

10 March 2009

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SP AusNet Submission

MCE SCO Paper “Electricity Distribution Network Planning & Connection – A National Framework For Distribution Networks

SP AusNet welcomes this opportunity to respond to the issues raised in the Ministerial Council on Energy (MCE) Standing Committee of Officials (SCO) Policy Response Paper titled; “*Electricity Distribution Network Planning and Connection-A National Framework for Distribution Networks*” circulated on 15th December 2008.

The Energy Networks Association has made a submission to the MCESCO on the Policy Response Paper and SP AusNet has contributed to that submission. Whilst the attached SP AusNet submission presents a different emphasis in some aspects of what we perceive are the issues with the Policy Response, we strongly support the substantive aspects of the ENA submission.

Please contact us should you wish to discuss our submission.



Signed Peter Ellis for Kelvin Gebert
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Electricity Distribution Network Planning and Connection MCESCO Policy Response

SP AusNet Submission

The connection of customers and the ongoing provision of distribution services are the fundamentals of the distributors' relationship with customers. It is important that the regulatory framework covering these fundamentals has the following features;

- is effective and efficient
- is practical and workable
- is clearly defined and unambiguous
- recognises existing processes and practices
- achieves the best balance of costs and risks to distributors and customers
- allows for certainty for customers whilst recognising the wide variations in complexity of installations

SP AusNet supports the development of national connection arrangements, however at this stage we do not believe the proposed framework satisfies these criteria. This view is based on our own internal analysis of the Paper, and on discussions with other Distributors through ENA and other forums.

Concerns with proposed connection framework

The framework is deficient in the following aspects:

- Not clearly defined and unambiguous:

Whilst SP AusNet has a view of what is proposed in the Paper, the understanding expressed by other distributors with different internal processes to SP AusNet and/or operating under different regulatory regimes are surprisingly different. For example some distributors consider that all but a few connections under the model by definition could be standard, whilst another view was that apart from a base level connection all would be negotiated. This was based on whether exchange of technical data, preferences with respect to contestability of construction etc constitute a "negotiation".

Further, it is unclear how the connections framework relates to, and co-ordinates, with the work done in the NECF framework documents released to date. As stated above, connection AND ongoing service provision are fundamentally closely related and the Paper does not present a clear view of this.

The Paper has failed to present a model which is clear and hence is likely to draw consultation inputs based on a flawed view of what the proposal entails.

- Not practical and workable, and
- Does not recognise existing processes and practices

Connections range from:

- simple installations onto existing infrastructure, through
- progressively more complex facilities (but with connection arrangements based on standardised approaches), to a
- small minority of installations with a range of options, outcomes and costs.

At one end of this range are the ~90% of installations handled through Retailers and the national B2B Procedures (or through ASPs in NSW/ACT), at the other end are complex installations with possibly a number of rounds of consideration of proposals, costs, timing, performance, etc. The other ~10% involve the exchange of technical details and requirements to arrive at the solution which fulfils both the distributor's standard design criteria and costs, and the customer's requirements and preferences.

The ~90% of standard installations can have distributor / customer agreements based on a deemed approach. When the customer approaches the distributor through the retailer, they do so on the basis of their acceptance of the base level of connection and ongoing service agreement which the distributor has established. This is deemed to apply.

The Paper has failed to present a model which recognises this diversity of connection "types" including the concept of deemed agreements. As outlined in our connection model outlined later in this submission, the concept of deemed agreements is considered a fundamental requirement and is part of the current "standard" practice in Victoria.

- Not practical and workable, and
- Does not allow for certainty for customers whilst recognising the wide variations in complexity of installations:

The proposal attempts to assign time periods to steps in the connection process presumably in an attempt to provide customer certainty in establishing a firm agreement re their connection. However based on any reasonable interpretation of what the proposed process is, these timeframes do not recognise the variations in potential connection arrangement, and the potential dependency of process step timing on these variable aspects. Again the range is broad; from the majority of connections onto existing infrastructure which must be completed in regulated timeframe from receipt of B2B request (and paperwork), to a minority where a number of rounds of data and requirement exchange is necessary to arrive at a connection arrangement.

The Paper has failed to present a model which recognises this diversity of timing certainty and assign workable periods with criteria.

SP AusNet Recommendation: SP AusNet concurs with the view presented by the ENA submission that to overcome these shortcomings of the current proposed model, a technical working group involving industry representatives should be formed to work with MCESCO to arrive at a process which meets the criteria outlined above.

Possible Connection Framework Model

Based on SP AusNet's understanding of the connections model presented in the Paper, and on what SP AusNet considers are the desirable features to be retained from the current Victorian approach as interpreted and understood by SP AusNet, we make the comments below re a workable and practical connection regime. This is not to say that other processes details would not contribute to a workable regime, but we believe that the comments below highlight the important principles which need to be in place.

