



2 April 2020

Mr John Pierce AO
Chairman
Australian Energy Market Commission

Lodged via AEMC website

Dear Mr Pierce,

PROJECT ERC0294: CONNECTION TO DEDICATED CONNECTION ASSETS

The Clean Energy Council (CEC) is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in renewable energy and energy storage along with more than 6,500 solar and battery installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

The CEC welcomes the opportunity to provide comment on the rule change request from the Australian Energy Market Operator (AEMO) regarding connection to dedicated connection assets (DCA), which seeks to clarify the frameworks for generators connecting to the transmission networks through a DCA. In principle, the CEC supports the generator connection changes that are put forward in the AEMO rule change proposal. However, we suggest that the consultation paper provides a simplistic view of how these changes would be implemented and how they would work during National Electricity Market (NEM) operation. The industry requires significantly more information on how these changes would be implemented and operate in practice, and the flow-on implications for other aspects of the rules in order to provide more detailed feedback.

We also suggest that this consultation has significant crossover with other workstreams being undertaken by the Energy Security Board (ESB). DCAs and the frameworks that govern them will need to be assessed through the ongoing ESB work designed to implement priority renewable energy zones (REZs) identified in AEMO's 2020 Integrated System Plan. At the March 2020 Council of Australian Governments (COAG) Energy Council meeting, Ministers directed the ESB to begin work to develop rule changes to facilitate the implementation of these priority REZs. Given this workstream is now underway, reviewing the DCA access regime and relevant frameworks separate to the ESB's work may be inefficient given the limited scope of the rule change request and subsequent processes. We do, however, note that it might be possible to review the issues related to connection points through this rule change request while deferring the access discussion into the ESB work, provided that changes made to the connection points framework do not impede the development of the REZ framework.

The remainder of our submission will separate our key points into these two broad categories for further consideration by the Australian Energy Market Commission (AEMC).

Creating individual connection points

Broadly, the CEC supports the proposed changes put forward in the AEMO rule change request to create individual connection points at the generator point of connection on a DCA. This will result in a generator having an individual connection on the DCA, individual meters, individual marginal loss factors (MLFs) and individual performance standards. This will assist AEMO with the settlement process and ensure performance standards are both more accurate and more easily enforced.

While in support of the proposed changes, the detail of how these changes will be implemented and how they would work in practice is necessary for the industry to make further judgement. For example, it is unclear whether the performance standard will be negotiated directly with the network service provider (NSP) or will this be with a hybrid of the NSP and the DCA service provider. The suggested changes will introduce significant complexity that will require thorough consideration by the AEMC in order for the industry to provide useful commentary. We suggest the AEMC consider the implementation structure for these changes, develop the detail of how it will work in operation, flesh out the interactions and impacts with related elements in the rules and present industry with a model or worked example that we are able to comment on in the draft determination.

The CEC supports the transitional arrangements presented in the consultation paper. Ensuring the new framework will only apply to new DCAs will mean existing DCAs and incumbent generator arrangements are maintained and protected from the costs associated with the changes. However, the CEC has concerns regarding the risks for generators on an established DCA governed by the old framework when a second generator seeks to connect to that DCA. The intention of the rule change request is that the new arrangements would not apply to previously connected generators however it is not clear how this will work when a second generator connects to an established DCA where the connected generator does not have an individual connection point. Special consideration may be required for this situation to protect the existing generator to ensure it is not exposed to significant costs such as meter upgrades or performance standards renegotiation. This may include requiring the new connecting generator to cover those costs in order to connect. We also suggest that established generators on a DCA should not face new disincentives that may be introduced through new frameworks that could discourage the addition of storage to a generator.

The CEC has concerns regarding the definitions in the rules associated with transmission network connection points (TNCPs) and the creation of additional TNCPs at the generator connection point behind the DCA connection point, which is also a TNCP. As we understand the current definitions, there is the risk that creating additional TNCPs could result in the DCA becoming part of the shared network. This is not the intent of the rule change proposal and must be avoided to protect the DCA framework and ensure the DCA purpose, classification and ownership is maintained. We suggest the AEMC consider the definitions carefully and assess the merits of creating new definitions and modifying current definitions where necessary to ensure the policy intent of the rule change request is reflected in the rules. This includes maintaining the essential elements of the DCA framework that sit outside the issues identified in this rule change request.

