



**TOTAL ENVIRONMENT CENTRE INC.**  
National Electricity Market Campaign

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# Submission to the AEMC

## **Connecting Embedded Generators**

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## **Total Environment Centre's National Electricity Market Campaign**

Established in 1972 by pioneers of the Australian environmental movement, Total Environment Centre (TEC) is a veteran of more than 100 successful campaigns. For over 30 years, we have been working to protect this country's natural and urban environment, flagging the issues, driving debate, supporting community activism and pushing for better environmental policy and practice.

TEC has been involved in National Electricity Market (NEM) advocacy for ten years, arguing above all for greater utilisation of demand side participation — energy efficiency, demand management and decentralised generation — to meet Australia's electricity needs. By reforming the NEM we are working to contribute to climate change mitigation and improve other environmental outcomes of Australia's energy sector, while also constraining retail prices and improving the economic efficiency of the NEM — all in the long term interest of consumers.

Our main interest in this Rule change proposal is in relation to community energy projects, the needs of which are largely similar to those of precinct-scale co- and trigeneration projects.

## **Connecting Embedded Generators Rule Change Proposal**

TEC supports the proposed Rule change and believes that it is in the long term interests of consumers, as required by the National Electricity Objective. It is our opinion that the rule change proposal will result in a simpler and fairer connection process for midscale embedded generators.

As previously noted, we are impressed with the work of Seed Advisory, Climate Works and the Property Council in proposing this rule change. The proposal takes a systematic and practical approach taken to identifying the barriers to connection of embedded generation projects and proposing solutions to these problems within the current rules. The result is a rule change proposal that TEC was pleased to support. We are therefore disappointed that the proposed rule change fails to include some important elements from the original rule change proposal.

TEC supports the AEMC's proposed new negotiated process for connections, the revised connection application and offer process and the expert appraisal process for technical aspects of a project. We do, however, wish to see an automatic right to export and clarity regarding the sharing of network costs, timelines and project definitions. We address these concerns in more detail below.

### **Automatic right to export**

TEC is dissatisfied that the Draft Determination continues to place DNSPs as the gatekeepers of the grid by determining a customer's right to export. The AEMC's discussion of the issue is too simplistic as there is a spectrum of possible outcomes in choosing an embedded generation system, e.g. not exporting to the grid, synchronising with the grid either regularly or occasionally (small quantities for export insufficient to warrant a sale agreement), and exporting for sale in the wholesale market. Companies

can be refused export even to synchronise systems to the grid, which presents lower technical and regulatory challenges than the intention to export power for sale.

This lack of an automatic right to export is restrictive and many systems are resized to offer less than the installation's potential. This is a wasted opportunity and an inefficient situation. A right and ability to export would improve the business case for large systems and precincts which could power multiple buildings.

## **Shared network costs**

The Draft Rule also endorses the current system for networks costs, failing to address the inherent lack of incentives and 'free rider' problems. The Draft refers to the DNSPs' existing obligation to reimburse the proponent for subsequent use of the proponent's investment: we are keen to understand how the contractual clauses to implement this obligation would operate in practice.

In terms of cost recovery, the current provisions in the NER are unclear about how reimbursement is achieved. Customers that invest in shared network infrastructure never receive reimbursements from other customers or DNSPs because it is impossible for customers to identify in a meshed network which users are the beneficiaries of the upgrades financed by the earlier customer. DNSPs are the only parties that could make these distinctions, not energy customers.

The AEMC also appears biased in its requirement to contribute to network costs. It is inconsistent that only embedded generators should contribute to augmentation costs arising from network performance issues as the Draft Determination itself recognises that many stakeholders note that other load devices contribute to the problem.

Finally, the AEMC suggests that customers may negotiate some terms with DNSPs, but without greater information and a better balance of power between parties, good faith negotiations do not and will not occur; DNSPs simply impose their terms and costs on customers.

We would advocate that shared network costs be equitably spread over customers that use the same distribution network. This could be achieved by enforcing the current obligation on DNSPs to reimburse a proponent that has invested in augmentation when other customers connect and by requiring a DNSP to provide the information on which the reimbursement should be calculated.

## **Timelines**

TEC recommends that the time limit between the detailed enquiry response and the lodgement of a connection application be increased to 12 weeks. The current 6 week provision is too short as it takes longer than this to sign off on relevant contracts. This short timeframe is challenging for many projects.

Alternatively, the AEMC could provide for the option for project proponents to bypass the preliminary enquiry stage. This could apply where the project proponent has had similar projects anywhere in the NEM or the relevant distribution network.

## **Project definitions**

Finally, companies have highlighted the critical importance of achieving an 'agreed project' with DNSPs and we would like clarification on the definition of an agreed project. It should be clearly based on performance criteria rather than equipment specific criteria and linked to the DNSP's published standards rather than being left to distributors' discretion. Although the new expert appraisal process is to be welcomed, proponents would prefer not to use this mechanism as it would further delay projects, adding additional time and costs.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jeff Angel', written in a cursive style.

**Jeff Angel**  
Executive Director

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