

20 February 2014

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

Dear Mr Pierce,

RE: AEMC Position Paper and Draft Final Rule – Connecting Embedded Generators (Reference ERC0147)

The NSW Distribution Network Service Providers, Ausgrid, Endeavour Energy and Essential Energy (the NSW DNSPs) welcome the opportunity to provide comments in response to the AEMC's Position Paper and Draft Final Rule on the connecting embedded generator Rule change request.

Overall, the NSW DNSPs support the Draft Final Rule and key policy positions outlined in the AEMC's Position Paper. We consider that the Draft Final Rule addresses the proponents' concerns in a more practical manner which better contributes to the National Electricity Objective (NEO) than the original Rule change request and Draft Determination.

The NSW DNSPs acknowledge the significant consultation the AEMC has undertaken on this Rule change request. We consider that the AEMC's collaborative approach towards consultation, particularly the use of industry workshops, has resolved key industry concerns and has resulted in a number of changes, which have improved the workability of the connecting embedded generator Rule.

We note that the Draft Final Rule largely reflects the policy positions developed last year through industry workshops. The NSW DNSPs are satisfied that the Draft Final Rule addresses the key concerns that we raised in response to the Draft Determination. Namely:

- **The intended application of the proposed Rule**– the NSW DNSPs support the AEMC's clarification that the proposed connecting embedded generator process will only apply to embedded generators which are required to be registered or which propose to register with AEMO in jurisdictions which have adopted the National Energy Customer Framework (NECF), with all other embedded generators connecting under Chapter 5A.¹ This clarification addresses a key concern of the NSW DNSPs regarding the potential for duplicative obligations and confusion if the proposed connection process was to apply to all embedded generators.
- **Timeframes** – the NSW DNSPs raised a number of concerns regarding the prescriptive nature of the timeframes under the Draft Rule. In particular, we noted that whilst the prescribed timeframes are generally appropriate for smaller/less complex connections, they were unlikely to be appropriate for larger more complex connections, and further that the timeframes may create unrealistic expectations with Connection Applicants resulting in suboptimal outcomes. The NSW DNSPs support the AEMC's decision to allow DNSPs to extend the prescribed timeframes by agreement. This change allows the process to be applied more flexibly to a broad range of connections. Further it enables the DNSP and the Connection Applicant sufficient time to undertake the necessary system studies and technical analysis to develop optimal solutions for facilitating the Connection Applicant's connection.
- **Information requirements** – the NSW DNSPs previously raised a number of concerns regarding our ability to provide itemised costs as a result of contestability arrangements and the misalignment of information requirements, which resulted in onerous obligations on DNSPs. The NSW DNSPs support the AEMC's clarification that for the policy intent of the preliminary response was that the information outlined in Schedule 5.4A referred to information that was readily available to DNSPs without having to undertake further detailed analysis. The NSW DNSPs support the AEMC's decision to remove certain information

¹ That is, we support the AEMC use of the current registration process as a means of delineating between the application of the proposed Chapter 5 embedded generator process and the Chapter 5A connection process.

requirements from Schedule 5.4A to Schedule 5.4B to reflect that this information is more appropriately provided at this stage of the connection process.

In addition, the NSW DNSPs support the AEMC's decision to remove the "agreed project" and technical appraisal process. As noted in our response to the Draft Determination, the NSW DNSPs did not consider that either process would be helpful or effective.

Whilst the NSW DNSPs are generally supportive of the Draft Final Rule, we have provided some additional comments regarding the information requirements outlined in Schedule 5.4A and Schedule 5.4B. Our comments are aimed at highlighting:

- the need to move certain information requirements to later stages of the embedded generator connection process; and
- the need for further clarification of the provision of itemised costing, in light of NSW contestability arrangements.

The NSW DNSPs have provided comments in relation to the above in an attachment to this submission. Our comments are not aimed at making substantive changes to the drafting of the Draft Final Rule but rather at suggesting areas which would benefit from further refinement.

If you have any queries or wish to discuss further please contact Mike Martinson, Group Manager Regulation at Networks NSW on (02) 9249 3120 or via email at michael.martinson@endeavourenergy.com.au.

Yours sincerely,

Vince Graham
Chief Executive Officer
Ausgrid, Endeavour Energy and Essential Energy

Attachment: NSW DNSPs comments on the Draft Final Rule

Schedule 5.4A – Preliminary Response

The NSW DNSPs note that the level of detail contained in this Schedule has been substantially expanded upon since the industry workshops last year. Outlined below are some specific comments in relation to clauses (f), (h), (i) and (n) of Schedule 5.4A.

(f) whether any service the Distribution Network Service Provider proposes to provide is *contestable* in the relevant *participating jurisdiction*.

