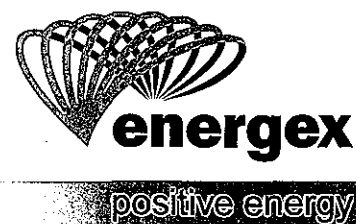


06 March 2009

Manager MCE Secretariat
Department of Resources, Energy and Tourism
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Dear Sir / Madam

**Response to Standing Committee of Officials' Policy Response:
National Frameworks for Electricity Distribution Network Planning,
Connection and Connection Charge Arrangements**

ENERGEX Limited (ENERGEX) welcomes the opportunity to respond to the Ministerial Council on Energy (MCE) Standing Committee of Officials' (SCO) Policy Response titled *Electricity Distribution Network Planning and Connection – A National Framework for Electricity Distribution Networks* (Policy Response). ENERGEX provides this response as a Distribution Network Service Provider (DNSP).

This submission provides comment on Part 2 (connection arrangements) and Part 3 (capital contribution arrangements) of the Policy Response. ENERGEX's views on Part 1 (network planning and expansion) will be raised through the Australian Energy Market Commission's review process.

ENERGEX generally supports the recommendations raised in the Policy Response, subject to the following comments:

- ENERGEX seeks further clarification regarding the proposed scope of the connections framework, including its interaction with the existing framework for Registered Participants under Chapter 5 of the National Electricity Rules (NER);
- The NER should include the criteria to be applied by the Australian Energy Regulator (AER) in approving a standard connection service;
- Construction timeframes for new connections need to recognise and be subject to the technical complexities of certain connections as well as the need for third party approvals;
- The existing framework for establishing or modifying a connection under Chapter 5 of the NER should apply to the negotiated connection process, rather than the negotiating framework under Chapter 6 of the NER;
- The NER should contain a deemed standard connection agreement for micro embedded generation that meets the definition contained in the Australian Standard AS 4777; and

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- ENERGEX has concerns surrounding the practical implications of the proposed inclusion of repayment provisions for augmentation

Please find attached ENERGEX's detailed submission to the Policy Response. Should you have any questions please do not hesitate to contact either myself or Rachel Leaver, Network Regulation Manager on (07) 3405 2924.



Louise Dwyer
Group Mgr Regulatory Affairs

Attach.

**RESPONSE TO
MINISTERIAL COUNCIL ON ENERGY
STANDING COMMITTEE OF OFFICIALS**

**NATIONAL FRAMEWORK FOR
ELECTRICITY DISTRIBUTION
NETWORK PLANNING AND
CONNECTION**

MARCH 2009

**ENERGEX LIMITED
ABN 40 078 849 055**



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1.

INTRODUCTION

This section details the scope and structure of ENERGEX's submission and provides a summary of ENERGEX's high-level concerns with the Policy Response.

1.1 Scope and Structure

This submission presents ENERGEX Limited's (ENERGEX) views in response to the MCE Standing Committee of Officials (SCO) *Electricity Distribution Network Planning and Connection – A National Framework for Electricity Distribution Networks* (Policy Response), released for consultation by SCO on 15 December 2008.

This submission provides comment on Part 2 (connection arrangements) and Part 3 (capital contribution arrangements) of the Policy Response. ENERGEX's views on Part 1 (network planning and expansion) will be raised through the AEMC review process.

This submission is structured as follows:

- Section 2:** Outlines ENERGEX's specific comments on SCO's proposed framework for connection arrangements.
- Section 3:** Outlines ENERGEX's specific comments on SCO's proposed framework for capital contributions.
- Section 4:** Outlines ENERGEX's concerns with the proposed process for implementation of the national framework.
- Annexure A:** Provides ENERGEX's detailed comment on SCO's Policy Response to recommendations 10 – 25 (inclusive).
- Annexure B:** Provides ENERGEX's detailed comment on SCO's Policy Response to recommendations 26 – 30 (inclusive).

1.2 Summary of Key Issues

The following is a summary of the key issues for ENERGEX identified through its review of the Policy Response:

- *Scope of Framework:* The need for increased clarity regarding the scope of the proposed revisions to Chapter 5 of the NER, including their interaction with the existing provisions of clause 5.3;
- *Scope of Contracts:* The need for separate contracts to govern 'new' / 'modified' connections (i.e. services associated with the establishment, extension or modification of physical supply to a premises) and 'existing' connections (i.e. services associated with energisation and the provision of ongoing supply services). ENERGEX believes that an attempt to combine these agreements is likely to narrow the coverage and scope of one or other of the arrangements;

- *Defining a Standard Connection Service:* The NER should include the criteria to be applied by the AER in approving a standard service. For example, the AER should approve a standard service defined by the DNSP that is considered to be fair and reasonable, is in accordance with the National Electricity Objective and is line with past practices;
- *Timeframes for DNSP Activity:* The need for construction timeframes to be subject to preconditions for completion in recognition of the technical complexities of certain connections and the need for third party approvals.

In addition, ENERGEX believes that:

- relevant timeframes should not be triggered unless the DNSP has received all information reasonably required to process the user's enquiry or application. In this context, it should be for the DNSP to determine, acting reasonably, whether the user's enquiry or application is 'complete' or 'valid'.
- the 'offer requirements' for a standard connection may be made overly complex by attempting to replicate the connection processes for negotiated arrangements. For example, for a standard connection, a separate formal connection offer and connection contract would not in reality be issued. There is simply a standard set of terms and conditions to which the connection will be subject if the customer wishes to proceed;
- *Use of the Chapter 6 Negotiating Framework:* That the existing framework for establishing or modifying a connection in clause 5.3 of the NER should apply to the connection process, not the negotiating framework under Chapter 6 of the NER;
- *Micro Embedded Generation (EG):* ENERGEX supports the NER containing a deemed standard connection agreement for micro EG or solar photo voltaic (solar PV) that meets the definition contained in the Australian Standard AS 4777. ENERGEX does not support a distinction between micro and mini EG.

Under any framework for micro EG it is important that:

- safety and technical issues are adequately addressed through the connection process. Access should be subject to approval by the relevant DNSP; and

- the DNSP is advised both of initial installation (e.g. in circumstances where the DNSP is not the Metering Provider) and any subsequent change in occupancy at the premises. While ENERGEX as a DNSP is willing to provide a new occupant at a premises with information relevant to the micro EG, it necessarily relies upon advice from a retailer that there has been a change of occupancy. This will require an onus to be placed on the customer's retailer to advise the DNSP of a change in occupancy; and
- *Repayment Provisions:* The practical implications of the proposed inclusion of repayment provisions for augmentation assets that become general network assets. This proposal appears to blur the distinction between augmentation consequent to a connection and general capex and implies a 'carving up' of the shared network between users which would be administratively onerous.

2. NATIONAL FRAMEWORK FOR ELECTRICITY DISTRIBUTION CONNECTION ARRANGEMENTS

ENERGEX believes that the timeframes and process for customer connections must balance a clearly defined planning process with the commercial realities and complexities that a DNSP faces in developing the network efficiently.

This section provides ENERGETX's views on significant issues associated with SCO's proposed national framework for connection. Annexure A provides detailed comment on each NERA/ACG recommendation and SCO's Policy Response.

2.1 Scope and Application

ENERGEX believes that the following issues regarding the intended operation of the connection framework should be clarified by SCO:

- Whether a single enquiry and connection process is intended to apply under clause 5.3 of the NER (or equivalent provision), regardless of whether the applicant is an end-user or a Registered Participant (or Intending Participant). This is implied by the Policy Response. ENERGETX suggests that these processes should be separated as the framework and timeframes proposed under the Policy Response lack the flexibility required for the effective establishment of a complex Participant connection;
- The extent to which the proposed framework seeks to supplant the application of clause 5.3 to generators other than EGs. For example, page 16 of the Policy Response states that: "The connection framework covers all new or modified connections, both load and generation";
- The manner in which end-users will be bound by the amended process, noting that end-users are not currently captured by the NER and that the existing process for establishing or modifying a connection only applies to end-users at their election (clause 5.3.1(c)). It is suggested that end-user obligations may need to be reinforced through a combination of the content of the connection contracts and legislation (national or state-based); and
- The extent to which the concept of 'automatic', 'minimum' and 'negotiated' access standards will be preserved for end-use customers. The meaning of a 'standard' as referred to in the Policy Response is unclear and should be more explicitly defined.

2.2 Services Definition – New, Modified and Existing Connections

ENERGENX believes that separate distribution contracts should govern:

- 'New' or 'modified' connections – that is, services associated with the establishment, extension or modification of physical supply to a premises; and
- 'Existing' connections – that is, services associated with energisation and the provision of ongoing supply services.

