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Ref: AC/TF/JD ERC0158

12 June 2014

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

Dear Mr Pierce

RE: "ERC0158" Consultation Paper – National Electricity Amendment (Connecting Embedded Generators Under Chapter 5A) Rule 2014

Ergon Energy Corporation Limited (Ergon Energy) welcomes the opportunity to provide comments to the Australian Energy Market Commission (AEMC) on its *Consultation Paper - National Electricity Amendment (Connecting Embedded Generators Under Chapter 5A) Rule 2014* (the Consultation Paper). This submission which is available for publication is made by Ergon Energy in its capacity as an electricity Distribution Network Service Provider (DNSP) in Queensland.

Specific comments in relation to the proposed amendments raised by the Clean Energy Council in the Consultation Paper are included in the attached submission.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416, or Trudy Fraser on (07) 3851 6787.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Jenny Doyle', written over a horizontal line.

Jenny Doyle
Group Manager Regulatory Affairs

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Enc: Ergon Energy's submission



Submission on the
*Consultation Paper -
National Electricity
Amendment (Connecting
Embedded Generators
Under Chapter 5A) Rule
2014*

12 June 2014

Submission on the *Consultation Paper - National Electricity Amendment (Connecting Embedded Generators Under Chapter 5A) Rule 2014*

Australian Energy Market Commission

12 June 2014

This submission, which is available for publication, is made by:

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Introduction

Ergon Energy welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *Consultation Paper - National Electricity Amendment (Connecting Embedded Generators Under Chapter 5A) Rule 2014* (Consultation Paper).

This submission is provided by Ergon Energy in its capacity as a Distribution Network Service Provider (DNSP) in Queensland.

Ergon Energy is generally supportive of providing more transparency to Embedded Generation proponents, especially given the important role that distributed generation plays in the market. Ergon Energy therefore supports the enhancement of the connection framework that encourages the connection of the Embedded Generators (EG). Notwithstanding our support, we caution the need for any change that increases costs and complexities in an untested connection framework.

The Clean Energy Council (CEC) maintains that EGs using the Chapter 5A negotiated connection process will experience unexpected costs and delays and an uncertain investment environment. It would appear that the CEC are suggesting that if Chapter 5A was more prescriptive, these broad concerns may disappear. However, as Chapter 5A has only recently been applied in a number of jurisdictions and not yet applied in others, we believe that it essentially remains unproven as to whether the existing process is flawed. Furthermore, we do not consider that the CEC have provided adequate industry examples to demonstrate that the negotiated connection framework under Chapter 5A is not working such that it justifies such a rule change.

Ergon Energy has not responded to each of the questions raised in the Consultation Paper. Rather, we have addressed our responses in a table format that focuses on the CEC's proposed amendments to Chapter 5A.

Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AEMC require.

