improves outcomes for connecting parties with regard to the transparency, timeliness, cost and complexity of connections to the transmission network; and
- maintains clear accountability for outcomes on the shared transmission network.

Next steps

Stakeholders are invited to provide written submissions to this discussion paper, which we will consider before making a draft determination on the rule change request by 24 November 2016. Submissions close on 30 June 2016. We are also happy to schedule confidential meetings for stakeholders who do not wish to provide a public submission.

We will hold a public forum on this discussion paper in Sydney on 16 June 2016. Information about how to register for this forum with our Commissioners is available on the AEMC website.

Background

The Transmission Connection and Planning Arrangements rule change request was submitted by the COAG Energy Council in July 2015. The rule change request is largely based on the recommendations made by the AEMC in the Transmission Frameworks Review (TFR) and seeks to:

- improve transparency, contestability and clarity in the NER in relation to connections to the transmission network, while maintaining clear accountability for outcomes on the shared network; and
- enhance the transmission planning and decision making frameworks.

In the TFR, the Commission concluded that there is a disconnect between Chapter 5 of the NER, which sets out the connection process and the assets that are required to enable a connection, and Chapter 6A of the NER, which governs the economic regulation of services provided by the incumbent TNSP in relation to a connection. This disconnect, and a general lack of clarity in the NER connection arrangements, means that the NER transmission connection framework is subject to a degree of interpretation by connecting parties and incumbent TNSPs.

These issues are compounded by the asymmetric power TNSPs hold in negotiations with connection parties. As a result, connection experiences can be unpredictable, may vary across transmission network boundaries, and can result in unsatisfactory outcomes in terms of cost and timeliness.

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