

Thursday, 14 July 2016

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

Dear Mr Pierce,

**RE: ERC0192 Transmission Connection and Planning Arrangements Rule Change,
Discussion Paper Submission**

Goldwind is a leading Global wind turbine manufacturer and has built Gullen Range windfarm in NSW and Mortons Lane windfarm in Victoria. Goldwind is progressing grid connections for a number of wind and solar projects in the National Electricity Market.

Goldwind generally supports the expansion of contestability for delivery of transmission assets. We expect that contestability - when implemented correctly - will reduce time, cost and complication associated with new connections.

Other parties, including the Clean Energy Council, have specifically responded to each of the commission's proposed answers. This submission is submitted in addition to those submissions to propose an alternative connection model that will maximise the level of contestability in a new connection. Goldwind acknowledges that this proposed model does not have unanimous support amongst connection proponents, but we propose that allowing responsible, motivated NSPs to compete for connections will drive innovation and best meet the needs of the National Electricity Objective.

Abbreviations in this submission are based on those in the discussion paper. Please contact the undersigned for any queries regarding this submission.

Sincerely,

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1. AEMC Goals for Contestability Rule Change

The objectives of the rule change request was summarised by the commission:

1. “to improve outcomes for connecting parties with regard to the transparency, timeliness, cost and complexity of connections to the transmission network; while
2. maintaining clear accountability for the safe, reliable and secure supply of electricity across the shared transmission network.”

2. Proposed Contestability Options and potential issues

The AEMC’s options are compared below:

Option A

Service	Contestability
Setting the functional specification (including performance standards)	Not contestable. Incumbent TNSP provides as a negotiated service.
High-level design	
Cut-in works	
Construction	Contestable.
Ownership	Contestable, subject to the agreement of terms with the incumbent TNSP regarding operation and maintenance.
Operation	Not contestable. Incumbent TNSP is accountable for the impact that the provision of these services has on the operation of the shared transmission network. These services are negotiated services, therefore charges for providing them are determined in accordance with the NER framework for the provision of negotiated services.
Maintenance	

Option B

Service	Contestability
Setting the functional specification (including performance standards)	Not contestable. Incumbent TNSP provides as a negotiated service.
High-level design	Contestable.
Cut-in works	Not contestable. Incumbent TNSP provides as a negotiated service.
Construction	Contestable, but incumbent TNSP is accountable for the impact that the provision of these services has on the operation of the shared transmission network, including by making decisions about operational matters such as switching.
Ownership	
Operation	
Maintenance	

Goldwind proposes that another service should be considered when comparing connection options.

“Connection Processing” describes the service of accepting a Connection Application and negotiating with the proponent toward a Connection Offer & Connection Agreement.

Both Option A and Option B allocate Connection Processing as “Not contestable: TNSP provides as a negotiated service”.

Connection Processing is the service most likely to benefit from contestability as it is heavily affected by the motivations of the incumbent TNSP. Connection Processing in the NEM can be opaque, slow, expensive and overly complicated. Whilst the process is governed by an extensive set of rules, it is very easy for the incumbent TNSP to justify opacity, costs, delays and complication.

Connection Processing is not contestable in the Victorian connections regime. It is performed by AEMO by interacting with multiple DTSOs. The Victorian connection process has been known to deliver cost savings in the construction, operation and ownership of connections. However, the

Victorian process has greatly increased the cost, timing and complication of Connection Processing as compared to other regions.

The costs and delays of Connection Processing in the Victorian connections regime can outweigh the benefits realised for construction, operation and ownership.

We consider that both Option A and Option B are more consistent with the Victorian connection process than current non-Victorian processes – please see the diagrams in section 4 for supporting information. As a result both options are likely to increase the cost, time and complication of Connection Processing thereby placing the proposed benefits of contestability at risk. Outcomes with regards to the timeliness, cost and complexity of connections to the transmission network may not be improved for connecting parties.

We agree with other stakeholders that cost savings can be achieved in the construction, operation and ownership of connections, while also holding the view that competitive Connection Processing will vastly improve the cost, timing and complication of connecting to the transmission network.”

3. Proposed Contestability Model – Option C

Service	Option A	Option B	“Option C”
Connection Processing	Negotiated with incumbent TNSP.	Negotiated with incumbent TNSP	Contestable
Functional specification inc performance standards			Negotiated with incumbent TNSP
High level design		Contestable	Contestable
Cut-In works		Negotiated with incumbent TNSP	Negotiated with incumbent TNSP
Construction	Contestable	Contestable, but incumbent is accountable for impact on shared network.	Contestable
Ownership	Contestable, subject to the agreement of terms with the incumbent TNSP regarding operations and maintenance.		
Operation	Negotiated with incumbent TNSP.		
Maintenance			

See section 4 for a detailed comparison of each option.

