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Dear Franc

### **Consultation Paper: Victorian Connections Reform**

AusNet Services is pleased to make this submission into AEMO's consultation on proposals to streamline the generator connections process. As incumbent network owner and operator AusNet Services has a role in every generator connection to the transmission network. We accordingly have long experience with the arrangements and the Victorian transmission contestability framework more generally.

AusNet Services is a strong supporter of contestability in provision of transmission services, and considers that the Victorian framework offers an effective model, and is one which has the potential to be applied more widely in the NEM. However, there have been occasions where commercial negotiations involved in the generator connections process have proven cumbersome, and can be a distraction from the effectiveness of the broader framework. The AEMO paper observes that generator applicants have previously indicated that the costs, delay and complexity of the connection process in Victoria are potentially greater than in other NEM regions.

We therefore support AEMO's initiative to streamline the establishment of infrastructure services necessary for generator connection. In particular we agree that AEMO could leave the tendering / selection processes to select the preferred network service provider to the connection proponent. The generator, as proponent, is much better placed to determine and manage this process.

AEMO is also exploring whether it needs to be involved as a party to any service agreements. We also welcome exploration of this aspect of AEMO's role, as removing itself altogether from service agreements, placing greater reliance on the Rules and legislative instruments to give its functions authority, would further streamline the process. However, detailed assessment will be necessary to give confidence in compatibility with the overall Victorian regime. AEMO notes in the paper that removing itself from service agreements would be preferable from a streamlining viewpoint, but it does not reach a firm conclusion that this option must be pursued.

Currently AEMO, as the TNSP responsible for provision of shared network services to network users in Victoria, has network agreements with all network owner TNSPs (also known as declared transmission system operators or DTSOs), who provide capability services to AEMO. These are service contracts, which document the roles and responsibilities of both parties as service receiver (AEMO) and service provider (DTSO). There are many aspects which lend

themselves to the service agreement approach. For example, AEMO may determine there is a need for a change in the performance capability on the network, and through its contractual arrangement has a mechanism to achieve this.


The network agreements also provide the mechanism through which the Availability Incentive Scheme (AIS) is funded. The AIS is not a penalty provision, rather is designed to encourage the DTSO to take plant outages for maintenance purposes when network users would value the subject portion of the network less, and to be innovative in advancing network reliability. The DTSO is driven to minimise the costs associated with outages. The scheme is a commercial arrangement with AEMO and may depend on the service agreement to operate.

If it is determined that service contracts are necessary, streamlining of the contract negotiation process itself may be an option. An alternative approach that may be worth considering is for the network agreements to be published standard form agreements, with only the schedules to be populated and open to negotiation.

Separate to shared network augmentation required for new connections, AEMO is also responsible for planning and augmenting the shared network to meet service reliability needs, and is responsible for providing a secure system. The consultation paper focuses on the new connections specifically, however there is no indication that network agreements will not continue, or would be unnecessary, in the broader Victorian framework. It would therefore be useful for the current process to examine the broader Victorian arrangement, and draw conclusions on whether there is merit in keeping alignment of these two augmentation streams as the framework continues to evolve.

We would be pleased to discuss our submission with you and look forward to participating further in the review as it progresses.

Yours sincerely,



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**Manager Regulatory Frameworks**