



Our Ref:

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

Dear Mr Pierce,

RE: ERC0294 - CONNECTION TO DEDICATED CONNECTION ASSETS RULE CHANGE CONSULTATION PAPER

The Energy and Technical Regulation Division (the Division) of the Department for Energy and Mining thank you for the opportunity to make a submission on the *Connection to dedicated connection assets rule change* Consultation Paper, issued by the Australian Energy Market Commission (the AEMC) on 5 March 2020.

The Division supports the proposal by AEMO to clarify these aspects of the National Electricity Rules (the Rules). This additional clarity should allow proponents and Network Service Providers (NSP) to more efficiently negotiate dedicated connection assets connection agreements, which was the intent of the original Transmission Connection and Planning Arrangements introduced in 2017.

During this 2017 rule change process, when considering approaches to contestability for identified user shared assets, the Division favoured an approach which could clearly identify responsibility and liability for faults that occur on the shared asset. At the time we noted that it would be undesirable for a situation where a fault on an asset occurred resulting in a major disruption on the shared network, and both parties claimed that the fault is the responsibility of the other party, with liability not clearly identifiable.

We consider a similarly undesirable situation may arise if multiple facilities connect to the same dedicated connection asset, and liability is not easily identifiable if shared performance standards are not met. Applying individual performance standards for each connected facility should enable any non-compliance to be more easily identified.

Applying individual performance standards will also reduce the risk for other members of an identified user group being held accountable for the non-performance of another party.

We consider that AEMO's proposal to have a separate transmission network connection point and metering installation for each individual proponent in an identified user group, located at the point where each facility connects to the dedicated connection asset, is an appropriate solution to this matter. This approach would allow existing National Energy Market (NEM) arrangements, such as registration, performance standards, settlement and Marginal Loss Factors (MLF) to be applied to individual proponents connected to the same dedicated connection asset.

The Consultation Paper notes that a dedicated connection asset would continue to have a connection point to the shared transmission network, and refers to this as a '*DCA connection point*'. The AEMC should ensure there is a defined term for both connection points and it is clear how rules apply to each connection point.

Further, the Division notes that AEMO has asked the AEMC to revisit the threshold for requirements to apply the access regime, including whether the difference in approach to access is still appropriate.

In developing the proposal for the 2017 Transmission Connections and Planning rule change, the COAG Energy Council suggested it would be disproportionate and unnecessary to require parties to register as a transmission business, or even seek exemption, in respect of a very short connection with little prospect of being subject to a request for access. It therefore recommended there should be a minimum threshold length of 2-kilometres.

This was consistent with the AMEC's findings in its Transmission Frameworks Review where the AEMC proposed a 2-kilometre route length threshold above which third party access obligations should apply.

It was consultation with stakeholders during this rule change process which suggested that the regulatory burden of complying with the requirements of the access framework for dedicated connection assets of less than 30-kilometre route length would likely have outweighed the benefits that the obligation is seeking to provide.

The definition of large dedicated connection asset was therefore revised to a threshold of 30 kilometres.

It would be prudent for the AEMC to consider whether this threshold is still appropriate through a review of analysis on when it might be more cost effective to connect to the shared transmission network via existing dedicated connections assets, as opposed to constructing a new dedicated connection asset.

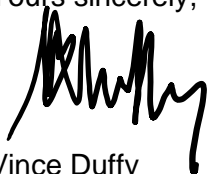
It is was also considered that the access regime that applies only to dedicated connection assets would not be used often. The AEMC should determine if this has been the case, and if the current threshold has prevented any parties from gaining access to existing, shorter dedicated connection assets.

It is also understood that the current framework does not prevent parties from negotiating access to small dedicated connection assets outside of the access regime, on commercial terms. Nor does it necessarily mean that parties who own, operate or control dedicated connection assets will be required to allow other parties access to their assets. It simply provides a means by which parties can access a clear framework by which access to the asset can be considered.

If the AEMC considers that smaller length assets may be significant enough to warrant the introduction of a framework for third party access, then this would be supported. However, it should consider the additional regulatory burden and potential cost on the parties involved before reaching this decision.

Thank you for considering this submission. Should you wish to discuss this further please contact Mr Chris Leverington, Senior Policy Officer, Energy and Technical Regulation Division, on (08) 8429 3298.

Yours sincerely,



Vince Duffy
EXECUTIVE DIRECTOR
ENERGY AND TECHNICAL REGULATION DIVISION

22 April 2020