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Ref: AC/TF/JD ERC0147

20 February 2014

Mr James Eastcott
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Eastcott

RE: ERC 0147 Connecting Embedded Generators Position Paper and Draft Final Rule

Ergon Energy Corporation Limited (Ergon Energy) welcomes the opportunity to provide comments to the Australian Energy Market Commission (AEMC) on its *Position Paper and Draft Final Rule – Connecting Embedded Generators*. This submission which is available for publication is made by Ergon Energy in its capacity as an electricity Distribution Network Service Provider (DNSP) in Queensland.

While Ergon Energy is generally supportive of the AEMC's Draft Final Rule and the likely long term benefits for both DNSPs and embedded generator (EG) proponents, Ergon Energy does not agree with the addition of sub-clause 5.4(b)(h)(6) to Schedule 5.4 - description of any ongoing operational and maintenance costs and charges where undertaken by the DNSP of the National Electricity Rules (Rules). While we note the AEMC's intention to provide as much transparency to EG proponents as possible, Ergon Energy considers that ongoing operation and maintenance costs are not associated with the "connection" costs, rather we believe these costs relate to post connection services. Moreover, these costs are often associated with Network Service Providers operating and maintaining the shared network in accordance with legislative and regulatory obligations. In many cases it will be very difficult to segment out such costs to an individual user, other than on an allocative basis. As such, the inclusion of such a clause is likely to confuse rather than inform and overlap existing National Electricity Rules (the Rules) around, service classification, regulatory determinations and annual pricing.

Ergon Energy is still concerned that the Draft Final Rule does not clearly articulate which connection process EG applicants must follow based on their generating system size. We note that currently, Chapter 5A applies to micro EGs (AS4777) and non-registered EGs. This is clear in the drafting of Chapter 5A. Furthermore, the existing connection process

under rule 5.3.1 applies to registered participants or persons intending to be registered. This is again clear in the Rules. However, we believe that the new connection process provided for under the Draft Final Rule, 5.3.1A, does not clearly express what size generating system applies to this draft rule. Noting the AEMC's policy that Chapter 5 is applicable where the generating system is greater than the standing exemption, Ergon Energy would appreciate further clarity from the AEMC on which connection process an EG applicant must follow based on their generating systems' size and where this is reflected in the supporting Rules.

In addition, Ergon Energy does have concerns in relation to the proposed commencement date of the Final Rule, on 1 October 2014. In particular Ergon Energy considers that this Rule Change is sufficiently comprehensive to warrant further time for DNSPs to ensure that they will be compliant with the Final Rule prior to its commencement. Ergon Energy suggests that DNSPs should be provided more than 6 months within which to implement, and we cite the following reasons in support of this suggestion:

- Queensland and South Australian DNSPs are heavily engaged in the development of their Regulatory Proposals. Ergon Energy's Regulatory Proposal is due to the Australian Energy Regulator (AER) on 31 October 2014;
- The Queensland Government has conditionally agreed to adopt the National Energy Customer Framework in 2014 after consideration of options that will ensure that protections for customers outside of south-east Queensland are delivered. This implementation will take significant resources and require numerous system changes; and
- System upgrades will be required to ensure that Ergon Energy can maintain the public register of completed EG projects.

In consideration of these issues, Ergon Energy requests that the AEMC consider delaying commencement of the Final Rule until 1 July 2015 on the basis that this will be more likely to enable full compliance upon commencement. Ergon Energy appreciates that we are requesting a delay of 8 months. However, we consider that this is necessary, given the issues identified above.

Finally, Ergon Energy agrees with the AEMC that there should be transitional arrangements to support the move to the new arrangements. We also consider that these arrangements should be embedded in the Rules to ensure regulatory certainty for market participants.

In the event that the AEMC makes any significant amendments to the Rules in light of this consultation, Ergon Energy would appreciate the opportunity to review and provide comments if appropriate. Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jenny Doyle', with a large, stylized loop at the end.

Jenny Doyle
Group Manager Regulatory Affairs

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