



Ref.: TP/CP

10 March 2009

Manager, MCE Secretariat
Department of Resources, Energy and Tourism
GPO Box 9839
Canberra ACT 2601

61 Mary Street
Brisbane QLD 4000
PO Box 15107
City East QLD 4002
Phone 07 3228 8222
Fax 07 3228 8118
Website www.ergon.com.au

Dear Sir/Madam

Electricity Distribution Network Planning and Connection – A National Framework for Electricity Distribution Networks

Ergon Energy Corporation Limited (Ergon Energy) appreciates the opportunity provided by the Ministerial Council on Energy (MCE) Standing Committee of Officials (SCO) to respond to the MCE SCO's policy response to the joint report prepared by NERA Economic Consulting (NERA) and the Allen Consulting Group (ACG) of August 2007 – "*Network Planning and Connection Arrangements – National Frameworks for Distribution Networks*" (The NERA/ACG Paper).

The attached submission represents Ergon Energy's response to the MCE SCO's Policy Response to the NERA/ACG Paper

Ergon Energy looks forward to providing continued assistance to the MCE SCO in its review and development of a national distribution network planning and expansion framework.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Pfeiffer', with a horizontal line extending to the right.

Tony Pfeiffer
General Manager Regulatory Affairs

Enc.:

c.c.: Carmel Price

Telephone: 3228 7711
Facsimile: 3228 8130
Email: tony.pfeiffer@ergon.com.au

Ergon Energy Corporation Limited

**A National Framework for Electricity
Distribution Networks**

***Electricity Distribution Network Planning
and Connection***

Submission

**Ministerial Council on Energy
Standing Committee of Officials**

10 March 2009

Electricity Distribution Network Planning and Connection – Submission

Standing Committee of Officials

10 March 2009

This submission, which is available for publication, is made by:

Ergon Energy Corporation Limited
PO Box 15107
City East
BRISBANE QLD 4002

Enquiries or further communication should be directed to:

Tony Pfeiffer
General Manager Regulatory Affairs
Ergon Energy Corporation Limited
Email: tony.pfeiffer@ergon.com.au
Ph: (07) 3228 7711
Mobile: 0417 734 664
Fax: (07) 3228 8130

Or

Carmel Price
Manager Regulatory Affairs – Network Regulation
Ergon Energy Corporation Limited
Email: carmel.price@ergon.com.au
Ph: (07) 4121 9545
Mobile: 0408 702 814
Fax: (07) 3228 8130



TABLE OF CONTENTS

Introduction	3
Part 1 – National Framework for electricity distribution network planning and expansion	4
Part 2 – National framework for electricity distribution network and connection arrangements	4
a. Definition of a common standard connection	4
b. Operation of standard connection contracts.....	5
c. Connection process timeframes	5
d. Links to Chapter 6	7
e. Interaction with National Energy Customer Framework	7
Part 3 – National framework for electricity distribution capital contribution arrangements	8
a. Approach to national capital contributions framework.....	8
b. Repayment scheme.....	9
Part 4 - Implementation	10
Part 5: Ergon Energy’s comments on National Distribution Network Connection and Capital Contribution Framework.....	11

Introduction

Ergon Energy Corporation Limited (Ergon Energy) welcomes the opportunity to comment on the Ministerial Council of Energy Standing Committee of Officials (SCO) Policy Response to “A National Framework for Electricity Distribution Networks” (SCO Policy Response).

This submission is provided by Ergon Energy in its capacity as an electricity distribution network service provider in Queensland.

Ergon Energy supports the development of a national framework in the key areas of network development and planning and connection arrangements. This submission identifies the technical and operational issues for Ergon Energy arising from the proposed recommendations.