Table of detailed comments

CEC Proposal	Ergon Energy Response
Structure and timing of Connection Process	
Amend clauses 5A.D.3(d) and 5A.D.3(e) of the National Electricity Rules (NER) to require Distribution Network Service Providers (DNSP) to advise of a complete application or require additional information within ten business days.	Ergon Energy has no concerns with this proposal provided it is limited to the negotiated connection process. In the absence of this being specified, the proposed amendments would capture connection services for basic and standard which is counter to the Clean Energy Council (CEC) rule change request which seeks only to impact negotiated services.
Expand clause 5A.D.3(f)(2) to require DNSPs to notify the applicant, where the connection is to be negotiated, of the types of information it will receive and its timing.	Ergon Energy is not overly concerned with this proposal. However, it should be noted that in compiling this information there will invariably be costs and time required to implement systems to support this process.
Amend clause 5A.C.3(b)(2) to require DNSPs to provide information to the embedded generator applicant to negotiate on an informed basis within 20 business days of response to an application.	Ergon Energy has no major concerns with this proposal. However, we do not consider that there is no need to amend this as it is in a DNSP's interest to provide the information as soon as practicable given that a DNSP must use "best endeavours" to make an a negotiated connection offer within 65 business days after the date of the application.
<p>Introduce a new "negotiated connection application". A negotiated connection application would generally be submitted by the embedded generator connection applicant after it has received sufficient information to negotiate from the DNSP.</p> <p>The DNSP would set out the form and content of the negotiated connection application;</p>	Ergon Energy has no major concerns with this proposal. However, the AEMC should be cognisant that there will be costs associated with the implementation of such a proposal.
Require DNSPs to advise EG connection applicants whether a negotiated connection application is complete within ten business days of receipt. Where the negotiated connection application is incomplete, require DNSPs to advise the connection applicant of the deficiency and that it can resubmit;	Ergon Energy does not support providing notice to a connection applicant that an application is complete. Furthermore, we think that the existing clause 5A.D.3(d), already supports the second aspect of CEC's request; that is, <i>"If an application is incomplete in a material respect, the Distribution Network Service Provider must advise the applicant of the deficiency and may require the connection applicant to complete the application and re-submit it"</i> .
Make clear that any matter relevant to a connection is subject to negotiation by amending clause 5A.C.3(a)(1) of the NER.	Ergon Energy does not consider that the amendments proposed by the CEC are necessary. In particular, sub-clause (3) as currently drafted, does not limit the information that a DNSP must provide in response to a reasonable request by the connection applicant. Furthermore, it should be noted that as costs and rates are subject to the Distribution Determination as approved by the Australian Energy Regulator (AER), there is no ability for a DNSP to negotiate in this regard.

<p>Require DNSPs to consider the technical merit of the connection arrangements proposed, or determine the technical requirements for the connection when assessing negotiated connection applications;</p>	<p>Ergon Energy does not consider the amendments are necessary. It is a condition of Ergon Energy's distribution authority that we must provide, as far as technically and economically practicable, network services, on fair and reasonable terms, for persons authorised to connect supply of electricity to the network or take electricity from the network. Ergon Energy would therefore argue that technical merit is contemplated when considering an EG's connection application.</p>
<p>Require DNSPs to either accept or reject the negotiated connection application. If the DNSP does not respond within 65 business days it is deemed to have accepted the application;</p>	<p>Ergon Energy strongly disagrees with this proposal. We think that the existing clause 5A.F.4(a) is sufficient. Ergon Energy would support a process that allowed parties to extend the acceptance period by mutual agreement. We further note that this is not in line with other Chapter 5 changes.</p>
<p>Require DNSPs to make a connection offer within 65 business days from acknowledgement of a complete negotiated connection application;</p>	<p>Ergon Energy supports the current requirement of "best endeavours" contained in clause 5A.F.4 of the NER.</p>
<p>Require DNSPs to provide an embedded generator connection applicant access to their legal personnel in order to negotiate the terms and conditions of an offer, after the offer has been made; and</p>	<p>Ergon Energy does not support this proposal. Negotiation of the terms and conditions of an offer is a commercial aspect of the negotiating framework and is outside the scope of the NER.</p>
<p>Require a negotiated connection offer to remain open for acceptance for 20 business days after the applicant makes a request to access a DNSP's legal personnel.</p> <p>This requirement is in addition to the current timeframes in the NER for applicants to accept an offer.</p>	<p>Ergon Energy does not support this proposal, for reasons outlined above. Moreover we consider that clause 5A.F.4(e) is appropriate in its current form.</p>
<p>Information Requirements</p>	
<p>Amend clause 5A.C.3(a)(3) of the NER to clarify that DNSPs must provide embedded generator applicants with the information they require to assess the commercial significance of the connection so that they can negotiate on an informed basis;</p>	<p>Ergon Energy does not support this proposal. We believe that the current information requirements under clause 5A.C.3 (a)(3) are reasonable and adequately capture the cost elements of the connection.</p> <p>Furthermore, we believe that the proposed amendment by the CEC creates ambiguity and we consider that this amendment may result in significant additional resources having to be allocated by the DNSP in order to comply.</p>
<p>Prescribe specific information that DNSPs must provide an embedded generator applicant, prior to it submitting a negotiated connection application, in a new Schedule to Chapter 5A. This would include information such as proposed technical standards, design and planning information and interface requirements such as switching and isolation facilities</p>	<p>Ergon Energy does not support this proposal as different standards would be required. For example, different requirements may be required for intermittent generation with inverter connected, and co-generators with a significant load component, and non-exporting co-generators.</p> <p>Similarly there would also need to be separate standards for different classes by size, including regard for local network conditions.</p> <p>Ergon Energy presently makes our associated standards and generalised connection information publicly available, and we consider that our current process is sufficient.</p>