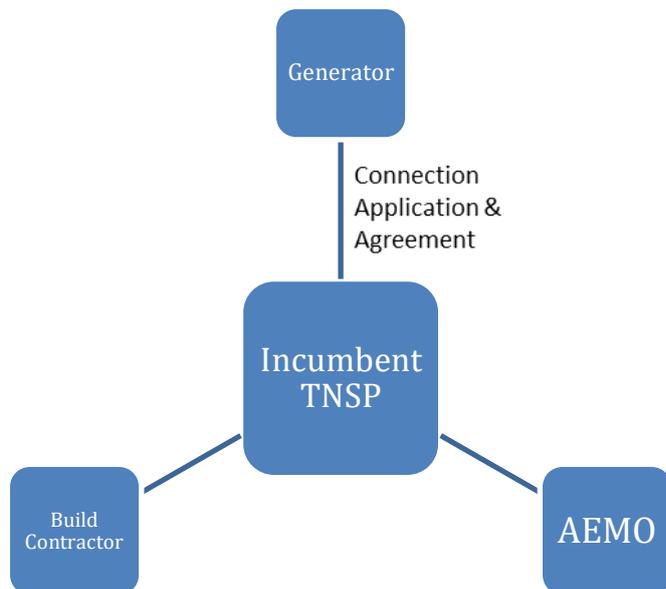
Option C is proposed to apply to Identified User Shared Assets only.

Option C makes nearly all services contestable except for the functional specification and cut-in works. We expect that this will improve outcomes for connecting parties with regard to the transparency, timeliness, cost and complexity of connections to the transmission network.

In order to maintain clear accountability for the safe, reliable and secure supply of electricity across the shared transmission network, it is proposed that contestable connection works only be performed by registered TNSPs. TNSPs have a clear understanding and accountability of operating the shared network. The interfacing considerations between incumbent and connecting TNSPs would work similarly to current DNSP-TNSP interfaces or TNSP-TNSP interfaces at state borders. Further discussion of this issue is detailed in section 5.

There is significant precedent for defining interfaces between TNSPs. We conclude that the commission’s steps to clarify the relevant parts of the NER will greatly assist interface negotiations.

4. Comparison of Connection Options

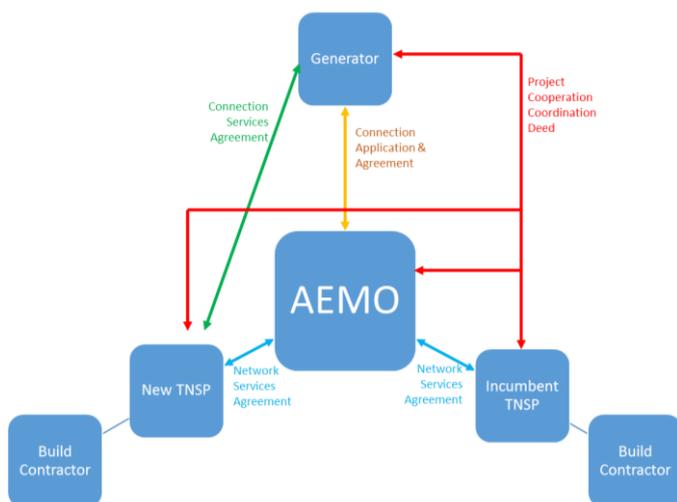


Current non-Victorian process

Incumbent TNSP is responsible for:

- Connection Processing
- Functional Specification
- High level design
- Liaising with AEMO
- Cut-In works
- Construction
- Ownership
- Operation
- Maintenance

This process is entirely reliant on the incumbent TNSP



Current Victorian process

AEMO is responsible for:

- Connection Processing
- Functional Specification
- High level design
- Liaising with Incumbent TNSP