In particular:

- Different customer classifications and thresholds are likely to apply under the connection and NECF frameworks. For example, there may be a disconnect in the definition of a 'load' for the purposes of physical connection and a 'customer' for the purposes of energisation and supply, noting that the connection framework is intended to provide each DNSP with the flexibility to define the load to which its standard connection contract will apply and that this may capture customers other than those who would be classified as 'small' pursuant to the NECF; and
- A 'standard' arrangement may apply to one stage of connection and supply and a 'negotiated' arrangement to the other. For example, a customer may require a negotiated connection agreement but only require a deemed contract for the provision of ongoing services.

An attempt to combine these agreements will reduce flexibility and is likely to narrow the coverage and scope of one or other of the arrangements.

2.3 Scope and Application of 'Standard' Connection Arrangements

Greater definition of the intended scope and application of the 'standard connection arrangement' and 'standard connection contract' (whether 'common' or additional') is required.

In particular, it should be clarified that:

- Any negotiation of terms will fall within the process for a negotiated connection contract, rather than the process for a standard connection contract. That is, there cannot be a variation to a standard connection contract and the standard connection contract will not have a schedule of varied terms; and
- A user should not have the ability to seek to negotiate its connection services in circumstances where its application falls within the defined parameters of a standard connection. That is, the user should not have the ability to seek a variation of the 'standard' terms where this is not necessitated by technical or other requirements of the connection.

These clarifications would permit a more streamlined enquiry and application process to be developed for standard connections (discussed in section 2.4). This will provide customers with a clearer more timely process and avoid imposing unnecessary administrative costs on the DNSP.

2.4 Timeframes for the Enquiry and Application Process

ENERGEX supports the establishment of target timeframes for the processing of connection enquiries and applications but remains concerned that the generic process proposed in the Policy Response will be unduly onerous for DNSPs where additional information may be required or where the connection's technical specifications are 'non-standard'.

In particular:

- *Connection Enquiry:* While ENERGEX agrees that general information regarding the connection process should be capable of provision within 5 business days, this period may be insufficient where:
 - the type of connection (i.e. standard or negotiated) is not clear from the connection enquiry, e.g. insufficient information may have been provided by the customer; or
 - the proposed connection involves contestable services or requires the provision of additional information.
- *Connection Application:* While ENERGEX agrees that advice regarding the DNSP responsible for the connection and the type of the connection should be capable of provision within 5 business days, this period may be insufficient where:
 - the type of connection (i.e. standard or negotiated) is not clear from the connection application, e.g. insufficient information may have been provided by the customer; or
 - technical specifications need to be scoped. The Policy Paper (at page 37) states that "...given that the 10 business day limit is already enshrined in the NER, it is considered that this recommendation is not imposing any new or additional burden on DNSPs."

ENERGEX is concerned that this appears to confuse the existing NER Chapter 5 timeframes for the provision of information regarding the nature of the services to be provided, the parties involved in planning and proposed milestones (10 business days – clause 5.3.3(b)) with the provision of technical requirements for the connection (20 business days - clauses 5.3.3(b1) and 5.3.3(c)).

ENERGEX suggests that a minimum period of 10 business days, with an option to extend for a further 10 business days, should be applied to the provision of technical information for negotiated connection arrangements,

consistent with the existing framework for the management of connection enquiries under the NER.

ENERGEX believes that the workability of the enquiry and application process would be improved through the following:

- Clarifying that, at the enquiry stage, administration costs can be minimised and the connection process expedited by providing information to the customer over the phone and by referring the customer to information that is publicly available on the DNSP's website. The formal provision of written information to the customer should be the exception, rather than the rule;
- Clarifying that timeframes are not triggered until the DNSP has received all information reasonably required to process the user's enquiry or application or to confirm that the enquiry or application should be processed by another DNSP. The reference to the receipt of a 'completed standard application form' should be amended to 'valid' standard application form, given that a DNSP may receive a 'completed' standard application form but subsequently advise the customer that it is a non-standard connection or that another DNSP should be responsible for processing the application;
- Confirming that it is for the DNSP to determine, acting reasonably, whether the user's enquiry or application is 'complete' or 'valid' for the purposes of assessment;
- Clarifying that all timeframes are stated in 'business days'. For example, recommendation 22 refers to a response period of '15 days' however Figure 1 appears to allow '10 business days' for the same information to be provided; and
- Affording the DNSP with the flexibility to refer the customer to the information that is available on its website as an alternative (at the customer's discretion) to the provision of printed information, including by electronic means such as email.

Recognition is also required of the fact that, in many instances, the DNSP will be contacted by the end user's contractor, rather than by the end user, to arrange physical connection. The DNSP should not be required to provide information to multiple parties in these circumstances, noting that general information regarding the connection process should be available on the DNSP's website.

2.5 Timeframes for Connection

Similar to the comments above in section 2.4, ENERGEX supports the establishment of target timeframes for the processing of connection offers and connection contracts but remains concerned that the generic process proposed in the Policy Response will be unduly onerous to DNSPs in circumstances where completion of the connection is subject to preconditions or third party approvals (i.e. factors outside the DNSP's control). It is crucial therefore that DNSPs are permitted to state in their connection contracts (both standard and negotiated) that completion timeframes are subject to the satisfaction of specified preconditions and third party approvals.

In particular:

- *Standard Connection Offer:* It is assumed that SCO intends for the standard connection offer and standard connection agreement to be issued at the same time as advice is provided to the user that the connection is a standard connection (recommendation 19) – i.e. all three requirements are triggered by the receipt of a standard application form.

In reality, for a standard connection, a separate formal connection offer and connection agreement would not be issued. There is simply a standard set of terms and conditions to which the connection will be subject if the customer wishes to proceed. ENERGEX believes that the 'offer requirements' for a standard connection may be made overly complex by attempting to replicate the connection processes for negotiated arrangements.

- *Offer Period:* ENERGEX believes that an offer period of two months is inappropriately long if prices, timeframes or obligations are intended to be 'fixed' for the acceptance period. For example, an offer in one pricing period may not be accepted until the next pricing period when charges may have otherwise changed.

If flexibility is provided to the DNSP to address issues in its connection contracts such as pricing via a methodology rather than an absolute value or timeframes for connection activity by reference to acceptance rather than offer, then the acceptance timeframe becomes less critical. In circumstances however where such flexibility is not intended to be afforded to the DNSP, the offer should be open for a period of no more than one month, unless the DNSP agrees to an extension. In this context ENERGEX notes that a one month timeframe would align with the acceptance period that is proposed for customers under negotiated arrangements (recommendation 24).

A more lengthy period of offer may also lead to uncertainty as to the manner in which concurrent or subsequent connection applications (whether standard or negotiated) by other connection applicants, should be managed.

- *Construction of Connection:* While ENERGEX supports the concept of the DNSP providing a customer with an indicative timeframe for completion of the connection, it should be noted that:

- even for customers of a specified 'class', there may be network, geographic and external factors which preclude the identification of a maximum number of days. These include:
 - coordination of statutory, technical and environmental approvals, with a range of Government Departments and Local Councils;
 - management of property issues, including the acquisition of easements and way leave agreements;
 - the need for customers to complete works (e.g. civil works) required to service a connection;
 - access to customer controlled work-sites or premises;
 - acquisition of materials with long lead times; and
 - force majeure events.

Even in circumstances where the DNSP makes all reasonable endeavours to progress these issues, their ultimate satisfaction remains outside the DNSP's control.

- 'finalisation' of the agreement is not an appropriate trigger for the calculation of the connection period. For example:
 - there may be any number of preconditions, specified within the contract or otherwise identified in legislation that must be satisfied before construction of the connection can commence and/or be completed; or
 - the customer itself may not immediately require the connection. It would be inefficient to require the DNSP to build assets that will not be utilised for a considerable period of time.

This requirement is far more onerous than the existing NER requirements which refer to the provision of: "a preliminary program showing proposed milestones for connection and access activities which may be modified from time to time by agreement of the parties, where such agreement must not be unreasonably withheld" (clause 5.3.3(b)(6)). ENERGEX would support a similar provision applying to both the standard and negotiated connection processes.

A requirement to specify an absolute number of days as proposed, without the ability to include appropriate preconditions, would necessarily force a distributor to state a period for completion that represents a 'worst case' scenario.