Amend clause 5A.C.3(a)(5)(i) to require DNSPs to describe the technical requirements for connection, including any relevant technical standards, when assessing negotiated connection applications; and	Ergon Energy currently prescribes the relevant technical standards, where applicable, following receipt and assessment of an application. Consequently we do not have any significant concerns with the proposed amendment, though consider it may be superfluous.
Require that all information exchanged as part of the negotiation process be treated as confidential information for the purposes of the NER.	Ergon Energy believes that the current confidentiality clause (5A.C.3(c)) is appropriate and should not be amended to reflect the CEC's proposal.
Power Transfer Capability	
Provide negotiated connection applicants with information they reasonably require to fully assess the commercial significance of the distribution network user access arrangements sought	Ergon Energy does not support this proposal. We believe that the current information requirements under clause 5A.C.3(a)(3) are reasonable and adequately capture the cost elements of the connection.
Consult with other network users or prospective users who may be adversely affected by the proposed connection, connection alteration, or the distribution network user access arrangements sought by the applicant;	Ergon Energy does not consider that this is necessary, given that clause 5A.C.3(a)(4) of the NER provides that ".....the Distribution Network Service Provider may consult with other users of the distribution network who may be adversely affected by the proposed new connection or connection alteration."
In respect of a proposed negotiated connection application, provide interface requirements, including network control schemes that can be reasonably expected to affect the distribution network user access arrangements sought by the applicant, in information to support a negotiated connection application	<p>Ergon Energy does not support this proposal as different standards would be required. For example, different requirements may be required for intermittent generation with inverter connected, and co-generators with a significant load component, and non-exporting co-generators.</p> <p>Similarly there would also need to be separate standards for different classes by size, including regard for local network conditions.</p> <p>Ergon Energy presently makes our associated standards and generalised connection information publicly available. We consider that our current process is sufficient until the application is received and information specific for the generation type and location can be prescribed.</p>
Using reasonable endeavours, make a connection offer that complies with the distribution network user access arrangements reasonably sought by the applicant, including the location of the proposed connection point and the level and standard of power transfer capability that the network will provide; and	Ergon Energy believes that the current clause 5A.C.3(a)(5)(ii) is appropriate and does need to be amended.
Provide details of the connection point, including the level and standard of power transfer capability that the relevant network will provide, along with correlating network conditions, in the connection offer.	<p>Ergon Energy currently provides this information. However, the power transfer capability is based on the size of the EG connection applied for, and not the maximum size.</p> <p>In relation to power transfer capability, Ergon Energy assesses the application based on the size requested at that point in time and under current network conditions. Providing an applicant with the maximum size, or running multiple size scenarios to determine the connection/augmentation requirements, will not only result in significant effort, it would also affect or restrict other</p>