Ergon Energy has structured this submission in five parts:

- Part 1:** Ergon Energy’s response to SCO’s recommendations for the national framework for electricity network planning.
- Part 2:** Summary of key issues regarding the proposed recommendations for a national framework for electricity distribution connection arrangements.
- Part 3:** Summary of key issues regarding the proposed recommendations for a national framework for electricity distribution capital contribution arrangements.
- Part 4:** Summary of key issues regarding implementation.
- Part 5:** Ergon Energy’s detailed comments against each MCE SCO recommendation and response to the AAR Report.

Ergon Energy would be pleased to respond to or provide further information in respect of any of the issues raised in this submission.

Part 1 – National Framework for electricity distribution network planning and expansion

Ergon Energy supports the SCO policy responses in relation to the NERA/ACG Report Recommendations (1-9) to refer these matters to the Australian Energy Market Commission (AEMC) to provide advice, including proposed rules, for the development of a national framework for electricity distribution network planning and expansion.

Part 2 – National framework for electricity distribution network and connection arrangements

Ergon Energy supports SCO's stated purpose and aims for establishing a national connection framework of:

- Limiting barriers to the efficient provision of network connection;
- Ensuring connection arrangements are not overly prescriptive – only regulating when it is deemed necessary; and
- Recognising that a right to access an electricity network must be balanced against the responsibility of the Distribution Network Service Provider (DNSP) to operate a safe and reliable network.

The following are Ergon Energy's key concerns with the operational aspects of the proposed framework:

a. Definition of a common standard connection

The SCO proposes that the NER require a DNSP to:

- For "small load" connections, define at least one common standard connection service, and develop a corresponding common standard connection contract; and
- For embedded generation, develop a standard connection contract for micro embedded generation (micro EG) which corresponds to the micro EG definition set out in the NER¹.

It is proposed that the definition of a common standard connection service and the accompanying contract would be subject to AER approval.

It is envisaged that these standard connection arrangements may provide for a standard connection asset to be offered to customers, for example, a network span to a premises and/or metering equipment.

In terms of coverage of the common standard connection contract, the SCO Policy Response states that there would be an expectation that the AER should approve a definition which covers the majority of residential and comparable small business customers in the DNSP's

¹ Ergon Energy supports the definition of 'micro embedded generators' proposed in the Allens Arthur Robinson Report and the recommendation that DNSPs develop associated technical requirements.

service area². The SCO Policy Response, however, notes in respect of the common standard connection contract 'it is envisaged that this contract will capture, for example, the majority of common urban small load connections for which minimal extension or augmentation works are required, and the associated technical requirements'³.

Ergon Energy understands from discussions at the SCO Seminar held on 16 February 2009 (SCO Seminar), it is accepted and understood by the SCO that for some networks a common standard connection service would not capture the "majority" of new "small load" connections. It was recognised that in dispersed networks the assets required to effect new customer connections for "small load" will differ considerably. That is, the offering of a standard connection asset such as a network span and/or metering equipment may not cover the "majority" of new connections where customers are spread across networks servicing urban, rural and remote customers.

Ergon Energy submits that the position stated above should be clearly recognised in:

- the policy framework; and
- any subsequent direction or guidance given to the AER for approving a DNSP's proposed definition for a common standard connection service.

b. Operation of standard connection contracts

While it is not explicit in the SCO Policy Response, discussions at the SCO Seminar raised the prospect that there would be some opportunity for negotiation of certain aspects of the common standard connection contract.

Ergon Energy does not support this position. Ergon Energy is of the view that if negotiation of terms is required, then the connection application should follow the negotiated connection process.

Introducing negotiations into the standard connection process would, in Ergon Energy's view, defeat the purpose of establishing an efficient, streamlined connection process for "standard" connections. It would also impact on the DNSP's ability to meet the proposed timeframes for processing and responding to connection applications.

Further, Ergon Energy does not support a requirement for DNSPs to negotiate where a standard contract is available and meets the customer's requirements, particularly where the contract meets the minimum requirements stipulated in the NER. A requirement to negotiate in each case would be unworkable given the large number of small user and micro EG connections that occur each year.

c. Connection process timeframes

Ergon Energy supports the requirement for a DNSP to advise a customer, within 5 business days, whether there is a standard connection service available or a negotiated connection is required.

