Ref: A4616215

25 January 2021

Mr David Feeney
Executive General Manager
Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2001

Dear David,

Connection to Dedicated Connection Assets (DCAs) – Draft Rule Determination

Powerlink Queensland (Powerlink) welcomes the opportunity to respond to the *Australian Energy Market Commission's (AEMC's) Connection to Dedicated Connection Assets Draft Rule Determination,* published in November 2020.

We support changes that result in efficient outcomes for connecting parties and clear, workable frameworks that support the renewable transition in Queensland for the benefit of all consumers.

We note the overall intent of the Draft Determination is to restore National Electricity Market (NEM) processes at connection points and enable TNSPs to improve system security. We welcome and support this, as we are working closely with multiple proponents to progress connection applications that will benefit from this aspect of the Draft Rule.

Our overall assessment of the Draft Rule is that, as currently drafted, it would both support and hinder efficient outcomes and is unworkable in a number of areas. While it imposes significant additional obligations on the primary TNSP, it lacks clarity and detail on this and other critical elements of the framework. Given these overarching issues, we strongly encourage the Commission to introduce a further formal round of public consultation to enable networks and other stakeholders to review, consider and respond to the specifics absent in the Draft Rule. It is important that a workable framework results from this Rule change to support multiple connections on radial connection assets.

To assist the Commission in its considerations, we have identified areas of the Draft Rule that result in unintended consequences, and need further development and consultation with stakeholders:

- The "special access" framework is not workable. The drafting lacks clear positions on: administration of "spare" capacity; economic sharing with subsequent connecting parties; and provisions around provider of last resort and obligations and risks borne by TNSPs and connected parties should a DNA owner default. It is evident this complex aspect of the Draft Rule has not been fully developed and is not adequately addressed. We have begun exploring alternative frameworks that

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would address these issues, but we would require further time to work with the AEMC and other stakeholders on this critical aspect of the Draft Rule.

- The final rule must provide greater clarity on roles, responsibilities, flow of funds for services and cost recovery arrangements to address the significant increase in a TNSP's risks and liabilities.

- The Draft Rule does not provide guidance on transition arrangements, which need to be carefully worked through well in advance of the Final Determination. As noted above, there are multiple projects in Queensland that would seek to access the benefits this rule change could deliver.

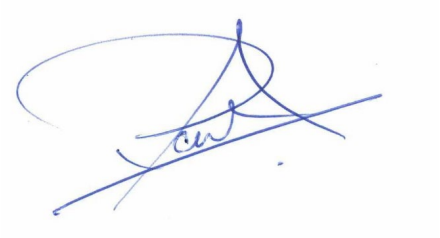
- We disagree with the proposed Marginal Loss Factor (MLF) methodology that places the obligation to administer settlement residues on a DNA on TNSPs. We consider that the materiality of residues on DNAs does not warrant a separate process. Instead, settlement residues on DNAs should be administered using a consistent process as for the rest of the network.

- We note the removal of the $10 million threshold for contestability for design, construction and ownership of Indentified User Shared Assets (IUSAs). While we recognise the benefits the Commission seeks to access with consistency across the IUSA and DNA frameworks, we also question whether this will provide a net benefit for connecting parties. The substantial increase in work required by TNSPs to process connection enquiries for contestable IUSAs will require a material increase in connection enquiry fees and complexity in contractual negotiations that we expect will not be proportionate for all connection enquiries. In the past year, half of our 34 connection enquiry responses were non-contestable.

- The 30km threshold for DNAs is essentially arbitrary, as there are examples of DCAs in our network that are less than 30km in length and would benefit from the DNA provisions. The pathway to opt-in to the DNA framework is therefore helpful, provided there are appropriate protections in place for TNSPs and subsequent connecting parties regarding the quality of the assets that form the DNA. This aspect of the Draft Rule requires further consideration to ensure a clear and transparent process when a DCA owner chooses to opt-in to DNA arrangements after the assets have been designed and constructed.

We would welcome a further discussion with the Commission on these matters. If you have any questions in relation to this submission, please contact Jennifer Harris.

Yours sincerely,



Paul Simshauser
CHIEF EXECUTIVE

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