ENERGEX believes that that the workability of the connection offer process would be improved through the following:

- Clarification that DNSPs are permitted to state in their connection contracts (both standard and negotiated) that completion timeframes are subject to the satisfaction of specified preconditions and third party approvals. That is, the connection offer/contract will specify the preconditions to connection and the party upon whom the onus to satisfy the precondition rests, rather than the number of days after finalisation of an agreement that a connection will be constructed. An alternative would be the imposition of all timeframes on a 'reasonable endeavours' basis;
- Flexibility for the DNSP to address pricing issues via a methodology in the connection contract rather than through an absolute value and to address timeframes for connection activity by reference to acceptance rather than offer; and
- Clarifying that the timeframes for the offer to connect and finalisation of the connection contract outlined in the Policy Response do not in any way impact or constrain the period of negotiation of technical and other terms between the DNSP and the connection applicant for a non-standard connection. Consistent with the NER's existing provisions, the process of negotiation should be undertaken by the parties on 'good faith' basis (clause 5.3.7).

2.6 Application of a Chapter 6 Negotiating Framework

ENERGEX does not support the application of the Chapter 6 negotiating framework - a process designed for negotiating the terms and conditions of access to negotiated distribution services - to the negotiation of connection services generally (recommendation 15).

This proposal does not recognise that a connection service:

- May be classified in the DNSP's Classification of Services and Distribution Determination as a direct control, alternative control or negotiated service;
- That the classification may vary by customer type; and
- That the classification may vary between DNSPs.

For example, the Queensland distributors, ENERGEX and Ergon Energy, are not proposing to classify any of their services as 'negotiated' and are therefore not required to develop a negotiating framework under clause 6.7 of the NER.

ENERGEX believes that the existing framework for establishing or modifying a connection in clause 5.3 of the NER should apply to the negotiated connection process. The extent to which the negotiating framework in clause 6.7 supplants the processes in clause 5.3 with respect to connection services that are classified as negotiated services cannot be determined until the Chapter 5 framework has been settled.

3. NATIONAL FRAMEWORK FOR ELECTRICITY DISTRIBUTION CAPITAL CONTRIBUTION ARRANGEMENTS

This section provides ENERGEX's views on significant issues associated with SCO's proposed national framework for capital contribution arrangements. Annexure B provides detailed comment on each NERA/ACG recommendation and SCO's Policy Response.

3.1 Scope of Capital Contribution Scheme

It is important for SCO to recognise that the capital contributions regime outlined in the Policy Response represents a material departure from ENERGEX's existing capital contributions regime both in terms of its scope and application.

ENERGEX's existing capital contributions policy, which was developed following discussions with the Queensland Competition Authority:

- Requires a contribution by a customer where ENERGEX considers that it would not be able to fully recover the costs of delivering services to that customer through annual prices. When this assessment is made, a capital contribution towards connection investment is sought as a prepayment for the expected revenue shortfall in the case of an 'uneconomic' connection (i.e. where the average distribution prices for the relevant network price category would not be sufficient to recover the full cost of the connection); and
- Is primarily targeted at Standard Asset Customers (SACs), i.e. those customers who generally have annual electricity consumption below 4GWh per annum, whose supply arrangements are consistent across the customer group. For Individually Calculated Customers (ICCs), Connection Asset Customers (CACs) and EGs, connection costs are specifically included in the customer's site-specific network charges and are not recovered as a separate capital contribution.

Recommendation 25 of the Policy Response states that: "...the NER will provide that distribution network users are required to pay all applicable connection charges covering all connection assets in accordance with the parameters established by SCO's policy response to Recommendations 27-29" (i.e. the Capital Contribution Scheme, including the Repayment Scheme).

ENERGEX's capital contributions policy does not, as is suggested by the Policy Response apply to all connection assets and is only intended to cover any shortfall between the present value of additional distribution charges expected to be paid the customer over the life of the assets and the incremental cost of connecting that customer.

3.2 Development of an AER Guideline

ENERGEX strongly supports the development of an AER Guideline addressing the methodology associated with the calculation of the augmentation component of a connection charge.

The principles proposed by SCO in its Policy Response seem appropriate, with the exception of the proposed application to large customers, for the reasons identified in section 3.1.

Further examination is also required of the administrative complexities of applying the definition of a 'small customer' and the concept of a 'small load' when determining the arrangements to apply. Scheme application within ENERGEX is currently consistent with the customer's classification for network pricing purposes, not to the 'small' or 'large' classification that applies under the contract and consumer protection framework (and presumably that which will apply under the NECF).

ENERGEX also notes that the transitional provision in clause 11.16.10 of the NER will apply to the development and application of capital contributions policies by the Queensland DNSPs for the regulatory control period 2010/11 – 2014/15.

3.3 Scope of Capital Contribution Repayment Scheme

ENERGEX is concerned that SCO's proposal to include augmentation assets that become general network assets in the Capital Contribution Repayment Scheme (Repayment Scheme) blurs the distinction between augmentation consequent to a connection and general capex by implying a 'carving up' of the shared network between users.

ENERGEX believes that this will be administratively onerous, particularly in a highly meshed network such as ENERGEX's network, and that any contributions calculated will become increasingly inaccurate over time as more users connect. For the majority of SAC customers, identifying upstream network costs is extremely difficult and is generally expected to be immaterial. The inclusion of shared network costs would typically only occur where they can be clearly identified and are considered material.

The proposed application of the Repayment Scheme should be clarified to ensure that that NER changes do not go beyond the intended scope of a capital contributions framework.

In addition, the AER:

- Should be permitted the flexibility through its Guideline to determine whether any class of user or load should be excluded from the Repayment Scheme's application, e.g. ICCs, CACs and EGs, where site-specific connection costs are specifically included in the customer's site-specific network charges; and

- Should be required under the NER to take the classification of services into account when developing its Guideline, including the variations in classification which exist between jurisdictions and individual DNSPs. For example, it is proposed in Queensland that all connection services be classified as standard control services. This will not necessarily be the case for all DNSPs.

3.4 Period of Capital Contribution Repayment Scheme

ENERGEX believes that the period of the Repayment Scheme should be left to the AER to determine in its Guideline and should not be entrenched in the NER.

That said, ENERGEX supports a 5 year period for the partial repayment of connection asset charges in Queensland, with the 5 year period calculated from the time of connection of the initial user.

This is consistent with existing practice in Queensland where:

- Capital contributions are extensively applied across both large and small connections; and
- There is a high turnover of small urban properties. Unlike some interstate capital contribution schemes, ENERGEX's capital contribution scheme is not restricted in its application, e.g. to only rural and large load customers.

ENERGEX believes that a 5 year period for the partial repayment of connection asset charges appropriately balances the need for equity between existing and new users with the practicalities of administering the Repayment Scheme.

It should be noted also that, for Queensland, grandfathering (for existing capital contribution arrangements) and transitional provisions (to account for the regulatory control period) may be required to support any extension of the cost sharing period beyond 5 years.

4. IMPLEMENTATION

ENERGEX is concerned that SCO's draft response to the NERA/ACG recommendations represents the last opportunity for substantive industry comment on the connection framework prior to the release of an exposure draft of the NECF.

As raised by this submission, there are a number of issues central to the connection framework which require clarification, prior to the commencement of the drafting process. Consultation on the NECF exposure draft should focus on whether the legal drafting accurately and effectively reflects settled policy positions. It should not act as an opportunity for substantive comment on either policy positions or the framework's effective operation. This is particularly important in circumstances where the changes will be achieved via Ministerial Order rather than a NER change process through the AEMC.

Of equal, if not greater concern, is SCO's proposal that the 'non-standard' aspects of customer connection and the connection charging arrangements will not be addressed until release of the second exposure draft of the NECF. This would not provide any opportunity for industry to view or comment on changes to the NER of either a substantive or technical nature, prior to its introduction into the South Australian parliament.

ENERGEX suggests that, at a minimum, SCO should:

- Release a revised connection framework policy response (which addresses standard, non-standard and charging arrangements), prior to finalisation and release of the exposure draft of the NECF; and
- Provide a short period of consultation (e.g. two weeks) for industry to raise any significant concerns regarding the revised framework's practical implementation and operation.

ENERGEX does not believe that this would jeopardise existing timeframes and continues to maintain that it is preferable for significant issues of workability to be identified and addressed prior to the release of the exposure draft, rather than through the exposure draft consultation process itself.

ANNEXURE A: DETAILED COMMENTS ON PROPOSED CONNECTON ARRANGEMENTS

The following table contains ENERGEX’s detailed comment on SCO’s Policy Response to recommendations 10 – 25 (inclusive).

