



28 January 2016

Mr John Pierce
Chairman
Australian Energy Market Commission
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Office of the Chief
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Dear Mr Pierce

John,

Ausgrid response to the *National Electricity Amendment (Transmission Connection and Planning Arrangements) Rule 2015* Consultation paper

Ausgrid welcomes the opportunity to provide this submission in response to National Electricity Amendment (Transmission Connection and Planning Arrangements) Rule 2015 Consultation paper.

We understand that the rule change submitted by the COAG Energy Council seeks to amend the National Electricity Rules (NER) that relate to the arrangements for connections to the transmission network and planning of the transmission network (transmission connections and planning).

Specifically, we note that the rule change request seeks to amend Chapter 5 and 6A of the NER to clarify definitions of connection assets, services and classifications, enhance contestability in connection arrangements and to improve transparency of information in transmission services, and to introduce a uniform approach to planning and reporting.

Ausgrid notes that the AEMC is interested in stakeholder views on how issues with the connection and planning frameworks have changed since the Transmission Frameworks Review. From a distribution network service provider (DNSP) perspective, we are mindful of the recent rule changes related to embedded generator connections, in particular, the AEMC rule determination that provides eligible embedded generator proponents with a choice of process when negotiating connection to a distribution network under either Chapter 5 or 5A.

The new embedded generator connection process in Chapter 5 of the NER 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 (DNSPs and proponents). 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 Chapter 5A process which is less prescriptive and more flexible.

As the transmission connection and planning arrangements rule change is seeking to make amendments to Chapter 5, we wish to highlight as a high level issue the potential consequences of this rule change for other connection customers that interact with NER Chapter 5.3. Although the consultation paper seems to

exclusively deal with Transmission Network Service Provider (TNSP) connections, Chapter 5 of the NER deals more broadly with registered participants that may also connect to the distribution network.

Our reading of the proposed changes in Chapter 5.3 suggests that the changes may impact any registered or intending participants (including smaller embedded generator proponents), not just TNSP connections. If this is the case, Ausgrid's exposure is broader and we will need to consider more specifically the additional obligations that the proposed changes place on the DNSP during the connection process, particularly for smaller embedded generator proponents which seek to negotiate under chapter 5. It is also important because access, charging and connection arrangements are likely to impact on Ausgrid in the future should large embedded generators connect to Ausgrid's transmission (dual function) assets or distribution assets. As such, we urge the AEMC to provide policy advice on this matter prior to the development of any draft rule. We do not believe that such impacts are the intention of this rule change request.

The other issue we wish to raise relates to identified users of shared network assets. In most cases, networks provide new assets by calling competitive tenders from construction companies and the costs of these works would be little different to the costs which would be incurred by a proponent using a similar specification. However, a proponent seeking to save money could do so by:

- Reducing the technical requirement for major equipment;
- Purchase major equipment from unreliable suppliers;
- Compromise on the detailed designs; and
- Minimise purchase of spare parts.

When this is done, it is unreasonable to then require the network (DNSP or TNSP) to assume responsibility for operation and maintenance of the asset. It should be treated as a dedicated connection asset where the proponent should be fully responsible for design, construction, commissioning, operation and maintenance. The network has no need to become involved with these assets except to the extent that it may contract with the proponent to provide some services. Any rule or policy advice should reflect this intent.

One final comment relates to the question about the introduction of minimum requirements for annual planning reports. Ausgrid is a distribution business with dual function transmission assets, and as such is registered as both a DNSP and TNSP. Our obligation to prepare a Transmission Annual Planning Report derives from this situation. However, many aspects that might be thought of as common to all transmission businesses do not apply to Ausgrid. For example, Ausgrid has no need to consult on inter-regional issues with TNSPs in Victoria or Queensland. If considering changes to reporting requirements, DNSPs that are also TNSPs solely because they operate dual function assets should be made exempt from any requirements that would not be appropriate. Compulsory requirements or amendments to the NER (including clauses 5.12.2, 5.20 and 5.21) should be carefully tested to ensure that any additional burden is outweighed by the benefits.

If you would like to discuss our submission further or arrange a meeting with Ausgrid representatives please contact Son Truong Vu on (02) 9269 4360

Yours sincerely



TREVOR ARMSTRONG
Acting Chief Executive Officer