



28 January 2021

Ms Merryn York
Acting Chair
Australian Energy Market Commission

Lodged via the AEMC website

Dear Ms York,

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 7,000 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 comment on the Australian Energy Market's Commission's (AEMC's) National Electricity Amendment (Connection to Dedicated Connection Assets) Rule, Draft Rule Determination. The CEC broadly supports the proposed framework to establish Designated Network Assets (DNAs) to replace the currently defined large dedicated connection assets (DCAs) in the National Electricity Rules (NER) as this should resolve the concerns of the market operator regarding multiple connection points on a DCA. We also support the implementation of access policy requirements on DNAs that will ensure the necessary protections are in place to protect the rights of the parties who have funded the DNA.

Despite our in-principal support for the proposed framework, the CEC suggests that further detail is needed in specific areas to provide clarity on how the new framework will work in practice. Specifically, the access policy arrangements and the commercial relationships across the potential parties involved with a DNA may require further detail and worked examples in order to ensure the DNA framework is clear to all stakeholders at the commencement of the final rule. The draft rule represents positive fundamental changes to the rules governing connection assets and in order for industry to make best use of the new framework as soon as possible, further practical detail regarding these arrangements is needed.

The remainder of our submission will separate our key points into broad categories for further consideration by the AEMC. Please note that due to the timing of this consultation in relation to the Christmas shutdowns and the number of open consultations at this time across the market bodies our comments below may not be an exhaustive list of industry's questions and concerns.

Timing and implementation

The timing and implementation of the final rule is of key interest to the clean energy industry. It is well understood that the National Electricity Market (NEM) is experiencing a very rapid transition towards higher penetrations of renewable energy. The connection of each new renewable generator generally requires the use of connection assets. With this draft rule providing much needed clarity and revision of the frameworks for DCAs, in particularly for current large DCAs, the CEC strongly suggests that the

AEMC consider ways to ensure industry is able to make best use of the new DNA framework as soon as practically possible.

The draft determination suggests that the commencement date for the substantive parts of the rules would be 6 months following the completion of the final rule. We understand this is due to the need for all parties to complete their relevant actions ahead of rule change implementation, including allowing the Primary Transmission network Service Providers (TNSP) to develop access policies for submission to and approval by the Australian Energy Regulator (AER).

However, there are projects that are currently in train across the NEM that would prefer to progress their developments under the new framework in order to take advantage of the benefits of a DNA. The draft determination suggests that a proponent may need to submit a new connection enquiry for an in-train project if they are interested in sharing that asset under the new framework¹. Resubmitting connection enquiries would result in significant delays to these projects when you factor in the expected connection enquiry time across the NEM. With the final rule due to be made on 4 March 2021, access policies would then be finalised and published in September 2021. Factoring in that the indicative time for a connection enquiry is 6 months (and realistically can be much longer),² this would mean a proponent currently progressing a development through a connection enquiry may face a delay of a year or more to progress their project should it want to take advantage of the new framework. An alternative option for such a proponent is to progress their current enquiry under the current framework but with an expectation that a final rule will be made and they could opt-in to the new DNA framework at a later date. This, however, is a risky strategy as it would involve the proponent proceeding based on assumptions on the final framework. Either the proponent delays to wait for the certainty of the final framework or they proceed accepting a significant degree of risk.

The CEC suggests the AEMC consider developing an implementation structure or pathway that could be utilised by projects with an immediate need for the new framework in order to continue their development. As described above, current projects proceeding under the old framework to avoid significant delays or choosing to delay development to wait for the new framework would both be unacceptable outcomes for industry.

Access policies

Cost sharing arrangements

The CEC has a number of questions relating to the development, administration and use of the access policies that are to be developed by TNSPs and approved by the AER. We consider there is detail lacking in how certain elements of the arrangements between the parties involved in the DNA framework will play out.

While there is an attraction to a standard access policy to apply to all of a Primary TNSP's DNAs, we believe more work is required in this area to ensure it is practically workable.

