The AEMC has made a final rule that provides eligible embedded generator proponents with a choice of process when negotiating connection to a distribution network.

Final rule
The final rule is a more preferable rule and is different to the rule proposed. It will enable eligible embedded generator proponents to select a connection process that is most relevant to their needs.

The final rule applies to proponents of non-registered embedded generators, that is, generators with a generating capacity of less than 5MW but who are not micro embedded generators. Where a distributor does not provide a standard connection offer to these embedded generator proponents they may use either the Chapter 5 embedded generator connection process or the negotiated connection process set out under Chapter 5A. Further information on each of these processes is attached to this note.

The new embedded generator connection process in Chapter 5 of the National Electricity Rules was created in April 2014. It is a detailed multi-stage process that sets out timeframes, actions and the information exchanges to occur between the parties. This process will now be available to eligible Chapter 5A embedded generators as a result of the final rule. Alternatively, the eligible embedded generators may continue to use the current Chapter 5A process which is less prescriptive and more flexible.

The final rule also broadens the information that distributors are to provide on their websites regarding embedded generator connections. Specifically, Chapter 5A now contains similar requirements to Chapter 5 regarding this information.

Reasons for the final rule determination
The ability to choose a connection process has been created with the purpose of addressing the difficulties that some embedded generator proponents may face in attempting to connect to a distribution network. Providing a choice recognises that in some situations the current flexible and shorter negotiated connection process under Chapter 5A will be suitable. In other instances, the Chapter 5 detailed embedded generator connection process will be more appropriate.

There is an increasing interest in connecting a variety of embedded generators. This is an important aspect in the evolution of the National Electricity Market. In combination with the Power of Choice reforms, the final rule is part of a suite of reforms to support the continuing transformation of Australia’s energy markets.

Under the final rule, embedded generator proponents will have the discretion to use the connection process that best suits their needs when seeking to connect to a distribution network. This should result in efficient and timely connection of smaller generators to a distribution network. It will also promote generation competition and contribute to efficient investment in embedded generation and distribution networks.

Changes to the information requirements will enable the eligible embedded generator proponents to whom Chapter 5 would be available to be in the same starting position in terms of information as embedded generators already within the scope of Chapter 5. These changes will also help non-registered embedded generators decide which process to use and more generally when developing their projects.

There will be some cost to distributors in providing the additional public information. However, these costs are expected to be outweighed by the benefits of this information being made available.
Rule change request
The final rule determination and final rule have been made in response to a rule change request submitted by the Clean Energy Council. The request and accompanying proposed rule reflected the concerns of some embedded generator proponents that the less detailed negotiated connection process set out in Chapter 5A of the National Electricity Rules may be a barrier to the efficient connection of embedded generators across the National Electricity Market.

Commencement date
The final rule commences operation on 1 March 2015.

At present, the National Energy Customer Framework, of which Chapter 5A is part, does not apply in Victoria or Queensland. The Queensland and Victorian Governments have announced that they intend to implement the NECF from 1 July 2015 and 31 December 2015 respectively. Until this occurs, Chapter 5A and any amendments to it resulting from this rule change process will not apply in those states.

Attachment 1: Overview of Chapter 5A connection process
Attachment 2: Overview of Chapter 5 connection process

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Date 13 November 2014
Attachment 1: Overview of the connection process under Chapter 5A of the National Electricity Rules

Preliminary enquiry

5 business days or as agreed. As soon as reasonably practicable if written reply or specific advice required.

Applicant makes a connection enquiry

DNSP provides response

The content of the preliminary enquiry response is set out in the NER. This includes a statement of a connection applicant’s right to negotiate a connection contract and a description of the process.

Application

10 business days (or as agreed) to respond to complete application.

Applicant lodges connection application

DNSP provides response

The application must be in the appropriate form determined by the DNSP.

If application is incomplete, DNSP has to advise and may require applicant to resubmit.

If DNSP requires additional information, must advise applicant.

If basic or standard connection and applicant does not want to apply for a negotiated connection contract then DNSP must make the relevant AER approved model standing connection offer.

If the connection is not a basic or standard connection or the applicant wants to apply for a negotiated connection then the DNSP has to advise of the negotiated connection process and of the possible costs and expenses involved. The parties may then negotiate a connection contract in accordance with the negotiating framework in the NER.

Connection offer

65 business days from date of application for negotiated connections (although time taken by applicant to provide information will not be counted).

Information exchanged between parties and negotiations occur

DNSP makes connection offer

DNSP must (if practicable) request any additional information it needs from the applicant within 20 business days after receiving the application.

DNSP must provide the information the applicant needs to negotiate as soon as practicable after it receives the application or the additional information it has sought from the applicant. Information to be provided not prescribed in the NER.

Connection acceptance and formation of contract

Applicant accepts the offer and a connection contract is formed

The connection applicant has 20 business days to accept the connection offer (negotiated) or 45 business days (basic and standard connection offer). These timeframes can be extended by agreement between the parties.

Applicants that apply for a basic or standard connection may request that the process be expedited. For this to occur, the applicant must indicate that the relevant model standing offer is appropriate. If the DNSP agrees then the contract commences on the date the DNSP receives the application.
Attachment 2: Overview of the connection process under Chapter 5 of the National Electricity Rules

**Preliminary enquiry**
- 15 business days (timeframe may be extended where DNSP provides written reasons for extension. Connection applicant may not unreasonably withhold consent)
- **Applicant lodges connection enquiry**
- **DNSP provides a preliminary enquiry response**

**Detailed enquiry**
- 30 business days (timeframe may be extended where DNSP provides written reasons for extension. Connection applicant may not unreasonably withhold consent)
- **Applicant lodges request for detailed enquiry response**
- **DNSP provides the detailed enquiry response**

**Connection application and offer**
- The DNSP has 4 months to prepare an offer to connect (timeframe may be extended by mutual agreement)
- **Applicant lodges connection application**
- **DNSP makes an offer to connect**

**Connection acceptance and contract formation**
- **Applicant accepts the offer and enters into a connection agreement**

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The applicant uses the enquiry form that has been published by the DNSP. The content of the enquiry form is set out in the NER.

A connection applicant may request to bypass the preliminary enquiry stage of the connection process. The DNSP must agree to any bypass.

The content of the preliminary enquiry response is set out in the NER.

The applicant provides the information as outlined in the preliminary enquiry response.

The DNSP is required to confirm that all the requested information has been received. Preparation of the detailed enquiry response is expected to be an iterative process to allow clarification and consideration of options or alternatives.

The applicant provides the information as outlined in the detailed enquiry response.

The connection applicant has 20 business days to accept the connection offer. If the connection applicant requires more time it may request this from the DNSP in writing. The DNSP should not unreasonably withhold consent to an extension.