The NSW DNSPs are not comfortable with the wording of this clause, particularly the wording “*any service the Distribution Network Service Provider proposes to provide.*” The current drafting of this clause implies that the DNSP proposes to provide services which are both contestable and non-contestable when establishing a connection. This is not the case. The contestability framework in NSW is different from other jurisdictions in that if a customer is funding the design or construction of connection assets, it can choose an accredited service provider (ASP) to undertake that work. The customer contracts directly with the ASP in these circumstances and payment for services is made directly to the ASP under the contract.²

It is our understanding that the policy intent of this clause is for the DNSP to inform the Connection Applicant that for certain services required to establish the connection it may obtain its own quotes from suitable qualified ASPs, and that the requirement to provide an itemised statement of costs only related to the provision of monopoly services required to establish the connection. We do not consider that this policy intent has been adequately reflected in the drafting of Schedule 5.4A.

The NSW DNSPs suggest that this clause is reworded to clarify whether any services required to establish a connection are subject to contestability. We have made some minor amendments to the drafting of clause (f) to better reflect this policy intent.

(f) ~~whether any service~~ where relevant the Distribution Network Service Provider ~~proposes to provide~~ is to identify whether any service required to establish a connection is *contestable* in the relevant *participating jurisdiction*.

(h) information regarding the Distribution Network Service Provider and its network, system limitations for sub-transmission lines and zone substations and other information relevant to constraints of the network as such information is relevant to the application to connect;

(i) an indication of whether network augmentation may be required and if required, what work the network augmentation may involve;

The NSW DNSPs considers that these clauses would be better placed in Schedule 5.4B. This is because these clauses may not be able to be answered without a systems planning review being required, which may be subject to detailed design and analysis. Whilst we note that the intent of this clause is to provide proponents with an early indication of whether constraints exist or augmentation may be required in the specific location that they are looking at connecting to, we are concerned that any information provided by DNSPs at this early stage would need to be heavily qualified which may render the value of this information useless or possibly misleading.

(n) an overview of any available options for *connection* to a *network*, as relevant to an enquiry lodged, at more than one *connection point* in a *network*, including:

(1) a single line diagram and relevant *protection systems* and *control systems* of existing *connection* arrangements

(2) different characteristics of supply; and

(3) an indication of the likely impact on terms and conditions of connection, at each differing *connection point*.

² Section 31 of the Electricity Supply Act NSW. See also NSW Government, Code of Practice Contestable Works, April 2007, page 4. The *NSW Code of Practice for Contestable Works* (Code of Practice) outlines the principles underpinning contestability, the type of work that is contestable and the respective responsibilities of the parties

The NSW DNSPs consider that the drafting of this clause needs to be amended to better reflect the AEMC's policy intent, which was for DNSPs to provide high level generic examples of options for connecting to the DNSPs network rather than actual considered options for connecting.

Schedule 5.4B – Detailed Response

Similar to our observation in relation to Schedule 5.4A, the NSW DNSPs note that the level of detail contained in Schedule 5.4B has been expanded upon since the industry workshops last year. Outlined below are some specific comments that we have made in relation to clauses (e), (h) and (i) of Schedule 5.4B.

(e) whether negotiated access standards may be required and if so the aspects of the standards that will be the subject of negotiation;

The NSW DNSPs consider that this clause can only be answered by the Connection Applicant. Consequently, this responsibility sits more appropriately with the Connection Applicant rather than with the DNSP. The Connection Applicant needs to present the DNSP with access standards it believes will not achieve the DNSP's automatic access standards and may therefore be subject to negotiation.

(h) an itemised estimate of connection costs including, so far as is relevant:

- (1) connection services charges;
- (2) cost associated with the proposed metering requirements for the connection;
- (3) costs of any network extension;
- (4) details of augmentation required to provide the connection and associated cost;
- (5) costs of interface equipment contained in the offer to connect;
- (6) details of any ongoing operation and maintenance costs and charges to be undertaken by the Distribution Network Service Provider; (7) other incidental costs and their basis of calculation;

(i) an explanation of the factors affecting each component of the itemised estimate of connection costs and the further information that will be taken into account by the Distribution Network Service Provider in preparing the final itemised statement of connection costs to be provided under clause 5.3.6(b2)(1));

The NSW DNSPs consider that there would be benefit in further clarifying these clauses to reflect contestability arrangements in NSW. Similar to our comments regarding contestability in relation to Schedule 5.4A, we do not consider that the AEMC's intended policy intent regarding contestability has been reflected in the drafting of the above clauses in Schedule 5.4B.

Under contestability arrangements in NSW, the NSW DNSPs are only able to provide estimates for monopoly services required to establish a connection. As noted in relation to clause (f) of Schedule 5.4A, the NSW DNSPs are able to identify and inform the Connection Applicant which services required to establish a connection will be contestable, and as a result we will only be able to provide estimates for the monopoly services required to establish the connection. For services which have been identified as contestable, it is the responsibility of the Connection Applicant to obtain quotes from ASPs.

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