



Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

8 August 2013

Dear Mr Pierce,

RE: Submission—Connecting embedded generators rule change (ERC0147) draft determination

The rule proponents, ClimateWorks Australia, the Property Council of Australia and Seed Advisory have reviewed the Commission's draft determination on the rule change proposal. The Commission's draft determination accepts many of the solutions put forward by the proponents. When implemented, these solutions will improve connections through better information, greater certainty, and a faster, less expensive process. This will deliver an improved connection process for embedded generators in the National Electricity Market (NEM), meeting the requirements of the National Electricity Objective.

However, there are some adjustments and clarifications that are required to ensure this new connections process operates as the Commission intends. The areas which need clarification and/or revision are discussed below. This feedback was provided by many stakeholders: local governments, large and small businesses, government departments, industry associations and community groups. Significantly, these diverse stakeholders come from across the NEM. The issues raised in the original rule change proposal and the changes required to address them are not specific to one state or distribution network.

1. The published equipment registers

Recommendation: require DNSPs to list all equipment required, including protection and other equipment not directly connected to the network, on the online registers proposed.

The Commission has recommended that the National Electricity Rules (NER) require distribution network service providers (DNSPs) to publish and maintain a register of equipment that complies with their minimum technical requirements. These registers should also be reviewed at a minimum every two years (Clause 5.4.5(a) (2)). We support the publication of this information. Once published by all DNSPs this information will provide a useful input into the development of a national standard(s) for embedded generation connections.

Project proponents indicate that issues with DNSPs frequently relate to the associated protection and control equipment required by DNSPs. The Commission's proposed rule refers to the DNSP establishing and maintaining a register of "...associated equipment that has been connected to its network ..." (Clause 5.4.5(a) (2)). We understand from references elsewhere in the draft determination that the Commission intends the associated protection and control equipment to be included in the published registers.

Confirmation is sought that the language in the draft rule is consistent with this intention. The final rule should not allow artificial distinctions to be drawn, for example, between *equipment connected to the network* and *equipment required by the DNSP for connection to the network but not connected to the network*. The language used in discussing this issue in the draft determination may also need to be reviewed in the final determination to ensure there is no ambiguity about the Commission's intentions.

2. The preliminary enquiry stage

Recommendation: provide 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.

Over time connection applicants with multiple installations in a given DNSP's area or across the NEM may have developed a high level of expertise in connecting embedded generation. These experienced connection applicants could be exempt from the requirement to submit a preliminary enquiry. Instead, they should be given the option to proceed directly to the detailed enquiry process. The Commission should consider allowing this access to connection applicants with demonstrated competence and experience.

3. Time allowed between the detailed enquiry response and a connection application

Recommendation: extend the time between the detailed enquiry response and the lodgement of a connection application to 12 weeks.

In its proposal for the detailed connection stage of the proposed connection application process, the Commission proposes that the detailed enquiry response prepared by the DNSP would remain valid for six weeks. Our discussions with project proponents indicate that this timeframe is too short. It should be increased to 12 weeks to allow for approvals and contracts to be signed under often complex ownership structures.

We appreciate that the detailed enquiry response cannot be held open indefinitely. However, the further six weeks proposed is unlikely to introduce material uncertainty into DNSPs' planning and approval processes and will materially increase the value of the 'agreed project' to connection applicants. The proposed six week extension will increase the contribution of the proposed rule to the Commission's intentions to provide a 'fast track' process for connection applicants. The proposed draft rule should be amended accordingly.

4. Defining the agreed project on performance criteria

Recommendation: clarify the definition of agreed project. It should:

- *be clearly based on performance criteria;*
- *not allow for the introduction of other, discretionary criteria, including equipment specific criteria or other issues; and*
- *be linked to the DNSP's published standards.*

Only material performance differences relative to the original proposal should constitute variations in an agreed project definition.

The 'agreed project' introduced by the Commission has the potential, in the absence of an automatic access standard, to provide a fast-track approval process. The fast-track process will apply to projects that meet DNSPs' published technical standards for embedded generation connections and where no investment in the shared network is required. For the potential to be realised, the process needs to be realistic in its timelines (see above) and clear in its intentions.

We understand that the specification of the agreed project is intended to be technical in nature and performance based, rather than based on specific equipment or on other, non-technical considerations. This is consistent with the Commission's emphasis on the publication of the DNSPs' minimum access standards and the requirement that the agreed project description include the agreed access standards. For the agreed project to work in practice the Commission's intention needs to be clear and the proposed draft rules need to support it. Hence, clarification of the Commission's intentions is required in the final determination and the proposed rule may need to be reviewed.

There are a number of possible questions raised by the discussion in the draft determination, two of which are:

- In discussing the applicant's options for submitting a connection application, the draft determination refers to "an agreed project without any variation". If an applicant substitutes an element(s) of the proposed project design with alternatives consistent with the agreed access standard, is this a variation?

We are not referring to changes that would, for example, change the connection point, but the substitution of one piece of equipment with another meeting the same technical requirements.

- If the alternative equipment proposed more than meets the requirements of the access standard, is this a variation? And, if yes, is this a variation that requires the connection enquiry to be resubmitted, or is this an acceptable variation, that is, one that can proceed along the fast track proposed?

