

12 June 2014

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235



Dear Mr Pierce

National Electricity Amendment (Connecting Embedded Generators under Chapter 5A) Rule (ERC0158)

Energex Limited (Energex) appreciates the opportunity to provide a submission to the Australian Energy Market Commission's (AEMC's) consultation paper on connecting embedded generators under Chapter 5A (consultation paper). Energex has also contributed to the Energy Networks Association (ENA) submission and is supportive of the views expressed by the ENA.

The consultation paper seeks comments on a Rule change request received by the Clean Energy Council (CEC) proposing changes to the process for embedded generators (EGs) negotiating connection to a distribution network under Chapter 5A of the National Electricity Rules (Rules).

Energex acknowledges that the AEMC recently completed an assessment of a Rule change request relating to the connection of larger EGs to distribution networks under Chapter 5 of the Rules and supports the proposal to draw on relevant work carried out during that Rule change process. Energex supports the alignment of Chapter 5 and 5A processes to the extent possible to reduce regulatory compliance costs and improve certainty for EG connection applicants.

As the AEMC is aware, the National Energy Customer Framework (NECF) has not yet been adopted in Queensland and therefore Energex is unable to provide comments in relation to operational experience applying the Chapter 5A negotiated connection process. Energex is also concerned that NECF has only been implemented (in some jurisdictions) for a limited time with some aspects remaining untested. It is for this reason, Energex queries whether the Rule change request is appropriate at this point in time or if there is sufficient evidence to suggest that the Rule change will promote the NEO.

Energex has concerns relating to the following drafting amendments suggested by the CEC in their Rule change request, including:

- requiring DNSPs to provide EG connection applicants access to a DNSPs legal personnel to negotiate the terms and conditions of an offer, after the offer has been made;
- preventing DNSPs from charging a fee to cover the reasonable costs of negotiation and processing a negotiated connection application;

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- removing the ability of DNSPs to charge EG applicants seeking to negotiate a connection and connection related augmentation costs for forecast load growth;
- introducing limitations on the EGs liability for damages to the network; and
- increasing the scope of the dispute resolution process under Chapter 5A.

Energex's reservations are included in our response to the specific questions raised by the AEMC in its consultation paper in further detail in **Attachment 1**. Should you have any queries regarding this submission, please contact Rachel Leaver, Network Regulation Manager, on (07) 3664 4115.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Neil G. Andersen', with a stylized, flowing script.

Neil Andersen
Group Manager Regulation and Pricing

Questions asked by the AEMC	Energex Response
<p>Question 1</p> <p>Do you agree that the negotiated connection process in Chapter 5A will result in unexpected costs and delays for embedded generator applicants as submitted by the CEC?</p>	<p>In preparation for the introduction of NECF in Queensland, Energex is in the process of reviewing its current negotiated connection process for embedded generator applicants to ensure it complies with the process outlined in Chapter 5A. Energex does not anticipate unexpected costs or delays for negotiated embedded generator connection applicants.</p>
<p>Question 2</p> <p>Do you have any examples or experience of using the negotiated connection process in Chapter 5A?</p> <p>Please identify any difficulties or positive experiences you encountered.</p>	<p>Chapter 5A is not currently applicable in Queensland because NECF has not been adopted. Therefore, Energex is unable to provide any examples at this time where the negotiated connection process for embedded generators, as stipulated in Chapter 5A, has been directly applied.</p>
<p>Question 3</p> <p>Given that basic connection services will be available for micro-embedded generators (those with a generating capacity up to 10 kW per phase), and that DNSPs can develop standard connection services, how often will the negotiated connection process in Chapter 5A be used by embedded generator applicants?</p>	<p>Energex's connection volumes for micro-embedded generation indicate that the majority of micro-embedded generator applicants, up to 10kW, will qualify for basic connection services providing technical requirements are satisfied.</p> <p>The use of the negotiated connection process in Chapter 5A is dependent on the need to augment the network to accommodate the embedded generation applicant's proposal.</p>
<p>Question 4</p> <p>The CEC questions the extent to which model standing offers for standard connection services will be available for embedded generators. Are model standing offers for standard connection services available for embedded generators now and will they be available in the future? Please identify any such offers.</p> <p>In addition, are you aware of circumstances where model standing connection offers for standard connection services may not be suitable, for example, where augmentation of the network is required?</p>	<p>Energex currently utilises a model standing offer for connecting micro-embedded generators with capacity up to 5kW. This offer is also used as a basis for negotiating non-standard embedded generation connections. It is anticipated that the provision of a standing offer for micro-embedded generators will be assessed based on the applicant satisfying technical requirements such as Nil export capability.</p> <p>Model connection offers may not be suitable for micro-embedded generator connections that require network augmentation and are technically complex in nature. Those connections will require negotiated connection services.</p>
<p>Question 5</p> <p>Do you agree with the issues identified by the CEC? Please provide</p>	<p>1. <u>Structure and timing of the process</u></p> <p>Energex does not support the CEC's proposal to allow an embedded</p>

evidence to support your claims.

generator applicants access to its legal personnel in order to negotiate the terms and conditions of an offer, after the offer has been made.

Energex believes it is unnecessary and inappropriate for an applicant to have direct access to a DNSPs legal personnel and the engagement of legal resources should be at the discretion of the DNSP. Energex is concerned that the CEC's proposed drafting of clause 5A.F.4 (f) (2) is not only ambiguous but may have the potential to be relied upon to delay negotiations and in fact may result in a quasi "queuing" effect.