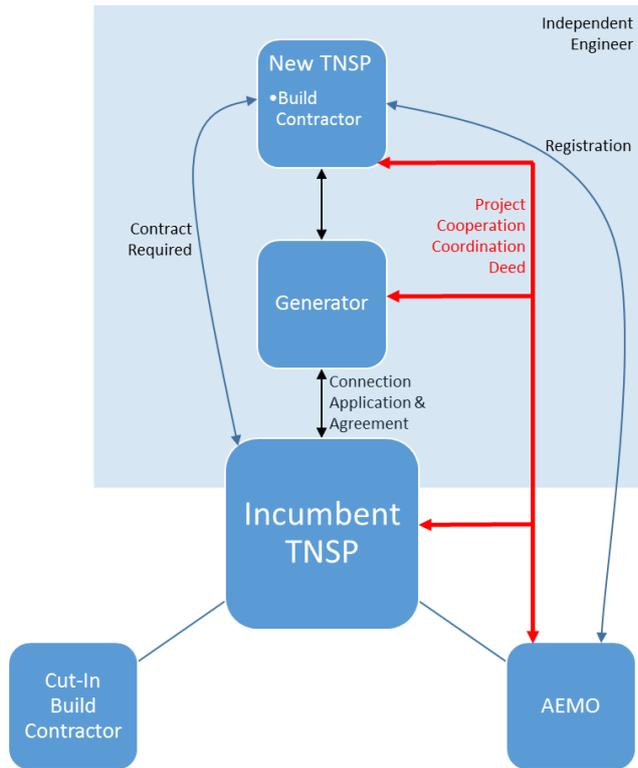
Incumbent TNSP is responsible for:

- Cut-In works
- Construction
- Ownership
- Operation
- Maintenance

New TNSP is responsible for:

- New Works
 - Construction
 - Ownership
 - Operation
 - Maintenance

This is too complex and has many unmotivated parties at the table during connection processing.



Option A

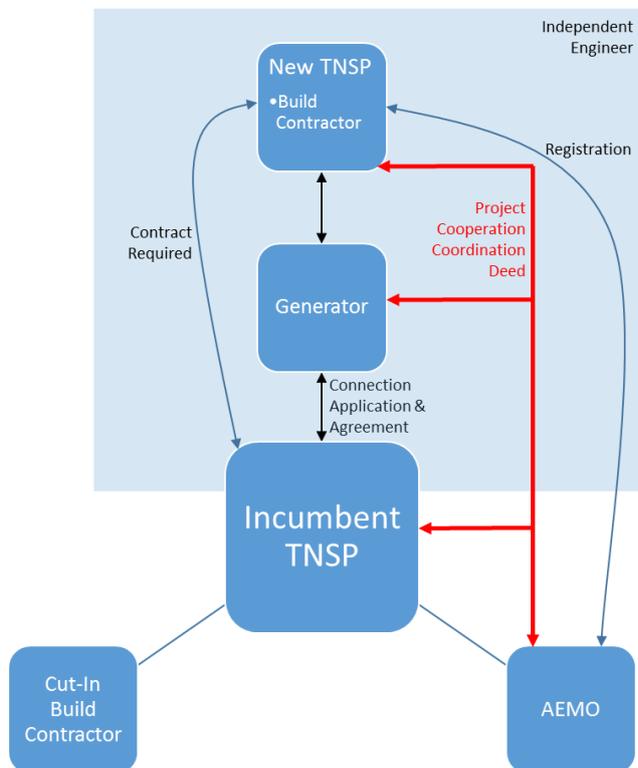
Incumbent TNSP is responsible for:

- Connection Processing
- Functional Specification
- High level design
- Liaising with AEMO
- DCAs works
 - Construction
 - Ownership
 - Operation
 - Maintenance

Connecting TNSP is responsible for:

- IUSAs Works
 - Construction
 - Ownership
 - Operation
 - Maintenance

Option A maintains emphasis on the incumbent TNSP.



Option B

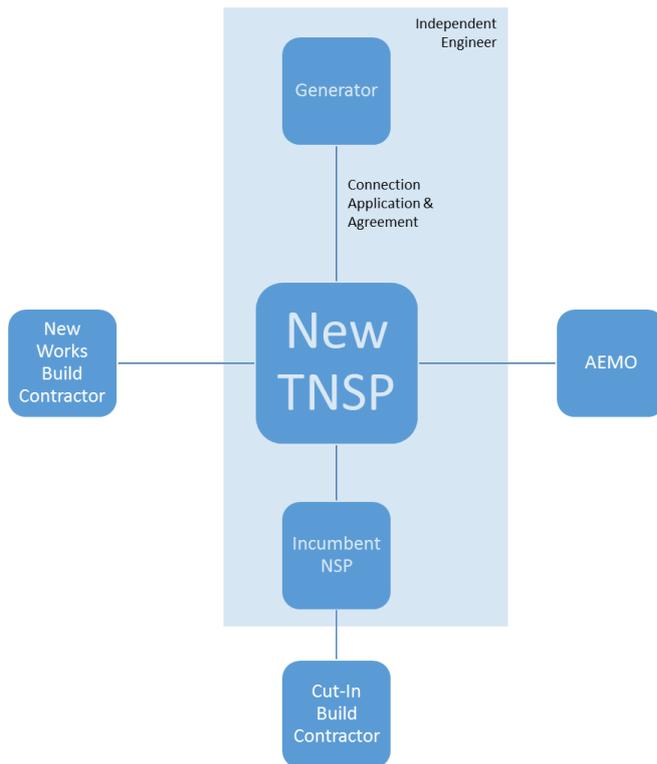
Incumbent TNSP is responsible for:

- Connection Processing
- Functional specification
- Liaising with AEMO
- DCAs works
 - Construction
 - Ownership
 - Operation
 - Maintenance

Connecting TNSP is responsible for:

- High level design
- IUSAs Works
 - Construction
 - Ownership
 - Operation
 - Maintenance

Option B transfers the responsibility for high level design away from the incumbent but maintains emphasis on the incumbent TNSP.