Recommendation	Draft SCO Policy Response	ENERGEX Comment on Draft SCO Policy Response
<p>Recommendation 10</p> <p>Specify in the Rules the connection requirements that must be met by a user which include the requirement for users to:</p> <ul style="list-style-type: none"> • pay the DNSP for the construction of any dedicated connection assets (where the construction of these assets is not contestable) and any extension works to the distribution system required to effect the connection; and • comply with technical and safety requirements in relation to the customer’s installation or equipment, i.e., payment for extension assets, dedicated connection assets and compliance with technical and safety matters. 	<p>Partially Accepted.</p> <p>SCO recognises that there may be contestability of services in certain circumstances which means that a connecting user may pay charges to an entity other than the DNSP in the connection process.</p> <p>Therefore SCO proposes that the NER will provide that distribution network users are required to pay all applicable connection charges as determined in accordance with SCO policy response to Recommendations 25-30.</p> <p>SCO further notes that the augmentation charges, as contemplated under the proposed capital contribution framework, are also required to be paid by the connecting user.</p> <p>SCO agrees that the NER will also provide that distribution network users must comply with all technical and safety standards in relation to their connection.</p>	<p>Agree in principle, subject to ENERGEX’s comments on recommendations 25 – 30.</p> <p>While ENERGEX agrees that there should be a clear positive obligation on distribution network users to comply with all relevant technical and safety standards, it is queried to what extent an end-use customer can be bound by the NER. Although inclusion of an obligation of this nature in the NER is supported, ENERGEX suggests that this will need to be reinforced through a combination of the content of the connection contracts and legislation (national or state-based).</p> <p>ENERGEX believes that it should also be clarified that the reference in SCO policy response to ‘pay all applicable connection charges’ may include paying the DNSP through network tariffs. That is, the payment of connection charges and capital contributions should be distinguished.</p>
<p>Recommendation 11</p> <p>Schedules to Chapter 5 of the NER should be amended to include a definition of the technical requirements for small load, large load, micro, small and medium DGs.</p>	<p>Partially Accepted.</p> <p>SCO accepts that the schedules to Chapter 5 of the NER should include a definition of the technical requirements for micro embedded generators only (see response to Recommendation 26 regarding terminology). Furthermore, the NER will require that every DNSP will at a minimum define a standard connection service (which essentially</p>	<p>Partially Agree.</p> <p>The NER should include the criteria to be applied by the AER in approving a standard service. For example, ENERGEX believes that the AER should approve a standard service defined by the DNSP that is considered to be fair and reasonable, is in accordance with the National</p>

Recommendation	Draft SCO Policy Response	ENERGEX Comment on Draft SCO Policy Response
	<p>would be intended to cover most small load customers for which minimal extension or augmentation works are required) and the associated technical requirements, seeking the AER's approval for such a standard service.</p> <p>A DNSP would not be precluded, for the purpose of streamlining its own processes, from defining additional standard connection services for other classes of customers or connection types, should they wish to do so. SCO notes that these additional services once developed by DNSPs, are to be approved by the AER.</p> <p>SCO considers that it is only necessary to define the technical requirements of micro EG for the purposes of creating standard connection applications, services and contracts. SCO considers the remainder of market participants and connection applicants (i.e. large load, and small and medium embedded generators) are considered either large or diverse enough to warrant negotiating terms and conditions and connection requirements individually with the DNSP using the revised negotiating framework. However, the negotiating framework is available to all customer types.</p>	<p>Electricity Objective and is line with past practices.</p> <p>While ENERGEX supports the development of an AER-approved standard connection contract for micro EGs that is in accordance with the Australian Standard AS 4777, the technical requirements for micro EGs should not be defined in the NER on the basis that:</p> <ul style="list-style-type: none"> • Standard connection contracts (and it is assumed, their subsequent amendment) will be approved by the AER. A regulatory 'check' on the reasonableness of technical requirements therefore already exists; and • The technical requirements for micro EGs may be influenced by jurisdictional policy and legislation. <p>ENERGEX believes that the framework for EGs should be structured as following:</p> <ul style="list-style-type: none"> • Micro EGs - <ul style="list-style-type: none"> - The schedules to Chapter 5 of the NER specifying minimum content of the standard connection contract; and - The DNSP's standard connection contract specifying the technical requirements; • Other EGs – Should be subject to the framework for automatic, minimum and negotiated access standards under Chapter 5. ENERGEX agrees that these EGs are either large or diverse enough to warrant individual negotiations, noting that DNSPs will pursue standardisation through additional standard connection

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		contracts where appropriate.
<p>Recommendation 12</p> <p>The NER should define the standard connection services to apply to micro EGs.</p>	<p>Accepted.</p> <p>SCO agrees that the NER should define "micro EG" and require a DNSP to develop and publish the standard connection requirements applicable to micro EG, which will be approved by the AER, for these services.</p> <p>Standard connection services for micro EG customers should provide for the installation of metering and other necessary equipment provided for by the DNSP to enable small amounts of electricity to be exported from the connection point to the network.</p> <p>SCO further agrees with the proposal from the Essential Services Commission of Victoria that the connection agreement for micro EG should transfer in the event of a change of ownership of the premises. In the interests of customer safety, where an existing supply point has micro EG services and a new customer/owner seeks energisation or moves in to those premises, DNSPs will be required to specifically make the new occupant aware that there are terms and conditions associated with micro EG for that supply point. This requirement will be implemented under the NECF via direct obligations on DNSPs in the relevant rules.</p>	<p>Partially agree.</p> <p>Under any framework for micro EG it is important that:</p> <ul style="list-style-type: none"> • Safety and technical issues are adequately addressed through the connection process. Access should be subject to approval by the relevant DNSP; and • the DNSP is advised both of initial installation (e.g. in circumstances where the DNSP is not the Metering Provider) and any subsequent change in occupancy at the premises. While ENERGEX as a DNSP is willing to provide a new occupant at a premises with information relevant to the micro EG (discussed below), it necessarily relies upon advice from a retailer that there has been a change of occupancy. <p>In particular:</p> <ul style="list-style-type: none"> • DNSPs rely on retailers to provide notification that there has been a change of customer at the premises. This information would rarely be conveyed directly from the customer to the DNSP; • De-energisation may not occur and the new customer may commence taking or exporting supply without their retailer's, and consequently DNSP's, knowledge; and • Although the DNSP should receive notification regarding a change of customer at the premises from the relevant retailer, this notification will not distinguish between changes in owners or occupiers – it is a

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		<p>change in customer rather than a change in owner / occupant which is relevant.</p> <p>ENERGEX would support an obligation for the DNSP to:</p> <ul style="list-style-type: none"> • Provide information to new customers regarding the terms and conditions associated with micro EG: <ul style="list-style-type: none"> - Upon request from the customer; or - Once the DNSP becomes aware of a new supply arrangement through the customer's retailer (i.e. via MSATS or B2B), including updated customer details. That is, the onus should rest with the customer's retailer to advise the DNSP of a change in occupancy; and • Undertake a generic mail out every few years to the 'Resident' of the premises (whoever that may be at the time) to advise of the technical and safety issues associated with a micro EG.
<p>Recommendation 13</p> <p>The NER should set out the minimum content for standard applications in a schedule to Chapter 5.</p>	<p>Accepted.</p>	<p>Agree. ENERGEX believes that the content of the schedule should be the subject of a NER change process through the AEMC.</p>
<p>Recommendation 14</p> <p>The NER should:</p> <ul style="list-style-type: none"> • set out the minimum content for standard connection contracts in a schedule to Chapter 5 including a requirement for the DNSP to specify the number of days 	<p>Partially Accepted.</p> <p>SCO agrees that the minimum contents of a connection contract, for both common standard and negotiated connections, should be set out in a Schedule to Chapter 5 of the NER, including a requirement for the DNSP to specify the number of days after a finalisation of agreement that a</p>	<p>Partially accepted.</p> <ul style="list-style-type: none"> • While ENERGEX supports the concept of the DNSP providing customers with an indicative timeframe for completion of the connection, it should be noted that: <ul style="list-style-type: none"> - Even for customers of a specified 'class', there may