Lastly, the CEC suggest that the AEMC consider the merits of extending the DCA framework and rule change beyond the transmission network into the distribution network as there are networks at the

distribution level that operate at voltage levels similar to transmission networks and may benefit from these changes.

DCA access framework and REZ development

The consultation paper raises questions regarding the DCA access framework and the access policies associated with large and small DCAs. The access framework for DCAs will have a significant role in the ongoing work and rule change requests that the ESB is carrying out to facilitate the development of REZs. We note that following the March 2020 COAG Energy Council meeting the ESB is working towards draft rules to support the development of REZs. The CEC suggests that the ESB is the most appropriate body to consider the DCA access framework to ensure it encourages efficient investment and supports industry, given its scope to consider DCAs holistically in the context of REZs, rather than through a rule change process with limited scope.

We suggest that this could be accomplished by proceeding with the above discussed connection points issues via this rule change process and deferring the DCA access framework changes to the ESB. This would address the operational issues and definitions in the rules for the DCA framework that will satisfy AEMO's rule change request. It will also allow for the AEMC to defer the DCA access framework questions and discussion to the ESB as they are already some way into its work on how best to facilitate REZ development. REZ development will likely heavily rely on the DCA framework being appropriately constructed to support efficient network investment and ensuring DCA proponent (generator funded or other) rights are protected. With this in mind, the CEC suggests the AEMC is not best placed to consider the required changes to the DCA access framework at this point in time.

If the AEMC were to proceed with considering the DCA access framework through this rule change request, we would strongly suggest that additional time is allocated to the process to ensure stakeholders are given thorough opportunity to engage and contribute to the significant detail required to develop the framework. This would also allow the AEMC to thoroughly think through a DCA access model that supports the energy system transition and will support the development of REZs before continuing consultation. At a minimum this would need to include additional steps in the process such as a discussion paper and not proceeding directly to a draft determination. There is not enough information presented in the consultation paper for the industry to provide detailed comment on how the DCA access framework should be modified in the broader context of ensuring REZs are developed appropriately.

The CEC's preliminary comments on the DCA access framework are, as the AEMO rule change request notes, that it is an appropriate time to reconsider the access framework to encourage better utilisation of DCAs. The current risks presented to proponents considering the use of a large DCA are difficult to manage as they are required to implement an access policy that may allow for future generators to locate on their DCA and constrain them. In order for a generator to consider funding a large DCA there must be the ability for the generator to protect themselves against this risk. This would not necessarily mean that access would have to be completely denied to other parties, but a generator/DCA proponent must be able to reasonably restrict access to their asset on a commercial basis to ensure that the party that has funded the asset is not at a disadvantage. This type of arrangement should apply to a DCA of any size and should not be subject to any thresholds.

A more fit-for-purpose DCA framework may encourage the use of larger DCAs that are funded by a generator or a group of generators coordinating together behind a DCA as a method to facilitate a REZ. Allowing for a greater level of control of a DCA would protect their access by providing

commercial mechanisms to facilitate future connections that do not risk their output being constrained. In doing so, it may allow for more efficient use of the network as generators coordinate their use of the network to at varying times of the day. It may also encourage loads and storage to become a significant factor in REZ development.

The CEC is supportive of the ongoing ESB work to action the implementation of priority REZs across the NEM. This work is critical to meet the levels of generator capacity investment required to replace the retiring generation fleet in the coming years. The CEC encourages the AEMC to consider the broader context of REZ development that is intertwined in this rule change request.

Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission, please contact Tom Parkinson, Policy Officer, on (03) 9929 4156 or tparkinson@cleanenergycouncil.org.au or myself, as outlined below.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lillian Patterson', written in a cursive style.

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