



Transmission Frameworks Review Second Interim Report

Transmission Connections

**Presentation to the Transmission Frameworks Review
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Who are we?

- Peak body representing Australia's clean energy industry
- Member base that spreads across over 550 organisations – of all shapes and sizes
- Our priorities :
 - create the optimal conditions in Australia to stimulate investment in the development and deployment of world's best clean energy technologies
 - work to reduce costs and remove all other barriers to accessing clean energy

Presentation format

- “Clarifications”: network and system
- “Clarifications”: extensions and connection assets
- “Clarifications”: how did we get here?

MCE Terms of Reference



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➤ MCE direction to the AEMC

- **TOR 1** “...focus on identifying any inefficiencies or weaknesses in their inter-relationship between transmission and generation investment and operational decisions under current market frameworks...”
- **TOR 2** “If the AEMC concludes that fundamental changes are essential, it shall consider whether there are any implications for the existing arrangements...”
- **TOR 3** “...the AEMC shall have regard to the National Electricity Objective...”

NEL definitions carried into the NER



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The NEL outlines, and the NER includes

- ***declared shared network*** of an adoptive jurisdiction means the adoptive jurisdiction's declared transmission system excluding any part of it that is a connection asset within the meaning of the Rules
- ***declared transmission system*** of an adoptive jurisdiction has the meaning given by the application Act of that jurisdiction and includes any augmentation of the defined declared transmission system
- ***declared transmission system operator*** of an adoptive jurisdiction has the meaning given by the application Act of that jurisdiction
 - The NER states that this is the TNSP in relation to connections

Proposed NER “clarifications”



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- The NEL asserts that *declared transmission systems* are operated by *declared transmission system operators* (which the NER states are TNSPs in relation to *connection services*, or AEMO in relation to *shared network services*) and that **the NER does not contemplate these operators owning *connection assets***
- **Summary 1: The report is proposing to “clarify” the NER by making TNSPs the owner of *connection assets***
 - Which is a fundamental change which sits outside of the original intent of the NER and is clearly in contradiction to the NEL

Extension or Connection Asset



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As defined in the rules

➤ **extension**

- An *augmentation* that requires the connection of a power line or facility outside the present boundaries of the *transmission* or *distribution network* owned, controlled or operated by a *Network Service Provider*.

➤ **connection assets**

- Those components of a *transmission* or *distribution system* which are used to provide *connection services*.
- So while there is some ambiguity it is clear that an *extension* only considers the **network** while *connection assets* are part of the **system**.

Extension or Connection Asset



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As defined in the rules

➤ *network*

- The apparatus, equipment, plant and buildings used to convey, and control the conveyance of, electricity to customers (whether wholesale or retail) **excluding any connection assets**. In relation to a *Network Service Provider*, a *network* owned, operated or controlled by that *Network Service Provider*.

➤ *transmission system*

- A *transmission network*, **together with the connection assets** associated with the *transmission network*, which is connected to another *transmission* or *distribution system*.
- So the *network* clearly excludes *connection assets*, and could be owned by an NSP while the *transmission system* is clearly the *network* plus the *connection assets*

Extension or Connection Asset



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So

- The NER and NEL both assert that the *network* is the *system* minus any *connection assets*
- The NER asserts that the *transmission system* is the *network* plus the *connection assets*
- The NEL asserts that TNSPs cannot own *connection assets* under the NER.

Leads to the following conclusions

As the NER is in place to observe the activities in the TNSP's *network*, which excludes *connection assets*, extensions must only be related to the *network* as the rules state that they are affected by the TNSP.

As the system is only comprised to two parts a *connection asset* must be something else that is used to enter the network and sits outside of the NER.

Proposed NER “clarifications”



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- There are multiple connection-related definitions in the NER that, upon investigation of the relevant chapters and usage, quite clearly outline that
 - a connection is made with *connection assets* to the *declared transmission system operator’s declared transmission system*, which is the *declared shared network*.

- The NER does not contemplate a *connection asset* connecting to an *extension*, or that a TNSP provides any particular service to a *connection asset*, other than a *connection service* which is a *negotiated transmission service* to connect to the *declared shared network* as is current practice.

- Therefore the piece of asset between the connection and a generator can only be a *connection asset*, and is excluded from being an extension.

- **Summary 2: The report is telling us that there is a high level of ambiguity in the NER**
 - But it would appear that the ambiguity mostly exists because of a misinterpretation of what an extension is.

Connection assets in practice



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So what is a *connection asset* in practice?

- Purpose built asset designed, funded and constructed by its benefactor and installed to suit that benefactor's needs to connect a *facility* to the TNSP's *declared shared network*
- They are built outside of the NER because they are the subject of the investment decisions of the connecting party and the NER does not contemplate the investment decisions of non-regulated market participants.

There are existing frameworks in place to deal with *connection assets*

- Grid Australia lists 12 privately owned *connection assets* in the NEM (not *extensions*)
- Generating licences set out the actions to take under requests for third party access
- Where a TNSP owns them they are still a *connection asset* but the TNSP took on ownership of them as a private entity outside of the NER. Third party access is then negotiated on this basis.

More on connection assets



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Under the NER *connection assets* are not, and have never been contemplated to be

- Related to *Extensions*
- Part of the *declared shared network*
- Owned by TNSP in accordance with their obligations under the NER
- Only limited to that bit of conductor between the fence and the busbar
- Defined by whether they are contestable or not

Or...

- Subject to AER exemption because they are not a transmission or distribution system (as required by NER cl. 2.5.1), they are a *connection asset*.

“Clarifications” how did we get here?



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The report is

- telling us that there is a high level of ambiguity in the NER, but it would appear that the ambiguity only exists because of a misinterpretation of what an extension is.
- proposing to “clarify” the NER by making fundamental changes which sit outside of the original intent of the NER and which contradict the NEL.
- proposing to force exemptions on *connection assets* which have never needed them in the past because they are in fact part of the generator’s *facility*, and already have frameworks in place to manage the perceived issues.

- **Although there may be ambiguity in the rules, and a desire to examine third part access conditions more closely, in developing the proposed solution the report has not**
 - Fully appreciated the intent of the NEL in underpinning the NER
 - Demonstrated that existing frameworks are not capable of effectively managing perceived issues (TOR 1)
 - Fully considered the implications for the existing arrangements in the NEM (TOR 2)
 - Demonstrated that the NEO is advanced by making these fundamental changes (TOR 3)