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<p>after the finalisation of the agreement that the standard connection will be effected;</p> <ul style="list-style-type: none"> require the AER to approve the content of the standard application form and the terms and conditions specified in the standard contract and require the AER to apply the 'fair and reasonable' test when determining whether to approve the proposed standard contracts. 	<p>connection will be constructed.</p> <p>SCO acknowledges and emphasises, as stated in its responses to previous recommendations, that aside from micro EG (as defined by NER), it will be DNSPs which will define the connecting customer classes to which standard connection services apply. However where any connection service (and associated contract) applies, the NER will outline the minimum requirements for those contracts.</p> <p>Minimum content requirements for connection agreements are already contained in Schedule 5.6 of the NER. Stakeholder comments are sought on whether the existing Schedule 5.6 is appropriate with amendments to cover the construction or modification of a connection, or whether a new Schedule to Chapter 5 should be developed to contain minimum content for customer connection contracts. Expert advice will be sought on this issue, which will be made available to stakeholders.</p> <p>DNSPs will be required to submit the standard connection contracts to the AER for approval as part of a standard connection service. The AER is to apply the fair and reasonable test when determining whether to approve the proposed standard connection contracts.</p> <p>Distributors may propose additional standard contracts to the AER for customers which do not fall under the standard connection definition as defined by the DNSP. The AER must determine whether these contracts (with their attendant connection procedures and forms) are fair and reasonable.</p> <p>SCO agrees that DNSPs will develop and publish a standard application form for new and modified connections for their</p>	<p>be network, geographic factors which preclude the identification of a maximum number of days. For example:</p> <ul style="list-style-type: none"> Coordination of statutory, technical, environmental approvals, with a range of Government Departments and Local Councils; Management of property issues, including the acquisition of easements and way leave agreements; The need for customers to complete works (e.g. civil works) required to service a connection; Access to customer controlled work-sites or premises; Acquisition of materials with long lead times; and Force majeure events. <p>Even in circumstances where the DNSP makes all reasonable endeavours to progress these issues, their ultimate satisfaction remains outside the DNSP's control.</p> <ul style="list-style-type: none"> 'Finalisation' of the agreement is not an appropriate trigger for the calculation of the connection period. For example:

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	<p>distribution networks. SCO proposes that the AER will not be required to approve the standard application form since it is the DNSP's interest to develop a form that meets its needs whilst being a useable document from a customer perspective.</p> <p>Ongoing customer distribution services (e.g., supply and connection (energisation) - related services) will be part of the contractual arrangements between retail customers and distributors under the NECF. Provisions relating to connection of retail customers with standard connections will be developed and integrated within the NECF.</p>	<ul style="list-style-type: none"> ○ there may be any number of preconditions, specified within the contract or otherwise identified in legislation that must be satisfied before construction of the connection can commence and/or be completed; or ○ the customer itself may not immediately require the connection. It would be inefficient to require the DNSP to build assets that will not be utilised for a considerable period of time. <p>ENERGEX believes that a requirement to specify an absolute number of days as proposed, without the ability to include appropriate preconditions, would necessarily force a distributor to state a period for completion that represents a 'worst case' scenario. It is crucial therefore that DNSPs are permitted to state in their connection contracts (both standard and negotiated) that completion timeframes are subject to the satisfaction of specified preconditions and third party approvals;</p> <ul style="list-style-type: none"> ● Clarification is required as to the level of specification that is intended to be contained in the Schedule. ENERGEX supports the development of a Schedule which contains a series of high-level statements regarding matters that must be addressed in connection contracts (similar to the existing Schedule 5.6). ENERGEX would not support the development of a Schedule that specifies the precise wording that is to be

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		<p>incorporated into the connection contracts; and</p> <ul style="list-style-type: none"> The content of the schedule should be the subject of a NER change process through the AEMC.
<p>Recommendation 15</p> <p>The NER should state that the negotiation framework developed in accordance with Draft Rule 6.7.5 as modified should apply in the negotiated connection application process.</p> <p>Rule 6.7.5(c) should be modified to include the following additional provisions which would require the DNSP to specify:</p> <ul style="list-style-type: none"> a requirement for the exchange of technical as well as commercial information between the two parties; a requirement that when considering a connection application the DNSP is to use its reasonable endeavours to provide the user with the service it requires in accordance with the reasonable requirements of the user, including without limitation, the location of the proposed connection point and the level and standard of power transfer capability that the network will provide (currently Rule 5.3.6(d)); any offer pertaining to a negotiated distribution service to be fair and reasonable and consistent with the safe and reliable operation of the power system in accordance with the NER and consistent with the technical requirement schedules contained in Chapter 5 	<p>Partially Accepted.</p> <p>SCO acknowledges stakeholder concerns around the distinction between direct control and negotiated services, and notes that distribution services including connection services are classified by the AER in accordance with Rule 6.2.1.</p> <p>SCO notes that Rule 6.7.5(c) ensures that the negotiating framework applies to a negotiated service only, not a direct control service. Stakeholder views are sought on whether this is appropriate in the context of connection services.</p> <p>SCO accepts all other recommendations with the exception of the cooling-off period. Given the concerns with this provision raised by some stakeholders combined with the fact there are other recommendations (21 and 24) granting a customer contemplating connection either one or two months under a negotiated or standard contract respectively, in which to accept the connection offer, this provision is considered to be unnecessary.</p>	<p>ENERGEX does not support the application of a Chapter 6 negotiating framework to the negotiated connection process. The recommendation does not recognise that a connection service may be classified as a direct control, alternative control or negotiated service. The arbitrary application of this process to connection services generally is not appropriate.</p> <p>For example the Queensland distributors, ENERGEX and Ergon Energy, are not proposing to classify any of their services as 'negotiated' and are therefore not required to develop a negotiating framework under clause 6.7 of the NER.</p> <p>ENERGEX believes that the existing framework for establishing or modifying a connection in clause 5.3 of the NER should apply to the negotiated connection process. The extent to which the negotiating framework in clause 6.7 supplants the processes in clause 5.3 with respect to connection services that are classified as negotiated services cannot be determined until the Chapter 5 framework has been settled.</p> <p>ENERGEX also notes that:</p> <ul style="list-style-type: none"> The suggested 'modifications' are largely already provided for within clause 5.3 of the NER; and Consistent with comments elsewhere in this

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<p>(as applicable) and must not impose conditions on the user that are more onerous than those contemplated in these technical schedules (currently Rule 5.3.6(c));</p> <ul style="list-style-type: none"> • the cooling off period that will apply to any contract negotiated with vulnerable users; a requirement that when considering a connection application the DNSP must consult with any affected Distribution Network Users and NEMMCO (where relevant) if the DNSP believes, in its reasonable opinion, that compliance with the terms and conditions of those connection agreements will be affected, in order to assess the application to connect and determine: <ul style="list-style-type: none"> – the technical requirements for the equipment to be connected; – the extent and cost of augmentations and changes to all affected networks; – any consequent change in network service charges; and – any possible material effect of this new connection on the network power transfer capability including that of other networks (currently Rule 5.3.5(d)); and – the time periods for the commencement and finalisation of negotiations relating to negotiated connections once a completed application form is submitted to the DNSP for the alternative types of users and connection requirements. • The time periods for the commencement and 		<p>submission, it is not appropriate to attempt to specify a number of days for the completion of negotiations. This process for the finalisation of negotiations should occur on a 'good faith' basis, following the provision of technical and other information by the parties (to which timeframes may be attached – refer recommendation 22).</p>

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<p>finalisation of negotiations relating to negotiated connections once a completed application form is submitted to the DNSP for the alternative types of users and connection requirements.</p>		
<p>Recommendation 16</p> <p>Schedule 5.6 of the NER should be amended:</p> <ul style="list-style-type: none"> • to ensure that it can be utilised in contracts negotiated with small users, large users, micro, small and medium DGs; • to include a cooling-off period for those contracts negotiated with small users; and • to include provisions which enable the connection agreement to be modified over time where both parties agree to changes in non-price terms and conditions (including technical conditions which may require NEMMCO involvement) and where those changes have no associated cost effects. 	<p>Partially Accepted.</p> <p>The relevant schedule(s) of the NER will be amended to ensure connection agreement terms and conditions provide for:</p> <ul style="list-style-type: none"> • all network users including all embedded generation; and • the modification of non-price connection and service terms and conditions where there is agreement by both parties. <p>SCO notes that where there is disagreement, there is already an access arbitration process as established in the NEL.</p> <p>As with recommendation 15, SCO does not agree with the recommendation regarding the cooling-off period. Given the concerns with the nature and impact of a cooling period raised by some stakeholders combined with the fact there are other recommendations (21 and 24) granting a customer contemplating connection either one or two months under a negotiated or standard contract respectively, in which to accept the connection offer, this provision is considered to be unnecessary.</p>	<p>Agree. ENERGEX believes that the content of the schedule should be the subject of a NER change process through the AEMC.</p> <p>ENERGEX supports SCO's rejection of a proposed 'cooling off period' for negotiated contracts with small customers.</p>

