

Friday, 9 December 2016

Mr Franc Cavoli  
Manager, Transmission Procurement  
Australian Energy Market Operator Ltd  
Lodged Electronically: [franc.cavoli@aemo.com.au](mailto:franc.cavoli@aemo.com.au)

Dear Mr Cavoli,

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

The Clean Energy Council is the peak body for the clean energy industry in Australia. We represent and work with hundreds of leading businesses operating in solar, wind, energy efficiency, hydro, bioenergy, energy storage, geothermal and marine along with more than 4000 solar installers. We are committed to accelerating the transformation of Australia's energy system to one that is smarter and cleaner.

We welcome the intent of the proposed reforms and the constructive approach taken by the Australian Energy Market Operator to this process. The Victorian Government's Renewable Energy Auction Scheme is gearing up to deliver significant investments in new renewable energy capacity to Victoria over the coming decade. Efficiencies in the connection of these generators will achieve better outcomes for Victorian consumers in delivering these targets, consistently with the National Electricity Objective.

Despite our support our members have raised three areas of concern with the proposed changes that we hope that AEMO can address in working through the detail of these reforms.

### ***Scope for variations occurring prior to Practical Completion needs to be clarified***

The inclusion of undefined variations that could occur between financial close and AEMO's agreement to practical completion of any work on the shared network being completed needs to be managed.

The past slow-moving nature of generation investments may have restricted this risk to secondary items in the past. However, the increasing pace of investment anticipated in Victoria over coming years creates new risk that these variations may extend into primary plant or transmission augmentation, especially as there may be multiple projects connecting in close proximity. This is further compounded by the discretion afforded to AEMO and the TNSP in identifying variations.

In order to prevent excessive risk premiums the CEC recommends that variations be disallowed beyond a project's commitment to a connection agreement and the project's financial close. Failing this, tight restrictions should be placed on what is permitted under a variation to include only secondary plant or items that were not foreseeable at the time the connection agreement was signed or any plant or item that is proposed by the connection applicant.

### ***Proposed alignment of TNSP NER obligations with Generator GPS obligations***

Our members have raised deep concerns with the proposal that the generator would be required to satisfy AEMO that the TNSPs have met the Primary Functional Requirements and Protection and Control Requirements before granting generator registration. This approach appears to be misguided.

In the first instance any assumption that a generator has countervailing market power to negotiate this obligation into any contract with the TNSP is not based in evidence. Even if the generator could negotiate this outcome (via some financial penalty or partial payment restriction for example) the extent of the generator's reach would only be limited to the performance of the transmission assets as required to meet its Generator Performance Standard. Outstanding items expected by the TNSP's NER obligations are potentially broader than the scope of the relationship between the generator and the TNSP.

In addition the extent of outstanding items is a matter between AEMO and the TNSP over which the generator has no control. This uncertainty increases risk for the generator proponent should their registration be withheld pending the TNSP rectifying outstanding items.

The CEC understands that AEMO's objective with this proposal is to ensure that shared transmission network assets in Victoria remain compliant with the NER and therefore AEMO's performance expectations. NER compliance of shared network assets is a matter for the Australian Energy Regulator (AER), not connection applicants. AEMO should be looking to solutions that rely on the AER's enforcement regime.

Alternatively, the CEC would be open to considering a financial arrangement with AEMO's involvement that withheld some degree of payment to the TNSP until outstanding matters were completed. The CEC would be open to understanding AEMO's views on how such an arrangement may work.

### ***Potential to retain an independent engineering role for AEMO***

As these changes progress it is important to recognise there is some value that is created by AEMO's current role as an independent umpire in the connection negotiations and process. AEMO should be considering how this role can be retained within the proposed changes.

It is also worth noting that doing so would be consistent with the Australian Energy Market Commission's (AEMC) proposal to introduce an independent engineer within the contestable connections framework (as drafted in the Transmission Connections and Planning rule

change). It would be unfortunate if other NEM jurisdictions introduce this independent oversight role while it is would back in Victoria.

As a minimum the Victorian arrangements should remain consistent with the AEMC's proposal for an independent engineer.

Once again we thank AEMO for the opportunity to provide comment on these progressive reforms and would be more than happy to discuss these matters if needed (contact via the undersigned).

Sincerely,



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