² MCE SCO, "A National Framework for Electricity Distribution Networks", 15 December 2008, page 12.

³ *Ibid*, page 15.

Standard connection service

In its Policy Response, the SCO stated that it is envisaged that the common standard connection contract will capture the majority of common urban small load connections for which minimal extension or augmentation works are required⁴.

Ergon Energy's current customer connection practice where extension or augmentation to the network is not required⁵ is set out below.

- The customer contacts Ergon Energy's National Contact Centre (noting that Ergon Energy is both retailer and distributor for the majority of its customers and operates a single contact centre);
- Ergon Energy sends customer an application pack;
- The customer sends back the completed application form;
- Ergon Energy's Customer Connection Group assesses whether supply is available. That is, whether the customer's premises is located in an area where there is an established network and no extension or augmentation to the network is required to effect the connection;
- If supply is available, the customer connection group contacts the customer, and if the customer elects to proceed with the connection, requests that a "Form A" is completed (by a qualified person certifying the safety of the customer's installation) and submitted; and
- On receipt of the "Form A" Ergon Energy will effect the customer connection.

Under this process a "formal offer" is not sent to customers and accordingly a period for accepting the offer does not apply. In these circumstances the customer elects to proceed with the connection by submitting a completed "Form A" via their contractor and the terms and conditions for connection are governed by the Electricity Act 1994 and Electricity Regulations 2006.

A mandatory requirement to issue a standard connection offer and allowing a period of 2 months for acceptance may in practice lengthen the connection process for customers. Ergon Energy considers that the connection process proposed should be sufficiently flexible to allow a connection to proceed at the customer's election, subject to standard terms and conditions, without issuing a formal offer.

In any event, Ergon Energy considers that the period for acceptance of 1 month is sufficient and appropriate and best reflects commercial realities.

⁴ Ibid, page 15.

⁵ For up to 1MVA of connected load. Connecting loads that exceed this threshold are managed by Fron Enerav's Network Connections Group and generally result in individually negotiated connection

Negotiated connection service

In respect of a negotiated connection service, Ergon Energy supports a timeframe of 20 business days for the DNSP to advise the customer of required technical information and a preliminary programme, consistent with the current connection provisions in the NER. These timeframes, however, must be subject to the DNSP being satisfied that it has received a complete application form. In other words, the trigger for the timeframe to commence is the DNSP receiving, to its satisfaction, a “complete” connection application.

The SCO Policy Response further requires DNSPs to provide connection applicants with a preliminary and final programme with respect to the time to effect the physical connection. While Ergon Energy supports providing this advice to users, the national connection framework should explicitly recognise that these timeframes will be subject to any preconditions to connection being satisfied and any necessary third party approvals being obtained. For example, to effect the physical connection approvals may need to be sought from Local Government or cultural heritage or native title issues may need to be addressed. It should be noted that these processes can, in some circumstances, take up to 12 months.

d. Links to Chapter 6

Ergon Energy strongly disagrees with any proposal to adopt the Negotiating Framework in Chapter 6. As noted in Ergon Energy’s previous submission in response to the NERA/ACG Report, to apply the Negotiating Framework in Chapter 6 of the NER:

- Pre-supposes that the DNSP will propose, and the AER will accept the categorisation of connection services as negotiated services; or
- Potentially requires a DNSP to develop a negotiating framework under Chapter 6 of the Rules even though none of its distribution services are classified as ‘negotiated’ services.