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<p>Recommendation 17</p> <p>The NER should require a DNSP, within five business days of receiving a user’s initial enquiry:</p> <ul style="list-style-type: none"> • to advise the user whether there is a standard connection service that would encompass its connection requirements and if so: <ul style="list-style-type: none"> – supply the user with the relevant standard contract and application form; and – inform the user that they have the option of using either the standard connection service or negotiating an alternative connection service. • to provide the user with a copy of the negotiation framework it has developed in accordance with Rule 6.7.5 and that has been approved by the AER which will come into operation if the connection service is to be negotiated; <p>to inform the user of whether any aspects of the connection service are contestable;</p> <ul style="list-style-type: none"> • to inform the user of any additional information required which is of the kind specified in Schedules 5.4; and • to inform the user of the indicative value of the loss factor applying in the area within which the user is seeking connection 	<p>Partially Accepted.</p> <p>The NER will provide that a DNSP must, within 5 business days of receiving a new connection enquiry:</p> <ul style="list-style-type: none"> • advise the enquirer of the process and information required for the submission of a connection application; • advise whether any aspects of their connection are likely to be contestable; and • advise of any additional information requirements. <p>SCO notes that the customer enquiry phase requirements may involve/apply to both/either standard and negotiated distribution connection services.</p>	<p>Partially Agree.</p> <p>While general information regarding the connection process may be capable of provision within 5 business for a standard connection, this period is likely to be insufficient for negotiated connections or where the type of connection is not clear from the connection enquiry itself.</p> <p>For example, there may be:</p> <ul style="list-style-type: none"> • Insufficient information provided by the customer at the connection enquiry stage; or • Insufficient time to assess the enquiry and provide the information required, particularly where the connection involves contestable services or additional information. <p>Recognition is also required of the fact that, in many instances, the DNSP will be contacted by the end user’s contractor to arrange connection, rather than by the end user itself. The DNSP should not be required to provide information directly to multiple parties in these circumstances, noting that general information regarding the connection process should be available on the DNSP’s website in any event.</p> <p>In addition, it should be clarified that, at the enquiry stage, administration costs can be minimised and the connection process expedited by providing information to the customer over the phone and by referring the customer to information that is publicly available on the DNSP’s website. The formal provision of written information to the customer should be the exception, rather than the rule.</p>

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		<p>ENERGEX also notes that the proposed provision of a DLF to 'standard' customers is largely meaningless and appears to be an inappropriate 'carry-over' from the connection process applying to large customer under Chapter 5. The DLF is not a matter for negotiation between the end-user and the DNSP and may bear no correlation to the customer's retail pricing structure. A requirement for its provision also makes the processing of standard connection enquiries more administratively onerous. Information on DLFs can already be found on DNSPs' websites.</p>
<p>Recommendation 18</p> <p>The NER should require a user in the connection enquiry phase to advise the DNSP whether it will be seeking connection via the standard connection service route or the negotiated connection service route.</p>	<p>Accepted.</p> <p>The Rules will provide that any user may seek a common standard connection service, an additional standard connection service or a negotiated connection service when making a connection enquiry. However, as the DNSP has set the requirements for a standard connection, the DNSP will advise the customer if their connection application complies with those requirements upon application.</p>	<p>Agree, however a user should not have the ability to seek to negotiate its connection services in circumstances where its application falls within the defined parameters of a standard connection. That is, the user should not have the ability to seek a variation of the 'standard' terms where this is not necessitated by technical or other requirements of the connection. To allow this would impose unnecessary costs on the DNSP and an inappropriate diversion of resources.</p> <p>The circumstances in which a negotiated connection service can be sought should be clarified by SCO.</p>
<p>Recommendation 19</p> <p>The NER should state that where a user selects the standard connection application route the DNSP must:</p> <ul style="list-style-type: none"> advise the user as soon as practicable, and no later than five business days after receiving advice from the user that it will be seeking the standard connection service route, if the application should be processed by 	<p>Partially Accepted.</p> <p>SCO accepts the recommendations with some clarifying amendments/additions.</p> <p>The NER will provide that within five business days of user submitting a completed application indicating that they will be utilising the standard connection service route, the DNSP shall:</p>	<p>Agree, subject to the concerns expressed by ENERGEX in response to recommendation 17, regarding timeframes.</p> <p>ENERGEX believes that clarification is required that it is the DNSP who will determine, acting reasonably, whether the user's application is 'complete'. That is, that the timeframes referred to, are not triggered unless and until the DNSP receives all information reasonably required to process the user's application or confirm that the application should be</p>

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<p>another DNSP; and</p> <ul style="list-style-type: none"> within five business days provide the user with any technical information necessary to process the application in accordance with the technical schedules in Chapter 5 to the extent that it holds such information. 	<ul style="list-style-type: none"> advise the user if the application will be processed by another DNSP; or advise whether the desired connection is a standard connection or a non-standard connection (or otherwise invalid); and the DNSP will provide the user with necessary technical requirements information (i.e. second dot point will only apply to the DNSP actually processing the user's application). 	<p>processed by another DNSP.</p>
<p>Recommendation 20</p> <p>The NER should require the DNSP to issue a connection offer and a standard connection agreement within twenty business days of receiving a completed standard application form.</p>	<p>Partially Accepted.</p> <p>SCO agrees that the NER should require a DNSP to issue a standard connection offer and contract within five business days of receiving a completed standard application form.</p> <p>However, if the customer's application does not conform to the parameters of a standard connection service or is an invalid application for any other reason, the DNSP must advise the customer within 5 days of receiving the application form.</p>	<p>Agree.</p> <p>It is assumed that SCO intends for the connection offer and standard connection agreement to be issued at the same time as advice is provided to the user that the connection is a standard connection (refer recommendation 19) – i.e. all three requirements are triggered by the receipt of a standard application form.</p> <p>In reality, for a standard connection, a separate formal connection offer and connection agreement would not be issued. There is simply a standard set of terms and conditions to which the connection will be subject if the customer wishes to proceed. ENERGEX believes that the proposed process for a standard connection may be overly complex by attempting to replicate the connection processes for negotiated arrangements.</p> <p>In addition, it is suggested that the reference to the receipt of a 'completed standard application form' should be amended to 'valid' standard application form, given that a DNSP may</p>

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		<p>receive a 'completed' standard application form but subsequently advise the customer that it is a non-standard connection or that another DNSP should be responsible for processing the application. In these circumstances, provision of a connection offer and standard connection agreement would not be required.</p> <p>Consistent with the comment above regarding recommendation 19, it should also be clarified that it is the DNSP who will determine, acting reasonably, whether the user's application is 'valid'. That is, that the timeframes referred to are not triggered unless and until the DNSP receives all information reasonably required to process the user's application.</p>
<p>Recommendation 21</p> <p>The NER should allow a user (utilising the standard connection application route) two months to accept the offer otherwise the offer should be deemed to have lapsed unless the DNSP agrees to extend the offer.</p>	<p>Accepted.</p> <p>The NER will provide that a user has a time limit/period of two months to accept a standard connection contract offer, unless the DNSP agrees to extend the period of offer. SCO notes that the two month timeframe also serves as a 'cooling-off' period to protect smaller users.</p>	<p>Disagree.</p> <p>ENERGEX believes that an offer period of two months is inappropriately long if prices, timeframes or obligations are intended to be 'fixed' for the acceptance period. For example, an offer in one pricing period may not be accepted until the next pricing period when charges may have otherwise changed.</p> <p>If flexibility is provided to the DNSP to address issues in its connection contracts such as pricing via a methodology rather than an absolute value or timeframes for connection activity by reference to acceptance rather than offer, then the acceptance timeframe becomes less critical. In circumstances however where such flexibility is not intended to be afforded to the DNSP, the offer should be open for a period of no more than one month, unless the DNSP agrees to an extension. In this context ENERGEX notes that a one</p>

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		<p>month timeframe would align with the acceptance period that is proposed for customers under negotiated arrangements (refer recommendation 24).</p> <p>A more lengthy period of offer may also lead to uncertainty as to the manner in which concurrent or subsequent connection applications (whether standard or negotiated) by other connection applicants, should be managed.</p>
<p>Recommendation 22</p> <p>The NER should state that where an application is for a negotiated connection service the DNSP must within ten days:</p> <ul style="list-style-type: none"> advise the user if the application should be processed by another DNSP; and provide the user with any technical information necessary to process the application in accordance with the technical schedules in Chapter 5 to the extent that it holds such information. 	<p>Noted.</p> <p>The NER will be amended to provide that a DNSP must, consistent with the decision on a common standard connection respond to a connection application within five business days if the connection is not a standard connection type and the negotiation process applies. The DNSP must advise the customer of the required technical information to progress the application within fifteen days of receiving a completed application.</p> <p>The existing NER require a DNSP to advise the customer within ten days of receiving a connection enquiry if the application should be processed by another DNSP.</p>	<p>Disagree.</p> <p>The Policy Paper (at page 37) states that the "...given that the 10 business day limit is already enshrined in the NER, it is considered that this recommendation is not imposing any new or additional burden on DNSPs."</p> <p>ENERGEX is concerned that this appears to confuse the existing Chapter 5 timeframes for the provision of information regarding:</p> <ul style="list-style-type: none"> Whether the connection enquiry should be directed to another DNSP (NER, 5.3.2(c))' The nature of the services to be provided, the parties involved in planning and proposed milestones – 10 business days (NER, 5.3.3(b)); and The technical requirements for the connection – 20 business days (NER, 5.3.3(b1) and 5.3.3(c)). <p>It remains unclear whether SCO intends to apply timeframes which are consistent with those that currently apply under the NER or introduce new timeframes as is suggested by the reference in SCO's policy response to '15 days' (query</p>