2. Information that should be made available to embedded generators

The CEC suggests Chapter 5A is not prescriptive enough about information requirements, resulting in DNSPs not providing the information required to assess technical and financial implications of a connection.

Whilst Chapter 5A requirements are not sufficiently tested, to justify the CEC's claims, Energex considers that Chapter 5A provides considerable guidance regarding the connection process. The DNSP must publish connection process information on its website and ensure connection offers are made within stipulated timeframes. Similarly, Energex notes that section 5.3A 'Establishing or modifying connection – embedded generation' of the recently reviewed Chapter 5, also stipulates the detailed information publishing requirements which are the responsibility of the DNSP in providing support to embedded generators in developing their applications. In Energex's experience, delays generally arise when the distribution business is not provided with sufficient information to assess an application and make a complete offer.

Energex currently provides information to the applicant to enable them to assess the commercial implications of their proposal. This information includes scope of works, projected costs, technical requirements to demonstrate compliance and if practicable, alternative solutions for consideration.

3. Power transfer capability of the network

The CEC suggests the current provisions relating to a DNSP's responsibility to provide embedded generator applicants with relevant, timely and accurate

power transfer capability information are ineffective. Therefore embedded generators bare unnecessary risk due to lack of information or unanticipated changes to the level of energy they may export to the network.

Energex does not support the position of the CEC. Energex provides standard technical requirements for grid connections involving small and medium size parallel embedded generators on its website (refer to Customer Standard for Small to Medium Scale Embedded Generation and Customer Standard for Parallel Embedded Generation via Inverters) however Energex undertakes site specific technical studies to determine the power transfer capability and limits.

In addition, Energex's response to embedded generation applications provides solutions which incorporate the full range of power transfer capability to the network. Further, final connection agreements contain detailed schedules for generating system specifications and technical requirements which encompass power transfer capability.

4. Process fees and connection charges

Negotiation Charges

Energex does not support the CEC's proposal to restrict the ability of a DNSP to charge for the provision of information. Even though a DNSP is required to maintain standard technical connection information, Energex acknowledges that this information may often require significant alteration when being applied to individual negotiated connection applications. These changes can be resource intensive and are largely dependent on the level of technical complexity of the application. Therefore, Energex suggests it is reasonable to be able to charge for this customer initiated/requested service.

Additionally, Energex does not support the CEC's proposal to prevent a DNSP from charging a fee to cover the costs of negotiation and processing a negotiated connection application until the applicant has been advised by the DNSP that the relevant application is complete.

Energex would support a reasonable charge being incurred by the applicant dependent on the complexity of the proposal to augment the existing distribution network for their embedded generation needs. Energex notes

	<p>that the more complex the engineering requirements behind a proposal, the greater the impact on the network and Energex resources, in assisting an applicant to complete a connection application.</p> <p><i>Capital Expenditure Charges</i></p> <p>Energex notes that the AEMC supported this approach in the Chapter 5 rule change, specifically stating that embedded generators should not be exempt from augmentation costs relating to their connection.</p> <p>Energex supports the CEC's proposal to limit connection costs that DNSPs can charge embedded generation connection applicants based on the information initially provided by the DNSP. However, Energex notes that although quotations should be firm, variations may be agreed between the DNSP and applicant as a project progresses.</p> <p>5. <u>Embedded generator liability to a DNSP</u></p> <p>Energex does not support the CEC's proposal to introduce a limitation on liability for embedded generators in relation to damage caused by their conduct. It is unreasonable to expect Energex and its customers to cover repair costs to the shared network resulting from damage caused by the action or inaction of the embedded generator.</p> <p>6. <u>Dispute resolution arrangement</u></p> <p>The dispute resolution process detailed in Chapter 5A appears sufficient in its approach although untested by Energex as Chapter 5A is not currently applicable in the Queensland jurisdiction. Energex also acknowledges the established dispute resolution process (under Chapter 8 of the Rules) which is adopted in Chapter 5.</p> <p>Energex acknowledges that both approaches have their benefits and would be satisfied with the application of either approach.</p>
<p>Question 6</p> <p>Are the CEC's solutions appropriate or are there better solutions to the issues raised? If so, please describe these.</p>	<p>NECF and Chapter 5A is a relatively recent framework with some aspects remaining untested. Energex suggests that the Rule change request is premature.</p>

<p>Are the proposed solutions consistent with the national electricity objective?</p> <p>What are the costs and benefits of the proposed solutions?</p>	
<p>Question 7</p> <p>Are solutions identified by the AEMC on similar issues for connecting embedded generators under Chapter 5 appropriate to the issues identified in this rule change request?</p>	<p>Energex believes that the solutions identified by AEMC for connecting embedded generators under Chapter 5 are appropriate and significantly aligned to the issues identified by the Clean Energy Council in their rule change request. Additionally, Energex notes that the issue of an embedded generator gaining access to the DNSPs legal personnel was not considered as part of the Chapter 5 Rule change.</p>
<p>Question 8</p> <p>To what extent would allowing embedded generators (excluding embedded generators entitled to a basic connection service) that otherwise fall within the scope of Chapter 5A to use all or part of the Chapter 5 embedded generator connection process resolve the issues raised by the CEC?</p> <p>How could this best be achieved?</p>	<p>Energex does not support allowing non-registered embedded generators who fall within the scope of Chapter 5A to use all or part of the Chapter 5 embedded generator connection process.</p> <p>Energex believes that a clear delineation between the chapters (between Registered and Non-Registered Participants) provides regulatory certainty for both DNSPs and connection applicants and will avoid 'process shopping'.</p>