Ergon Energy notes that the AER considers that if there are no services classified as Negotiated Services, then a Negotiating Framework does not need to be developed by DNSPs and the NER Chapter 6 Part D does not apply.

e. Interaction with National Energy Customer Framework

Ergon Energy notes that the recommendation in the Allens Arthur Robinson Report that the NER and National Energy Customer Framework (NECF) should contemplate that any customer seeking a new or modified connection under Chapter 5 of the NER would enter into an agreement with the distributor covering both the connection process and ongoing provision of distribution services. Ergon Energy considers that the following issues need to be addressed in considering whether a single contract governing the “physical connection” and “ongoing distribution services” is appropriate:

- Requirement for a retailer to be responsible for the connection point prior to energisation of a site i.e. a Financially Responsible Market Participant (FRMP) must be in place in NEMMCO’s MSATS system;
- Consistency with the adoption of a triangular contractual model between DNSPs, retailers and customers under the NECF;

- Differences between customer classifications for the purposes of the physical connection (proposed to be governed under the NER) and ongoing distribution services (governed by the NECF); and
- Various combinations of standard and negotiated contracts that could apply at the physical connection and ongoing distribution services stage.

Part 3 – National framework for electricity distribution capital contribution arrangements

Ergon Energy's key issues regarding the proposed recommendations for a national framework for electricity distribution capital contribution arrangements are discussed below.

a. Approach to national capital contributions framework

The SCO Policy Response advocates the NER incorporating the following principles for the calculation of capital contributions:

- Large customers (including large embedded generators) 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 connections 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 customers will be recovered, where appropriate, through DUOS; and
- Customers will receive a repayment of capital contribution payments for previously dedicated assets (including augmentation assets for large customers) that are subsequently shared with other customers proportional to any new customers' utilisation of that asset.

The SCO Policy Response further provides for the AER to develop a Guideline, subject to these principles, and based on the key objective of long run cost reflectivity.

Ergon Energy supports a national framework for connection charges and the objective of cost reflectivity for these charges. Ergon Energy further supports charges for the connection of EGs following the same principles and rules as those that apply to the connection of similar sized loads.

Ergon Energy's key concerns with the above policy statement are it:

- Represents a significant departure from current practices in Queensland, whereby for Standard Asset Customers⁶ the DNSP contributes the present value of the future network charges over 20 years less a deduction for the customer's impact on the shared network. For small customers, recovery of connection asset costs above a "standard connection" could potentially impose a significant cost which has previously not been charged for new connections. Ergon Energy considers that the policy implications need to be fully understood and consideration be given to the transitional arrangements that would need to be put in place to manage a shift from existing practices;
- Does not address in any detail the nature of the framework to apply and provides broad discretion to the AER in its development of Guidelines. Ergon Energy considers that further policy guidance is required. In particular, it is not clear whether it is intended that a single capital contribution policy apply to all DNSPs or whether the intention is to accommodate significantly different policies provided they are consistent with the high level principles. Ergon Energy would support a flexible

⁶ In Queensland the SAC classification broadly applies to customers with an electricity consumption of less than 4GWh per annum with similar supply arrangements.

framework which accommodates different capital contribution policies. Furthermore Ergon Energy considers that this Guideline be mandatory for the AER to prepare (we note that at present the NER mandates that the AER produce only certain guidelines, whilst others are optional for the AER to prepare);

- Does not define, or promote a common understanding of key terms such as:
 - Connection assets. Ergon Energy considers connection assets to include anything that needs to be built to connect a new network user, and is dedicated to the particular connection point - even if it is possible to subsequently connect other network users to the assets that are built;
 - Capital contributions, including whether the term incorporates gifted assets; and
 - Augmentation, including whether the DNSP should be allowed to recover all the cost if the shared network works are outside the planning horizon or the cost of advancing these works if the shared network works are within the Planning Horizon;
- Does not address the issues arising from the interaction between capital contributions policies and the classification of distribution services under Chapter 6 of the NER. In this context, Ergon Energy notes that the shared network is a standard control service and accounting for contributions will raise administrative and regulatory treatment issues. Moreover, classification of services is likely to vary between DNSPs which may mean that a single capital contribution policy is not appropriate; and
- Does not recognise issues associated with applying classifications of “small customers” and “large customers” to capital contribution policies. For the purposes of capital contribution assessment, Ergon Energy currently classifies customers not only on energy usage but on the extent of dedicated connection assets. Ergon Energy currently only requires an upfront capital contribution from its Standard Asset Customers, being those customers who have an annual electricity consumption of less than 4GWh and have similar supply arrangements. Broadly speaking, for customers consuming greater than 4GWh per annum and EGs, Ergon Energy currently calculates site specific network charges based on that customer’s dedicated connection assets and the customer’s use of the shared network. Ergon Energy is currently determining the impacts of the AER’s services classification for the 2010 – 2015 regulatory control period on these arrangements.

