

John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
14 October 2014

Lodged Electronically

Dear Mr Pierce,

RE: ERC0158 Connecting embedded generators under Chapter 5A, Draft Determination

AGL Energy (AGL) welcomes the opportunity to make a submission in response to the Australian Energy Market Commission's (the Commission) Draft Determination on Connecting embedded generators under Chapter 5A (the Draft Determination).

AGL operates across the supply chain including investments in electricity generation and electricity retailing. AGL has over three million retail customers and operational control of over 10,000MW of generation capacity in the National Electricity Market (NEM).

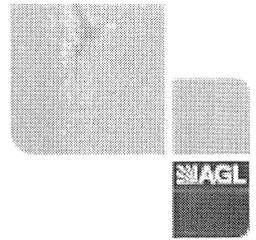
AGL has been actively participating in the provision of embedded generation including solar and other technologies. The demand for such installations is increasing, particularly over the last few years. AGL expects the trend for this demand to continue.

Based on our experience with the grid connection process in the past, we believe it is critical that improvements are considered and made. While we have had successes and managed to achieve connections under the existing arrangements, we have taken on considerable risk in doing so. The risks are related to the unpredictable outcome of the existing connection process, which makes it difficult for AGL to streamline its processes. Almost every connection is individual with differing challenges, and differing elements of risk presented by the negotiating process. As a result, the connection process is time consuming, inefficient and does not produce the best outcome for AGL and its customers.

We believe this absence of consistency is harmful to competition and the choices that AGL and its customers can make in seeking efficient energy solutions. In this regard, we support the Clean Energy Council (CEC) in seeking reform to the rules around the connection process. As a CEC member we support its submission to this consultation. In particular we believe that the standardisation of connection processes to the greatest degree possible will be critical to achieving the most efficient outcomes for our business and our customers.

The monopoly position of networks offers no incentive to maximise the efficiency of the connection process through standardisation or negotiations, and hence AGL believes that a

rules-based approach is the most appropriate way to achieve this outcome. The rewards from the CEC's proposed changes for the generation sector will be significant, while it is difficult to see any additional costs or risks for the networks.



While we support the Commission's proposed changes, we do not believe that they go far enough to resolve the problems we have experienced in the past. We support the detailed recommendations set out in the CEC's submission, including

- Reinforcing the capacity for generators negotiating under chapter 5A to manage their risk by making timeframes more specific and reducing the opportunities for the process to be delayed.
- Reinforcing the expectation that networks are clear on the information that the generator needs to provide early in the inquiry process.
- Ensuring that Chapter 5A does not include options for multiple information requests to impede the information provided to the generator to negotiate effectively.
- Allowing all generators to access the Chapter 5 connection processes where desired, with the selection based solely on the generator's preference, and with the option to select Chapter 5 at the start of the process, or at the point at which the generator is advised that they have to negotiate their connection.

We also strongly support the maximisation of publicly available information. The inclusions proposed by the Commission will make it much easier for us to understand the expectations of the networks during the connection process. Having access to more relevant information will assist in reducing our risk and costs, and meeting the expectations of our customers.

Please contact Kong Min Yep on 03 8633 6988 if you have any queries.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Duncan MacKinnon', is positioned above the printed name.

Duncan MacKinnon

Manager Wholesale Markets Regulation