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		<p>also whether this is intended to refer to ‘business’ days). It is noted that Figure 1 of the Policy Paper only refers to a period of 10 days.</p> <p>ENERGEX believes that:</p> <ul style="list-style-type: none"> • A minimum period of 10 business days, with an option to extend for a further 10 business days, should be applied to the provision of technical information for negotiated connection arrangements, consistent with the existing framework for the management of connection enquiries under the NER. <p>It is noted that the number of customer connection enquiries that ENERGEX currently processes under section 5.3 of the NER is relatively small. It would be unduly onerous to impose stricter timeframes on DNSPs in circumstances where the number of applications processed pursuant to Chapter 5 will markedly increase; and</p> <ul style="list-style-type: none"> • It should be clarified that this timeframe does not in any way impact or constrain the period of negotiation of technical and other terms. That is, that the process of negotiation occurs separately, on a ‘good faith’ basis. This remains unclear from the Policy Paper, including the process outlined in Figure 1.
<p>Recommendation 23</p> <p>The NER should:</p> <ul style="list-style-type: none"> • combine the technical, price and non-price negotiation phases currently set out in the application for 	<p>Partially Accepted.</p> <p>SCO accepts this recommendation which outlines the requirements pertaining to the development of an offer in a negotiated connection service. SCO acknowledges</p>	<p>Consistent with the comments provided in response to recommendation 15, ENERGEX does not support the application of a Chapter 6 negotiating framework to the negotiated connection process.</p>

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<p>connection and offer to connect phases;</p> <ul style="list-style-type: none"> • remove any provisions which will be captured in the negotiation framework specified in Rule 6.7.5; • require the DNSP to commence negotiations with the user as soon as it submits a completed application form; and • require both the DNSP and user to negotiate in good faith; • state that any negotiation relating to access standards must: <ul style="list-style-type: none"> – be no less onerous than the minimum access standard contained in the relevant schedules in Chapter 5; – not adversely affect power system security; – not adversely affect the quality of supply for other users; and – involve NEMMCO in an advisory capacity and accord NEMMCO twenty business days to inform the parties in writing of any advisory matters arising as a result of the proposed negotiated access standard. • require the DNSP to develop an offer to connect which contains the information specified in Schedule 5.6 and specifies the outcome of any negotiation relating to access standards, connection charges, prudential 	<p>stakeholder concerns around the distinction between direct control and negotiated services, and notes that distribution services including connection services are classified by the AER in accordance with Rule 6.2.1.</p> <p>SCO notes that Rule 6.7.5(c) ensures that a negotiating framework is able to be applied to a negotiated service only, not a direct control service. In other words, if a connection service is deemed to be a direct control service, then the service is, by definition of this regulation, not negotiated and therefore not subject to a negotiated development of offer. Stakeholder views are sought on this issue.</p>	<p>ENERGEX also does not support the proposed ‘advisory’ involvement of NEMMCO in the negotiation process. The intended operation of this ‘advisory’ role is unclear and appears to inappropriately extend beyond both NEMMCO’s functions under the NER and its intended role in the Chapter 5 negotiation process.</p> <p>For example, as stated in clause 5.1.3, Chapter 5 is intended to achieve the:</p> <p style="text-align: center;"><i>...open communication and information flows relating to connections between Registered Participants themselves, and between Registered Participants and NEMMCO, while ensuring the security of confidential information belonging to competitors in the market.</i></p> <p>Further, clause 5.2.3(c) provides that:</p> <p style="text-align: center;"><i>Where the provisions of the connection agreement vary the technical requirements set out in the schedules to this Chapter, the relevant Network Service Provider must report on such variations to NEMMCO on an annual basis.</i></p> <p>The role of NEMMCO in the connections process is not intended to extend to an involvement in negotiations between Registered Participants and end-users.</p> <p>While there is currently a requirement under the existing clause 5.3.4A(c), for the DNSP to consult with NEMMCO regarding proposed access standards which deviate from the automatic access standard, it should be recognised that connection application process in clause 5.3 was developed primarily for use between Registered Participants (or</p>

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<p>requirements and any other terms and conditions within the time specified in the preliminary program or later if the access standards have been negotiated.</p>		<p>intending participants), not Registered Participants and end-users.</p> <p>Extending NEMMCO's advisory role to access standards negotiated between DNSPs and end-users is both an inefficient use of NEMMCO resources and risks usurping the jurisdictional processes for resolving connection issues/disputes which are more likely to be accessible to end-users.</p>
<p>Recommendation 24</p> <p>The NER should allow the user (utilising the negotiated connection application route) two months to accept the offer otherwise the offer should be deemed to have lapsed unless the DNSP agrees to extend the offer.</p>	<p>Not Accepted.</p> <p>Given that the negotiated route by nature involves a negotiation process, SCO considers that a two month standing offer period the same as for a standard contract offer, is unnecessary. Therefore SCO proposes that the NER should provide that a distribution network user has a period of one month to accept a negotiated connection service offer, unless the DNSP agrees to extend the period of offer.</p>	<p>Agree.</p> <p>As discussed in relation to recommendation 21, ENERGEX believes that an offer period of two months is inappropriately long if prices, timeframes or obligations are intended to be 'fixed' for the acceptance period. In these circumstances, the offer should be open for a period of no more than one month, unless the DNSP agrees to an extension.</p> <p>A more lengthy period of offer may lead to uncertainty as to the manner in which concurrent or subsequent connection applications (whether standard or negotiated) by other connection applicants, should be managed.</p>

ANNEXURE B: DETAILED COMMENTS ON PROPOSED CAPITAL CONTRIBUTION ARRANGEMENTS

The following table contains ENERGETX's detailed comment on SCO's Policy Response to recommendations 26 – 30 (inclusive).

Recommendation	Draft SCO Policy Response	ENERGETX Comment on Draft SCO Policy Response
<p>Recommendation 25</p> <p>The NER should allow, subject to a decision by the AER as to the form of regulation to apply to the provision of connection assets, a DNSP to recover from connecting users the cost of dedicated connection assets as well as extension assets for the sole use of a new connection that, but for the new connection, would not have been incurred – a connection asset charge.</p>	<p>Partially Accepted.</p> <p>SCO's response to the capital contributions recommendations will reflect the fact that there are both contestable and non-contestable services across regions. In other words, the fact that contestability of services exists in some jurisdictions means that a connecting user may in some instances pay charges to an entity other than the DNSP in the connection process.</p> <p>In situations where there is contestability for connection services, this covers the connection asset, extension asset, and immediate augmentation requirements. Where there is contestability, the DNSP quotes their charge for undertaking the work. The connecting customer is able to obtain their own quotes from accredited service providers.</p> <p>Where non-contestable services exist (i.e. entirely carried out by the DNSP), the DNSP has a regulated charge which they apply to the connection. The application of charges due to the forecasting of future augmentation requirements being brought forward is calculated, where currently applied in some jurisdictions but not all, as the NPV.</p> <p>Therefore in response to this recommendation, SCO proposes that the NER will provide that distribution network users are required to pay all applicable connection charges covering all connection assets in accordance with the</p>	<p>Agree.</p>

Recommendation	Draft SCO Policy Response	ENERGEX Comment on Draft SCO Policy Response
	parameters established by SCO's policy response to Recommendations 27-29.	
<p>Recommendation 26</p> <p>The NER should adopt the terminology in Box 4.1 for the purposes of calculating a connection asset charge.</p>	<p>Noted.</p> <p>To the extent necessary, the NER will appropriately define the terms. It is accepted as a valid concern that terminology used throughout both transmission and distribution networks should be as consistent as possible to avoid confusion. SCO proposes that the existing terminology used in the NER should be used to implement the recommendations and their principles – otherwise by inserting a new set of terms and definitions specifically for capital contributions, there would be confusion created by possibly conflicting or overlapping terms and definitions used in the NER. For example, SCO notes that the NER already refers to embedded generators whereas the NERA/ACG report refers to distributed generation or DG. SCO considers that any necessary changes to terminology would become apparent in the rule change/legislative drafting process, and should necessary changes arise they will be dealt with appropriately during this process.</p>	<p>ENERGEX supports the use of terminology consistent with that currently applied in the NER provided that required jurisdictional differences are managed through the processes of drafting and transition.</p>
<p>Recommendation 27</p> <p>A compulsory connection asset charge should not include the cost of any shared network augmentation that may be required to service the load/generation output arising from a new connection. However, a connection applicant may also choose to fund shared network augmentation by negotiation between the DNSP and the connection applicant.</p>	<p>Not Accepted.</p> <p>SCO disagrees with the NERA/ACG recommendation that augmentation costs are not borne by the connecting user, whose connection directly necessitates augmentation of the shared network. It is considered that it is inequitable that the entire network of users should subsidise the connecting user's requirements in this way. SCO therefore proposes that the connecting user will pay, in the same way it pays for its connection and extension assets, for any necessary</p>	<p>Partially agree.</p> <p>ENERGEX supports SCO's proposal that the connecting user will pay, in the same way it pays for its connection and extension assets, for any necessary augmentation to the shared network.</p> <p>ENERGEX supports the development of an AER Guideline addressing the methodology associated with the calculation of the augmentation component of a connection charge.</p>