Our primary question relates to the DNA cost sharing arrangements for generators connecting to a DNA. Our understanding of the draft rule is that the access policies will be set by the TNSP and remain uniform across all DNAs within that TNSP's jurisdiction. As a result, it is confusing as to whether the AEMC intends that the DNA cost sharing arrangements would be outlined in the access policy or in a separate agreement or document that would sit alongside the access policy. The draft

¹ AEMC, Connection to dedicated connection assets, 26 November 2020, page 113, available at https://www.aemc.gov.au/sites/default/files/documents/connection_to_dedicated_connection_asset_draft_determination.pdf dedicated connection assets

² AEMO, NSP connection process diagram, available at https://www.aemo.com.au/-/media/Files/Electricity/NEM/Network_Connections/NSP-connection-process-diagram-v20.pdf

determination states that the access policy “may contemplate cost sharing from subsequent applicants who are seeking DNA services from that asset”³ but this does not make it clear how the cost sharing arrangements will be actioned through the access policy. This should be clarified in the final rule.

In the CEC’s view, we cannot see how a standard access policy could incorporate cost sharing arrangements as these are likely to be bespoke to the individual DNA and as such, we recommend they are not included. It will likely be necessary that the DNA owner maintains control over the cost sharing arrangements, including in relation to the amount and cost recovery structure (e.g., annual, incremental, or up front etc). It may be that the AEMC’s intention aligns with our view. If that is the case, it is also important that the other proposed elements of the access policies that do not strictly refer to the cost sharing arrangements do not inadvertently restrict the DNA owner’s ability to devise an appropriate cost sharing arrangement for a DNA. The AEMC should provide further guidance or principles to this effect.

Connecting loads

The draft determination largely contemplates further generator connections to a DNA but does not provide much commentary on subsequent load connections to a DNA. Such load connections may improve some elements of the DNA for other parties connected to the same DNA. In this situation it is not clear what principles in the access policy, if any, will guide the connection of a load to a DNA. Further clarity is requested to help stakeholders understand how this situation will be approached.

Additional bespoke arrangements

It is possible that bespoke arrangements in relation to the access policy (that are not related to the cost sharing described above) may be required for individual DNAs. It is difficult to specify exactly what these may be at this point and will likely arise as DNAs are practically developed. We suggest the AEMC give further thought as to how flexibility can be built into the framework to allow for bespoke arrangements to be agreed between the DNA owner and the Primary TNSP as individual DNAs are developed.

Process to develop access policies

Should the AEMC progress with the concept of standard access policies for a TNSP, the CEC suggests some minor amendments to the process for the development of the access policies by the Primary TNSPs. We suggest that the AER, as part of its review of the submitted access policies by the TNSPs, notify stakeholders that provided submissions during the Primary TNSP’s consultation that it has commenced its considerations of the proposed access policy and invite them to follow up directly with the AER with any concerns if appropriate. This need not be a formal additional consultation process that would extend the period of the AER’s consideration but rather an invitation for parties that have already engaged in the process to directly engage with the AER. Doing so will round out the consultation process conducted by the Primary TNSP and allow stakeholders to raise any final concerns they feel that were not adequately considered by the Primary TNSP in their consultation period.

The CEC also suggests a standard review period should be established for the Primary TNSPs to review their access policies. It is likely that the policies will require some natural development over time as all parties become more accustomed to them and practical experience with them is had. Allowing for a formal review period that requires review after the first 2 years and then every 5 years thereafter would account for this.

³ AEMC, Connection to dedicated connection assets, 26 November 2020, page 84, available at https://www.aemc.gov.au/sites/default/files/documents/connection_to_dedicated_connection_asset_draft_determination.pdf dedicated connection assets

'Opting in' to DNA arrangements

The CEC supports the ability of owners of small DCAs to opt into the DNA framework, given that in some circumstances multiple parties may wish to connect to a smaller asset. However, we are concerned that this requires the agreement of the Primary TNSP. The commercial reasons for 'opting in' by the asset owner may not align with the TNSP's priorities in operating the asset. Requiring agreement of the TNSP may limit the commercial benefits to asset owners 'opting in' to the DNA framework.