b. Repayment scheme

Ergon Energy supports a repayment scheme, whereby the original customer is repaid (in a reduced price where site specific charges apply or rebate where capital contribution has been accepted) a share of the cost of any ‘extension assets’ that subsequently become shared. Any scheme should impose a time limit on repayments and include transitional arrangements for those jurisdictions where repayment schemes currently exist that differ from the new arrangements.

Ergon Energy does not support the inclusion of augmentation charges in a repayment scheme on the basis that:

- Usage of the shared network is fluid and it would be difficult to repay contributions in a meaningful or equitable way;
- The shared network is a standard control service and applying a repayment scheme would:
 - Necessitate separate regulatory accounting treatment of augmentations relating to a particular connection within a standard control service as

- Potentially impact price stability under a revenue cap determination as any forecast inaccuracies regarding amount of capital contributions collected would require Annual Aggregate Revenue adjustments.

Part 4 - Implementation

Ergon Energy strongly submits that the proposed implementation timetable be amended to allow a further opportunity for consultation on the key policy positions prior to the development of an exposure draft. As noted in this submission, there are a number of key policy issues in relation to the connection process and the capital contributions framework that need further consultation and clarification.

Ergon Energy supports industry engagement on the key issues identified in this submission and the release of a further SCO Policy Response paper to address these issues before proceeding to the exposure draft stage.

Part 5: Ergon Energy's comments on National Distribution Network Connection and Capital Contribution Framework

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
<p>Recommendation 10 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. 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 subject to Ergon Energy's comments on connection costs below.</p>
<p>Recommendation 11 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 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. A DNSP would not be precluded, for the purpose of</p>	<p>Ergon Energy supports the requirement for DNSPs to define a standard connection service subject to explicit recognition that the offering of a standard connection asset such as a network span and/or metering equipment may not cover the "majority" of new connections (refer Part 2a of submission).</p> <p>Ergon Energy supports the inclusion in the NER of a definition of micro-embedded generator. Ergon Energy supports the definition of 'micro embedded generators' proposed in the Allens Arthur Robinson Report and the recommendation that additional technical requirements for micro embedded generators be developed by the DNSPs as part of the standard contract.</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
	<p>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>Ergon Energy agrees that the remainder of market participants and connection applicants are large or diverse enough to warrant negotiating terms and conditions with the DNSP.</p> <p>Ergon Energy considers that approval of standard terms and conditions by the AER is not warranted and is not consistent with the AER's core functions. Ergon Energy considers inclusion of the key requirements in the NER is sufficient and will ensure that DNSPs comply. Ergon Energy considers it is more appropriate for the AER to assume a compliance / enforcement rather than approval role.</p>
<p>Recommendation 12 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</p>	<p>Ergon Energy agrees with the requirement to develop and publish standard connection requirements applicable to micro EG, subject to comments above regarding the requirement for approval.</p> <p>Ergon Energy considers safety issues should be considered as the highest order issue. That said, a strict requirement on the DNSP to make a new occupant aware that there are terms and conditions associated with micro EG for that supply point fails to recognise that a DNSP will generally have no direct notification of a change in occupant, relying instead on information provided by the retailer.</p> <p>Any requirement must be subject to the DNSP being made aware of a change in occupant by the retailer for the supply point.</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
	<p>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>Recommendation 13 The NER should set out the minimum content for standard applications in a schedule to Chapter 5.</p>	<p>Accepted.</p>	<p>Agree.</p>
<p>Recommendation 14 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 after the finalisation of the agreement that the standard connection will be effected; • 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>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 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</p>	<p>Ergon Energy supports in principle the inclusion of minimum contents for connection contracts in the NER. Ergon Energy also supports the requirement for a DNSP to provide an indicative timeframe for connection subject to its comments in Part 2c of this submission.</p> <p>Ergon Energy supports the Allens Arthur Robinson Report recommendations that two additional schedules to schedule 5.6 (one for retail load and one for EG that are not RPs) should be included in the NER. Ergon Energy also supports, subject to further consultation on the detail, the minimum content requirements proposed in that report.</p> <p>Ergon Energy supports the requirement to develop and publish a standard application form. Refer comments to recommendation 11 above regarding requirement for AER approval.</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
	<p>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 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>	
<p>Recommendation 15 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. Rule 6.7.5(c) should be modified to include the following additional provisions which would require the DNSP to</p>	<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>Ergon Energy does not support the application of a modified Chapter 6 negotiating framework to apply to the negotiated connection application process (refer comments in Part 2d of submission).</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
<p>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 (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)); • 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 	<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. 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>	

