



5 February 2016

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

Dear Mr Pierce,

**ERC0192: TRANSMISSION CONNECTION AND PLANNING ARRANGEMENTS –
CONSULTATION PAPER 2015**

Origin Energy Limited (Origin) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Consultation Paper on Transmission Connection and Planning Arrangements that has been initiated by a rule change request from the COAG Energy Council. Generally Origin agrees with the findings of the AEMC's Transmission Frameworks Review which highlighted the need for significant improvements to the current connections arrangements. Our specific comments on the various issues covered in the Consultation Paper are detailed below.

Objective of the connections arrangements

Origin supports the objective of the connection arrangements set out in the Consultation Paper. A more transparent framework that allows for timely and cost-reflective connections with suitable avenues for dispute resolution is consistent with the national electricity objective.

Categories of transmission assets

Replacing the existing connection definitions in the rules with the proposed three new categories of transmission assets will provide greater clarity for connecting applicants. By making explicit the ability of connecting parties to choose a contractor that best suits their needs, the new definitions are likely to promote contestability in the construction of these assets.

In the case of *identified user shared network assets* we note that irrespective of which party constructs the asset - i.e. a transmission network service provider (TNSP) or a third party, the TNSP will retain responsibility for the high-level design. This may well be appropriate given that these assets form part of the shared network (though initially constructed to enable a network connection). However, given the dual nature of the assets, agreement on their high level design can prove contentious. For example where a new substation is needed, the connecting party would only require the construction of an asset that is large enough to enable their specific connection. Conversely, the TNSP with responsibility for the shared network overall, may value a larger asset that could facilitate the connection of future load and generation. It is the connecting party however, that bears the cost for the construction of the asset.

It is therefore important the rules clarify that if a TNSP deems it appropriate to design an asset that is beyond the specifications needed for the connecting applicant (e.g. in anticipation of future connections and to maximise scale benefits), the connecting applicant should only bear the cost of the portion of the asset required for its connection.

Generally also, it is crucial that TNSPs are required to justify their design philosophy to ensure that overly strenuous design criteria do not serve to limit contestability.

Exemption from registration and third party access

Origin agrees that third party access to a dedicated transmission asset should only be offered if there is spare capacity on the line, and that the existing generator or customer should not be compelled to accept terms that are to its disadvantage.

Transition to the shared network

While origin considers there is merit in having applications for the transition of a dedicated connection asset to the shared network assessed on a case by case basis, it is important the rules specify the criteria that the regulatory body should take into account in making its decision. For example, a key issue would be the extent to which the original connecting party is impacted by the transition. In our view the principle outlined in the third party access arrangements should also be applied so that an existing generator or customer is not disadvantaged by any plans to transition the asset to the shared network.

Negotiating principles

The rule change proposes that the negotiating principles are updated and that they should be applied as a uniform framework to all connections to the transmission network covered under Chapter 5 of the Rules. Origin supports the updating of the principles to cover all aspects of the service provided by a TNSP with regard to identified user shared assets, and that a single set of principles be applied to all TNSPs. This will provide greater clarity to connecting parties and help minimise inconsistency when connecting in various jurisdictions.

Clearer cost breakdown

A lack of information around costs is often a primary area of contention for connecting parties. We therefore support the proposal for a clearer cost breakdown including the requirement for TNSPs to provide realistic options for connection as early as possible, indicating what options are preferred (or not preferred) and why.

Additionally, once a connecting party has committed to a connection, where new and unexpected costs emerge, the connecting party has limited means to query or dispute such costs given they have already committed to the project and any delay could result in adverse financial impact. Given this Origin suggests that the rules require TNSPs to indicate as early as possible any potential future costs associated with the connection; and where new costs emerge these must be justified.

Increasing transparency

Origin supports the proposed rule whereby TNSPs would be required to publish: design standards and philosophies; standard form connection contracts; and pro forma preliminary programs, including relevant milestones and indicative timeframes.

Planning

The various initiatives aimed at improving the planning arrangements are sound. These include: a requirement for TNSPs to take into account cross-regional investment options to meet reliability standards within their own region; formal avenue for TNSPs to input into the National Transmission Network Development Plan; and greater consistency across the various annual planning reports.

Please contact me at Steve.Reid@originenergy.com.au or on (02) 9503 5111, if you wish to discuss any aspect of this submission.

Yours sincerely,



Steve Reid
Manager, Wholesale Regulatory Policy