The proposed rule, 5.3A.2, refers to "project parameters and corresponding access standards and technical requirements". We seek confirmation that the language proposed in the draft rule is consistent with our understanding of the Commission's intentions. This being, that the requirements project applicants are obliged to meet:

- are technical in nature, rather than equipment based;
- that the reference to project parameters is intended to capture only those parameters relevant to the connection application (such as the proposed connection point and facility characteristics); and,
- not other parameters best left to the commercial judgement of the connection applicant, such as the least cost equipment combination that meets the DNSP's reasonable technical requirements.

5. *Customer's right to export electricity: technical challenge possible?*

Recommendation: provide greater clarification and an objective, technical assessment of a customer's right to export in the event of a dispute.

Our rule change proposed an automatic right to export, which the Commission did not accept, based on its view that the safe connection of an embedded generator may require network augmentation. The Commission's reasoning is that, in the absence of a commercial agreement on the costs of augmentation when required, an automatic right to export could not be introduced into the NER.

We are concerned to understand the connection applicant's options in relation to a DNSP's restriction of the export level proposed in its connection application.

What is the process for a connection applicant to understand the basis for the DNSP's proposed export capacity and what process exists to challenge the DNSP's proposal?

As we understand the Commission's proposal:

- As part of its detailed response (second stage of the enquiry process), the DNSP tells the connection applicant the "details of the level and standard of service of power transfer capability that the [DNSP] can ensure the network provides" (proposed schedule 5.4B (d)).
 - Presumably this is the default level and standard of service of power transfer capability, that is, that level available prior to any required network augmentation, consistent with the Commission's views above.
 - We note that, in the summary to the draft determination, the Commission has drawn attention to the existing obligation in the NER on DNSPs to use reasonable endeavours to provide an applicant with the access sought. Where the capacity exists to provide the requested level of power transfer capability, this capacity should be the basis for the DNSP's response and not "reserved" for other future users or the DNSP's longer term development plans.
- Additionally, the DNSP is required to provide the itemised details of any augmentation required (Proposed Schedule 5.4B (f)(4)).
 - Again, we assume that the intention is that the augmentation proposed by the DNSP is that necessary to provide the requested level and standard of power transfer capability, and not some other level falling below the connection applicant's requested level of access.
- The response by the DNSP is provided to the connection applicant prior to the connection agreement, so in the event of a disagreement between the DNSP and the applicant about the power transfer capability available or the costs of the proposed augmentation, the connection applicant could refer to the independent engineer as part of the expert appraisal process. Recourse to the independent engineer's services is available to either the connection applicant or the DNSP at any point up to the connection agreement.
- These issues – whether the proposed default level of service proposed is a reasonable representation of the DNSP's available capacity in the given location and the itemised details of the required augmentation, however, are not clearly specified as part of that list of items about which an independent expert appraisal can be sought (5.9A.1).

- If these issues are included, then they may be captured by the reference to the augmentation or extension necessary to establish or modify a connection (5.9A.1.(a) (3)) and to fault levels and fault clearance (5.9A.1.(a) (10)).

If it is not the Commission's intention that independent technical appraisal of the DNSP's export offer is available to connection applicants, the Commission needs to provide more detailed guidance to the DNSPs about the nature of their obligation to use reasonable endeavours to provide an applicant with the access sought. The Commission should also provide more detailed guidance on the DNSPs' obligations governing their assessment of connection applications, for example, in relation to queuing.

Alternatively, if it is the Commission's intention that independent technical appraisal of the DNSP's export offer is available to connection applicants, the final determination should clarify this. In addition, the proposed rules may need to be reviewed to ensure that all elements of the proposed process operate as intended.

6. Shared network (deep augmentation) costs: can reimbursement work with the 'last in, worst dressed' approach in a meshed network?

Recommendation: spread shared network costs equitably over customers that use the same distribution network. This could be achieved by:

- *enforcing the current (high level) obligation on DNSPs to reimburse a proponent that has invested in deep augmentation when other customers are connected to that portion of the network; and,*
- *requiring a DNSP to provide the information on which the reimbursement should be calculated.*

In rejecting our proposal to exempt embedded generators from shared network augmentation costs, the Commission has highlighted the existing obligation in the NER for the connection applicant to be reimbursed for the use of assets funded by the connection applicant to provide services to other connections. The Commission proposes connection applicants insert a clause into their connection agreements designed to achieve this reimbursement.

We are confident that a clause of this nature could be drafted and it may even be accepted by the DNSP for inclusion in the connection agreement. We are considerably less confident, however, that the connection applicant could enforce any such clause, since in a meshed network the applicant has no direct ability to observe the use of the assets it funds. We have also been unable to identify anyone who has received a reimbursement based on assets funded, notwithstanding the obligation in the NER.

As a result, the Commission needs to reconsider its views on the 'last in, worst dressed' problem in a meshed network. Failing this, it needs to consider what additions to the rules are required to ensure that DNSPs are aware of their obligation to provide a reimbursement and to do so in good faith and in a timely fashion.



Please contact ClimateWorks, Seed Advisory or the Property Council if there is any element of this submission that needs additional detail or clarification.

Yours sincerely,

A handwritten signature in black ink, appearing to read "P. Boyce".

Patricia Boyce
Director
Seed Advisory

A handwritten signature in blue ink, appearing to read "Jennifer Cunich".

Jennifer Cunich
Executive Director
Property Council Victoria

A handwritten signature in blue ink, appearing to read "Anna Skarbek".

Anna Skarbek
Executive Director
ClimateWorks