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
<p>that of other networks (currently Rule 5.3.5(d)); and</p> <ul style="list-style-type: none"> - 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 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>Recommendation 16 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.</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
<p>Recommendation 17 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; to inform the user of whether any aspects of the connection service are contestable; • 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. 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>Ergon Energy agrees subject to comments in Part 2c of this submission.</p>
<p>Recommendation 18 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. 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>Ergon Energy agrees with the requirement to advise a connection applicant if their application complies with the requirements of a standard connection services. Ergon Energy does not support a requirement for DNSPs to negotiate where a standard contract is available.</p>
<p>Recommendation 19 The NER should state that where a user selects the</p>	<p>Partially Accepted.</p>	<p>Ergon Energy agrees subject to comments in Part 2c of this submission.</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
<p>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 another DNSP; and 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. 	<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> <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>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. 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>Refer comments in Part 2c of this submission.</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>Ergon Energy does not support a 2 month time period (refer Part 2 of this submission).</p>
<p>Recommendation 22</p> <p>The NER should state that where an application is for a</p>	<p>Noted.</p>	<p>Ergon Energy disagrees and considers a period of 20 business days should be provided for regarding technical</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
<p>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>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>information requirements consistent with the current provisions of the NER.</p>
<p>Recommendation 23 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 connection and offer to connect phases; 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 	<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 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>Ergon Energy does not support the application of the Chapter 6 negotiating framework to the negotiated connection process. Refer Part 2d of this submission.</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
<p>as a result of the proposed negotiated access standard.</p> <ul style="list-style-type: none"> 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 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>Recommendation 24 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>Ergon Energy agrees with one month period.</p>
<p>Recommendation 25 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</p>	<p>Refer Part 3 of this submission.</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
	<p>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 parameters established by SCO's policy response to Recommendations 27-29.</p>	
<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</p>	<p>Ergon Energy agrees.</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
	<p>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>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 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</p>	<p>Refer Part 3 of this submission.</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
	<p>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>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. 	<p>Refer Part 3 of this submission.</p>

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
	<p>Augmentation costs for these customer types will be recovered through DUOS; and</p> <ul style="list-style-type: none"> 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 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>	
Recommendation 29	Accepted.	Refer Part 3 of this submission.

RECOMMENDATION	DRAFT SCO POLICY RESPONSE	ERGON ENERGY COMMENT ON POLICY RESPONSE
<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>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>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>Ergon Energy agrees that the current NER provisions pertaining to recovery of network augmentation costs should remain in place</p>