



9 August 2012

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Project Number ERC0131

www.aemc.gov.au

Dear Sir/Madam

AEMC Draft Determination – National Electricity Amendment (Distribution Network Planning and Expansion Framework)

Essential Energy appreciates the opportunity to respond to the *Australian Energy Market Commission's (AEMC's) draft rule determination – National electricity Amendment (Distribution Network Planning and Expansion Framework) Rule 2012* ('draft determination').

Essential Energy recognises and generally supports the improvements made by the AEMC to the draft determination. The comments offered in this submission are intended to assist in achieving an outcome which does not increase the burden of compliance or delay the delivery of required and critical projects.

Essential Energy has provided input to the Energy Networks Association's (ENA's) submission to the draft determination and is aware of the views presented by other distribution businesses. Essential Energy generally supports the comments and specific suggestions made in the ENA proposal and provided by other distribution businesses in the context of presenting an overall industry position in regard to the draft determination.

The comments and suggestions included in this submission endorse Essential Energy's support of the ENA submission, expanding on the points made in it or adding further comment from Essential Energy's specific circumstances and the NSW jurisdictional situation. In particular, Essential Energy emphasises the following points:

- **Distribution Annual Planning Report (DAPR)**

The DAPR requires the reporting of primary feeders, the draft definition (a distribution line connecting to a sub-transmission asset to either other distribution lines that are not sub-transmission lines, or to distribution assets that are not sub-transmission assets) is demanding in that it leads to a large volume of information collation, assessment and reporting which would be unlikely to lead to improvements in network planning outcomes or project expenditure needs. Essential Energy believes that a more realistic outcome could be achieved by qualifying the routine reporting requirements as being applicable to 'significant' primary feeders, or where a constraint or a consequential nominated (substantial) minimum level of investment is required. For example a 'significant'

primary feeder could be defined as those originating from a zone substation with a firm capacity of 10MVA or more, and/or with a peak load greater than 2/3MVA.

The summary points on page 24 of the draft determination include some qualification forecasts for 'primary distribution feeders' in allowing for forecasts of maximum demands being 'to the extent practicable'.

- **Joint Planning and the Lead Network Service Provider**

Essential Energy contends that the assessment process for joint planning should be determined by the nature of the issue to be resolved (distribution issue then RIT-D, transmission problem then RIT-T). A realistic approach would be to base the responsibility for project carriage on the nature of the constraint being addressed and the materiality of transmission impact and involvement. As an example – a shared substation – transmission line supplied primary bus bar, distributor owned transformers and secondary voltage plant – could be the most feasible option to address a local supply constraint (a situation which is not uncommon within the Essential Energy supply area). A few kilometres of 132kV line, an in/out 132kV busbar connection and AEMO compliant communications can easily exceed the nominated \$5 million limit, even though the transmission involvement is minimal in terms of constraint need and transmission system impact. In reality, a \$5 million limit is not an effective proxy for the true nature of project responsibility.

- **Timing of DAPR and Demand Side Engagement Strategy (DSES)**

The draft determination states that a distribution network service provider (DNSP) must publish its DSES by no later than commencement date (of the rule) plus 9 months (clause 5.13.1(g)). This requirement is problematic in that the DSES will need to be developed to align with the AER's Regulatory Investment Test for Distribution (RIT-D), which the draft rule also states is to be published by the AER by the date that is 9 months after the commencement of the rule (clause 5.17.3(d)). Given the dependency that exists between the timing of the DSES and RIT-D, Essential Energy requests clarification as to how the conflicting requirements are to be managed.

- **Australian Energy Regulator's (AER's) ability to grant exemptions or variations to the DAPR**

Essential Energy reaffirms its belief that the AER should have the ability to grant a DNSP an exemption or variations to the content of the annual reporting requirements. This is particularly important during the transition from jurisdictional reporting to national reporting and additionally until a DNSP has systems in place to comply with the more onerous national requirements.

Essential Energy would be pleased to discuss this matter further. Should you require further information or clarification please feel free to contact Natalie Lindsay on 02 6589 8419 or Maree Richards on 02 6338 3953.

Yours sincerely



Col/Ussher
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