Recommendation	Draft SCO Policy Response	ENERGEX Comment on Draft SCO Policy Response
	<p>augmentation to the shared network. The exceptions to this rule will be small customers as defined in the NECF and micro EG connections for which any cost will be recovered through the Distribution Use of System (DUOS) charges.</p> <p>SCO also notes that a user pays approach to augmentation costs should act as a positive incentive for demand management, micro embedded generation and energy efficiency initiatives – to lower potential augmentation costs.</p> <p>SCO notes that there is a valid argument regarding the issue of competitive neutrality between generators connecting to transmission or distribution networks – with the former not paying augmentation costs as part of a new connection. SCO considers the locational signal provided outweighs the issue of competitive neutrality. Furthermore, the AEMC is considering transmission issues including inter-regional charges, as part of its climate change review.</p> <p>SCO notes that there will be an augmentation charge determined by the regulator, taking into account both immediate and future network needs. As such, the NER will require the AER develop a guideline detailing the methodology associated with the calculation of the augmentation component of a connection charge. Given that augmentation charges may be associated with revenue resets and distribution network usage tariffs, the implementation and commencement of the new capital contribution framework will be aligned with region revenue resets to facilitate a smooth transition to the new arrangements.</p>	<p>ENERGEX notes that clause 11.16.10 of the NER will apply to the development and application of its capital contributions policy for the regulatory control period 2010/11 – 2014/15.</p>

Recommendation	Draft SCO Policy Response	ENERGEX Comment on Draft SCO Policy Response
<p>Recommendation 28</p> <p>The NER should require the AER to develop a Guideline for the determination of connection asset charges. The Rules should provide that the Guideline include:</p> <ul style="list-style-type: none"> • a definition of a standard small customer connection asset that may vary for each DNSP, for which no connection asset charge may be levied; and • a definition of the relevant connection point. 	<p>Partially Accepted.</p> <p>SCO proposes that NER will outline a basic set of principles, based on their responses to the capital contribution recommendations, outlining the calculation of capital contributions. These principles include:</p> <ul style="list-style-type: none"> • large customers will be required to pay a capital contribution for the cost of any network extension and augmentation assets required to connect the customer and for the cost of dedicated connection assets; • small customers (as defined in the NECF) and micro EG will be required to pay a capital contribution for extension and dedicated connection assets. Augmentation costs for these customer types will be recovered through DUOS; and • customers will receive a repayment of capital contributions for dedicated assets (including augmentation assets for large customers) proportional to the new customers' utilisation of that asset. <p>SCO agrees, subject to these express principles, the NER will require the AER to develop a Guideline, based on the key objective of cost reflectivity and supporting any move towards increased contestability. This Guideline will contain further details regarding the determination of connection asset charges, including the requirement that there will be a standard small customer connection asset which will be provided by a DNSP for at a standard charge where a contestable market for the service does not exist, and a</p>	<p>Agree.</p> <p>The principles proposed by SCO in its Policy Response seem appropriate, with the exception of the proposed application to large customers. As discussed in section 3.1 of this submission, for ICCs, CACs and EGs, connection costs are specifically included in the customer's site-specific network charges and are not recovered as a separate capital contribution.</p> <p>ENERGEX also believes that the administrative complexities of applying the definition of 'small' customer and a 'small load' when determining the arrangements to apply should be more fully examined understood. For example, Scheme application within ENERGEX is currently consistent with the customer's classification for network pricing purposes, not to the 'small' or 'large' classification that applies under the contract and consumer protection framework (and presumably that which will apply under the NECF).</p>

Recommendation	Draft SCO Policy Response	ENERGEX Comment on Draft SCO Policy Response
	<p>definition of the relevant connection point.</p> <p>In developing the Guideline the AER is to consider existing connection charge arrangements in jurisdictions or regions where contestability does not currently exist and the transition to the proposed capital contribution arrangement for small customers.</p> <p>The definition of a standard asset will be a matter for each DNSP to determine and define for its own network(s) given the variation in ways of measuring/defining this currently across jurisdictions.</p>	
<p>Recommendation 29</p> <p>The NER should require the AER to develop a Guideline that provides a methodology for the partial repayment of connection asset charges when a new customer connects to an extension asset within 7 years. The Rules should provide that the Guideline include:</p> <ul style="list-style-type: none"> • an obligation for a DNSP to provide a repayment to a connection customer in the event a new connection utilises part of the previously dedicated assets; • dispute resolution procedures; • the basis for calculating the repayment; and • a requirement that the asset become treated as a shared network asset at the expiry of the seven year period. 	<p>Accepted.</p> <p>The NER will provide a framework for the repayment mechanism that is to apply when a user connects to extension assets including the methodology for partial repayment. The AER will develop a Guideline for the treatment of extension assets following public consultation.</p> <p>SCO notes that in the interests of making this consistent with the rest of the proposed capital contribution framework, it will also include repayment of relevant augmentation charges, including for augmentation assets that become general network assets. Therefore the AER will develop a Guideline for the treatment of augmentation assets following public consultation.</p>	<p>While ENERGEX supports that principle of cost sharing between existing and new users, it expresses serious concerns with the proposed scope of the repayment scheme and the period of repayment.</p> <p><u>Scope of Repayment</u></p> <p>ENERGEX is concerned that SCO's proposal to include augmentation assets that become general network assets in the Capital Contribution Repayment Scheme (Repayment Scheme) blurs the distinction between augmentation consequent to a connection and general capex by implying a 'carving up' of the shared network between users .</p> <p>A capital contribution towards connection investment will however only be sought as a prepayment for the DNSP's expected revenue shortfall in the case of an <u>uneconomic connection</u> (i.e. where the average distribution prices for the relevant network price category would not be sufficient to recover the full cost of the connection). It will not, as is</p>

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		<p>suggested by the Policy Response, apply to all connection assets.</p> <p>The proposed application of the Repayment Scheme should be clarified to ensure that that NER changes do not go beyond the intended scope of a capital contributions framework.</p> <p>In addition, the AER:</p> <ul style="list-style-type: none"> • Should be permitted the flexibility through its Guideline to determine whether any class of user or load should be excluded from the Repayment Scheme’s application, e.g. ICCs, CACs and EGs, where site-specific connection costs are specifically included in the customer’s site-specific network charges; and • Should be required under the NER to take the classification of services into account when developing its Guideline, including the variations in classification which exist between jurisdictions and individual DNSPs. For example, it is proposed in Queensland that all connection services be classified as standard control services. This will not necessarily be the case for all DNSPs. <p><u>Period of Repayment</u></p> <p>ENERGEX supports a 5 year period for the partial repayment of connection asset charges, with the 5 year period calculated from the time of connection of the initial user.</p>

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		<p>This is consistent with existing practice in Queensland where:</p> <ul style="list-style-type: none"> • Capital contributions are extensively applied across both large and small connections; and • There is a high turnover of small urban properties. Unlike some interstate capital contribution schemes, ENERGEX's capital contribution scheme is not restricted in its application to rural and large load customers. <p>ENERGEX believes that this appropriately balances the need for equity between existing and new users with the practicalities of administering the Repayment Scheme.</p> <p>It should be noted also that, for Queensland, grandfathering (for existing capital contribution arrangements) and transitional provisions (to account for the regulatory control period) may be required to support any extension of the cost sharing period beyond 5 years.</p>
<p>Recommendation 30</p> <p>Provisions within the NER that currently refer to the recovery of network augmentation costs through a connection charge should be removed (i.e., Rule 5.5(f)(3)(i) and Draft Rule 6.22(1)(b).</p>	<p>Not Accepted.</p> <p>As Recommendation 27 was not accepted by SCO, the current NER provisions pertaining to recovery of network augmentation costs should remain in place.</p>	<p>Agree.</p>