Marginal Loss Factors

The CEC agrees with the AEMC's draft determination that the settlement residues that accrue on a DNA should be isolated and returned to the connecting parties rather than being used to offset TUOS charges in that region.

There are, however, a number of questions arising that relate to the contractual arrangements that will be in place between the several parties involved in the development of a DNA. This may involve the Primary TNSP, the first connecting party, subsequent connecting parties and the DNA owner.

The Network Operating Agreement (NOA) will contain requirements for the flow of marginal loss factor (MLF) residues that will accrue across the DNA to be distributed to the DNA owner via the Primary TNSP. While it appears to be the AEMC's intent that the connecting parties receive this residue, this does not appear to be an explicit proposed rules requirement. We recommend that it is made an explicit requirement.

Also, in the case where a second generator connects to a DNA and that party only has a contractual connection agreement with the Primary TNSP, it is unclear how this second connecting generator will be able to access the MLF residues that accrue on the DNA without a contractual arrangement in place with the DNA owner.

Network Operating Agreements

The CEC understands that the operation and maintenance of a DNA will be carried out by the Primary TNSP via the agreements made between the DNA owner and the Primary TNSP in a NOA. This agreement is covered by the negotiating principles outlined in the Rules. Given that the provision of the operations and maintenance provided by the Primary TNSP is a non-contestable service, we suggest that further information is included to understand exactly how the negotiating principles ensure that NOA fees are kept efficient in an uncompetitive negotiation. The draft determination does not make it clear how this will play out in practice.

Interaction with other reform processes

The draft rule makes it clear that system strength will remain consistent with the current rules for DNAs. The management of system strength on DNAs will be impacted by the forthcoming outcomes of the TransGrid rule change proposal in relation to the efficient management of system strength on the power system. The CEC recommends the AEMC consider and describe in its final determination the potential interactions of this rule change with the AEMC's current proposed directions in relation to the system strength frameworks. We appreciate that the AEMC is still considering the system strength rule change request but a discussion of the interaction even at a high level would greatly assist industry understanding of these two fundamental proposed rule developments.

For example, the AEMC is contemplating the establishment of system strength nodes that will require system strength to be managed by the Primary TNSP. We encourage the AEMC to consider how system strength for DNAs will be considered when included within these nodal areas and also when

outside the nodal areas to provide an understanding to stakeholders on how the system strength framework may impact DNAs.

Similarly, the draft determination makes several references to the now deferred Coordination of Generation and Transmission Investment (CoGATI) work program as a potential solution for the broader access reform work that will need to be undertaken to modify the DNA framework to allow for non-radial DNAs. With this work now deferred, the CEC suggests the AEMC provide stakeholders with further information on how this deferral impacts this DNA framework, if at all, and if non-radial DNAs will not be possible until the CoGATI project is resumed.

DNA to DNA connections

The draft determination notes that DNAs may be augmented over time to allow additional DNAs to connect to facilitate connection for parties more than 30km from the original DNA⁴. In the event of the extension of a DNA, with two separate asset owners owning each 'DNA' (noting that they will be treated as the same DNA), we ask that the AEMC clarify the following:

- What arrangements will be in place for the access policy and cost sharing arrangements in this instance?
- How will the access policy treat the DNAs separately for the purposes of access charges and settlement residue distribution when the DNA will be treated as the same DNA, as per the draft determination stating "there can only ever be one 'designated network asset' behind a boundary point"⁵.

The CEC suggests the access policy and related contractual arrangements require clarification in this instance.

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,



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⁴ AEMC, Connection to dedicated connection assets, 26 November 2020, page 103, available at https://www.aemc.gov.au/sites/default/files/documents/connection_to_dedicated_connection_asset_draft_determination.pdf dedicated connection assets

⁵ Ibid, page 103