

13 February 2009

Mr Ian Woodward
Chairman
The Reliability Panel
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

By email: submissions@aemc.gov.au

Dear Ian,

Technical Standards Review – Response to Draft Report

Grid Australia welcomes the opportunity to comment on the Technical Standards Review Draft Report (Draft Report) published by the Reliability Panel (the Panel) on 19 December 2008.

Grid Australia considers that the principles developed by the Panel have a strong alignment with the principles put forward by Grid Australia in its submission to the earlier Issues Paper and are supported by Grid Australia. Specifically, Grid Australia supports the principles being directed towards achieving the following outcomes:

- pre-existing contractual rights of parties are protected;
- the technical performance standards of connecting parties are directed to achieving the system standards and are clearly defined; and
- the roles and responsibilities of all parties involved in the management of technical standards are clear and appropriate.

Since the AEMC first requested the Panel to undertake this review of technical standards there have been some further developments that impact on how the Panel should approach its task. Specifically, the Ministerial Council on Energy (MCE) has directed the AEMC to conduct a review of energy market frameworks in light of climate change policies. The AEMC has commenced this review and on 23 December 2008 published a 1st Interim Report.

One of the issues highlighted by the AEMC in the 1st Interim Report is the prospect for an increase in the number of applications to connect to the transmission network, and how TNSPs can be best positioned to manage any such increase.

Negotiation of access standards for new generator connections can become a complex and time consuming element of the overall process of establishing a new connection. Grid Australia considers there is opportunity for this review of technical standards to contribute to further streamlining of the connection process.

“Top Down” Approach

Grid Australia strongly supports the “top down” approach proposed by the Panel, to replace the existing “bottom up” approach. The proposed principle that requires connection applicants to prove why their plant cannot meet an automatic access standard is an essential element of the “top down” approach. This change will move the default starting point for negotiations away from the minimum access standards and toward the automatic access standards. This in turn will reduce the complexity of analysis and negotiation required to establish new connections and result in a further streamlining of the connection process, helping to address concerns expressed by the AEMC in its 1st Interim Report.

International Approaches

Grid Australia notes that the Panel’s proposals nevertheless retain a framework for negotiation of standards as a core part of the connection arrangements in the NEM. In contrast, some other jurisdictions, for example the United Kingdom and Ireland, only permit deviation from the base standards in exceptional circumstances. In this regard these approaches appear to go even further than the above mentioned ‘top down approach’ in reducing the level of negotiation of performance standards.

Specifically, the United Kingdom arrangements require parties wishing to operate a lower standard than specified in the relevant Code or licence to seek a derogation¹.

The intention is clearly to permit only short term deviations from the standard requirement and only where a strong case can be made by the proponent to the regulator. In addition, the Ofgem Guidance Note requires all derogations to be published, presumably so that other parties not receiving the benefit of a derogation can see where they are being put at a competitive disadvantage.

Grid Australia understands that a similar approach is adopted in Ireland. Grid Australia also understands that this approach has been of assistance in processing the very large number of wind generator connections occurring in that jurisdiction.

Summary

Grid Australia supports the principles proposed by the Panel, especially those that will tend to reduce the time and effort taken to analyse and negotiate new connections. While the proposed “top down” approach will assist in this regard, Grid Australia notes that it nevertheless retains the negotiation of technical performance standards as an integral part of the framework. This is in contrast to the approach in the United Kingdom and Ireland, which are both experiencing a rush of applications to connect wind generators to meet renewable energy targets.

¹ Ofgem Guidance Note "Derogation from Codes and Standards in Electricity Generation, Supply, Distribution and Transmission Licences", October 2003

Grid Australia would welcome the opportunity to discuss any aspect of this submission with the Panel or staff.

Yours sincerely,

A handwritten signature in blue ink that reads "Rainer Korte". The signature is written in a cursive, slightly slanted style.

Rainer Korte
Chairman
Regulatory Managers Group