	applications that are received for that local network area, on the basis of the exact size not being confirmed.
The CEC also seeks to enable negotiated connection applicants to seek distribution network user access arrangements at any level of power transfer capability between zero and the higher of the expected maximum demand or the maximum power input of the relevant embedded generator. It states this is consistent with clause 5.5(d) in version 62 of the NER.	Ergon Energy refers to comments directly above.
<i>Fees and Charges</i>	
Restrict the ability of DNSPs to charge for the provision of information that they are required to maintain;	<p>Ergon Energy does not support the CEC's proposal. Ergon Energy does not believe that Chapter 5A should deal with any matters of detail relating to what a DNSP can charge for through the connection process. This is more appropriately dealt with through the Classification of Services which is determined by the AER through the revenue determination process under relevant provisions of the National Electricity Law (NEL) and Chapter 6 of the NER.</p> <p>It is also important to note that the AER has just handed down a Classification of Service decision for Queensland as part of the Framework & Approach process for the 2015-20 regulatory control period. Within this decision, the AER has provided further clarity around the type of services that may be charged for through the connection process. This should alleviate some of the concerns raised by the CEC in terms of lack of transparency in relation to costs.</p>
Prevent DNSPs 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; and	Ergon Energy disagrees with this proposal. Fees generally cover engineering services and studies which ultimately benefit the connection applicant and form part of the costs associated with negotiating and processing a negotiated connection application.
Require any fees charged by DNSPs for negotiation to be accompanied with information on the basis of their calculation including an itemised listing of the associated labour costs, time and expenses, together with an explanation for any departure from any estimate of charges given by the DNSP prior to submitting a negotiated connection application.	Information requirements on fees shouldn't be any more onerous, than what is required to be provided to any other type of connection applicant under Chapter 5A.
<p>CEC proposes to require DNSPs to provide the following additional information in the statement of connection charges under clause 5A.E.2:</p> <ul style="list-style-type: none"> • an explanatory statement on the basis on which costs have been calculated; • a scope of work to which connection charges shall apply; • a cost breakdown of network extensions, premises connection assets and any other incidental costs incurred; • a detailed description of any ongoing operation and maintenance costs and charges; and • an explanation of any divergence of costs from cost estimates previously provided. 	Information requirements on costs shouldn't be any more onerous, than what is required to be provided to any other type of connection applicant under Chapter 5A.
On a separate issue, the CEC proposes a broad provision that a negotiated	Ergon Energy does not believe Chapter 5A is an appropriate mechanism to deal with specifics of

<p>connection offer must not include a charge that is inconsistent with Chapter 5A.</p>	<p>what a DNSP may charge for various services provided in the connection process. This is more appropriately dealt with through a classification of services decision and a DNSP's connection policy.</p>
<p><i>Charges for capital expenditure</i></p>	
<p>Amend clause 5A.E.1(c)(4) to remove any application this clause may have to embedded generator applicants within the scope of Chapter 5A.</p>	<p>Ergon Energy does not support further amendments to Chapter 5A. Ergon Energy believes that the issue of whether a non-registered embedded generator is required to pay for connection-related augmentation costs has been sufficiently considered under the AER's connection charge guidelines and relevant classification of services decisions.</p> <p>For example, in the latest Classification of Services Decision for Queensland (to apply to the regulatory control period commencing 1 July 2015), the AER has decided to introduce a new Alternative Control Service to cater for circumstances where an embedded generator asks their distributor to enhance the network to allow the generator to export more electricity into the shared network. This is consistent with the AER's Final Decision on the Connection Charge Guideline which provides that a non-registered embedded generator seeking to remove a specific network constraint, must pay for the cost of removing the constraint, except where a DNSP's normal asset management may lead to a DNSP funding such shared network augmentation.</p>
<p>Limit connection costs that DNSPs can charge embedded generator connection applicants to those which could have been reasonably identified by the applicant from the information initially provided by the DNSP</p>	<p>Ergon Energy does not consider that this is reasonable, given that information initially provided is also dependent on information provided by applicant, and scope of works may change through the negotiation / connection process.</p> <p>We also query whether this is consistent with the revenue and pricing principles enshrined in NEL, which provides that a DNSP should be provided reasonable opportunity to recover at least efficient costs in providing direct control network services (refer to s 7A of the NEL).</p>
<p><i>Embedded Generator Liability to a DNSP</i></p>	
<p>Amend Part B of Schedule 5.1 of Chapter 5A to require a connection offer involving an embedded generator to contain limitations on the embedded generator's liability for damages to the network.</p>	<p>Ergon Energy supports the AEMC's view that this is a commercial matter to be addressed between the DNSP and the connection applicant.</p>
<p><i>Dispute Resolution</i></p>	
<p>Amend definition of a "relevant dispute" to broaden the scope of issues that can be considered under it. Specifically, to include in the definition of a "relevant dispute" a dispute between a customer and a DNSP about the requirements of Chapter 5A and any material produced by a DNSP that is consequent of Chapter 5A.</p>	<p>Ergon Energy provides no comment.</p>