Proposed “Option C”

Connecting TNSP is responsible for:

- Connection Processing
- Liaising with AEMO
- High level design
- IUSAs Works
 - Interfacing Definition
 - Construction
 - Ownership
 - Operation
 - Maintenance

Incumbent TNSP is responsible for:

- Functional Specification
- Relevant Performance Standards
- DCAs works
 - Interfacing Definition
 - Construction
 - Ownership
 - Operation
 - Maintenance

5. Discussion of Issues - “Option C”

5.1 Ability to choose incumbent TNSP

As can be seen in section 4, Options A & B are consistent with the Victorian connection process. This will be a change from the current non-Victorian process.

Under Option C, connecting parties can choose the incumbent TNSP if desired. Option C is the only model that allows connecting parties to choose the current non-Victorian process if that is their preference. In this way, Option C will allay concerns from some participants about the benefits of Options A & B.

5.2 Role of the independent engineer

Goldwind welcomes the proposed role of the independent engineer and note that the role is relevant in the negotiation of Identified User Shared Assets. In the case of Option C the role of the independent engineer could be extended to include negotiations between incumbent and connecting TNSPs.

5.3 Application to distribution networks

The proposed changes to contestability may work effectively in both the distribution and transmission space. We encourage the commission to consider extending these changes to the distribution network.

5.4 Arrangements for Victoria

Goldwind supports increased consistency across the market, including in Victoria. Option C would significantly streamline the Victorian connection process.

5.5 Registration

The commission may wish to consider whether a separate registration category could be used for Connecting TNSPs to clarify the roles of each TNSP. Goldwind expects that any new category will likely be dominated by existing TNSPs and DTSOs from NEM states.

The strength of Option C is that relies on competent Connecting TNSPs to take responsibility for the shared network.

5.6 Ownership

Goldwind is comfortable with TNSPs owning connection assets providing that ownership and operation costs are market competitive. Contestability is the best way to achieve competitiveness.

5.7 Functional Specification

Given that registration process will ensure that Connecting TNSPs will be competent shared network operators, the functional specification can be truly functional and not overly specific or conservative. This will allow Connecting TNSPs to innovate to find cost effective solutions for the connecting asset, while giving comfort to incumbent TNSPs that the shared network will be protected.

5.8 Contractual arrangements

Option A & B propose a number of contractual interfaces. Goldwind have concluded that this will lead to the following contractual relationships being required:

1. Generator – Connecting TNSP
2. Generator – Incumbent TNSP
3. Connecting TNSP – Incumbent TNSP
4. Some form of Cooperation & Coordination contract between all parties

When considering the potential contractual arrangements for Option A & B, there is potential for worse outcomes in cost, time and complication of Connection Processing when compared with existing connection processes.

Option C proposes two contractual relationships only.

1. Generator – Connecting TNSP
2. Connecting TNSP – Incumbent TNSP

Goldwind expect that the commission's proposed improvements to negotiation would improve the negotiating process between the incumbent and connecting TNSP.

5.9 Dispute resolution

Consider a scenario where the incumbent TNSP loses a bid and then has to work with and connect the successful and competing TNSP bidder. This negotiation will benefit from clear rules and oversight.

Goldwind have concluded that dispute resolution is likely to be more productive after the proposed rule change due to:

- The oversight of the independent engineer;
- Clearer negotiating rules;
- Reduced role for the incumbent TNSP if they are unmotivated; and
- Balance between the negotiating power of incumbent and connecting TNSPs.

The objective of dispute resolution should be to provide a predictable outcome for the Connecting TNSP.

6. Conclusion

Goldwind welcomes the commission's efforts to bring greater transparency and competition to transmission connections. We are pleased to present an alternative model (Option C) that has advantages when compared to Options A and B as it may:

1. improve outcomes for connecting parties with regard to the transparency, timeliness, cost and complexity of connections to the transmission network; while
2. maintaining clear accountability for the safe, reliable and secure supply of electricity across the shared transmission network.