1 Base Level Approach

The majority (90% or greater) of connections are base level in that the connection does not require any extension of the existing DNSP infrastructure beyond the base level connection arrangements covered by the Regulator approved Excluded Service charges. These involve only a single span of overhead service line or a connection at an underground pit (plus appropriate meter provision and installation). In NSW it is our understanding that these are handled not by the DNSP but rather by the customer appointed ASP.

The connections are arranged via the customer's Retailer and the National B2B process and the customer has no direct involvement with the DNSP. When the DNSP receives the B2B request they are expected to make an immediate decision on whether the base level process applies based on the B2B content and associated retailer/contractor's paperwork. The concept of a 5 day, or any other period for DNSP decision regarding whether the connection is standard or negotiated is not relevant to this majority of connections.

In sending this B2B transaction the retailer and the customer are accepting the DNSP's base level connection agreement and ongoing distribution service agreement, that is, they are deemed to have accepted these agreements. The connection timing is mandated by the Regulator based on a standard reasonably achievable without excessive staff on "standby" to meet short-term peaks in connection demand.

SP AusNet would consider that the AER could have a level of oversight of these agreements, however would consider that detailed wording "approval" is not necessary. There needs to be a balance of ensuring that the DNSP's approach meets the minimum Rules requirements, but maintaining flexibility of wording to ensure that the DNSP's can for example change the phraseology based on issues of customer understanding, or to maintain consistency across documents, etc. An AER review process could be included to ensure that agreements do not drift with time away from the connection approach in a previously endorsed version.

2 *Standard Connection Agreements*

As suggested in the Paper, apart from this base level standard connection agreement the DNSP may elect to establish other “standard” connection agreements applicable to connection arrangements which are less frequent and more complicated than those in the base level agreement. As further stated in the Paper these additional standard agreements enable the DNSP to streamline their processes by offering a series of standards rather than drafting an individual agreement for each situation which does not match the base scenario.

As suggested in 1 above, SP AusNet considers that it is not inappropriate for the AER to have a level of oversight of these agreements and considers that it provides some protection for the customer, but importantly it also offers to the DNSP a level of endorsement which would reduce the frequency of customer requested changes to a standard agreement. Customers would hopefully take this endorsement as an indication that their interests are largely covered.

These standard connection agreements will involve the exchange of information between the customer and the DNSP to establish an understanding by the DNSP of the detail of the customers installation and the supply requirements, and an understanding by the customer of the DNSP’s technical efficient design for the provision of supply and the costs thereof. As outlined in the Standard Connection agreement “stream” of figure 1 in the Paper, this exchange of information is not a negotiation process in the normally accepted meaning of the word. The DNSP can generally only respond to the customer’s requirements with the most technically acceptable and cost effective solution. The DNSP will almost certainly not negotiate away from this technically sound approach and cost.

Hence in SP AusNet’s view the two fundamental “streams” in figure 1 in the Paper are replaced by three fundamental streams:

- Base level connections through the customer’s retailer and B2B utilising a deemed standard connection agreement (~90% of connections)
- Connections utilizing standard connection agreements as established by the DNSP to streamline their processes (in SP AusNet’s view almost all the remaining connections)
- Connections utilizing a negotiated agreement (in SP AusNet’s view a very small number of connections)

As suggested in 3 below there could however be a number of initial connection request scenarios before the connection arrangements enter one of these three streams.

3 *Initial approach for connection*

There are a number of scenarios for initiation of a connection:

- a. Through the retailer and B2B as outlined in 2 above
- b. A general enquiry via phone or email but with no specific outcome other than advice

- c. A request for an “order of” costing to test the feasibility of supply eg when considering the relative costs of two sites for a factory. This is termed in SP AusNet a Preliminary Estimate.
- d. A request for a firm cost offer which is followed through would result in a contract and actual connection work
- e. A request for a firm cost which requires consideration of a range of costs and outcomes which involves some elements of negotiation before a firm approach is agreed. This could involve consideration for example of complex balances between cost and supply reliability, which could require consideration by the customer of their plant design and associated balancing costs.

An approach could “escalate” through some of these steps either as a series of sequential steps or over a longer period of time. It would be expected that the basis of scenario (c) or (d) or (e) would be a customer submission of a DNSP’s standard “Request for Supply”. In many scenarios if the Request for Supply is completed fully all the details required for the DNSP to provide a Preliminary Estimate or Firm Offer are available, however in certain more complicated scenarios further details may be required, particularly for a Firm Offer, and would be requested by the DNSP. Apart from scenario (e) as outlined above this is still short of a negotiation.

4 *Timing*

A Preliminary Estimate is provided without a site visit and hence is entirely reliant on the details provided by the customer. The level of design work will be dependant on the complexity of the installation; these estimates are more than rough guesses as, although they include disclaimers re accuracy, they could be used by customers as the basis of financial commitments.

A Firm Offer for simple extension might likewise be provided from the office but with sufficient detailed analysis and desktop design to provide a cost for which the DNSP can actually carry out the work. However more extensive potential construction works will involve a site visit, involvement of design specialists, possible easement negotiations, etc, etc. The level of work in establishing a Firm Offer is recognised by the Regulator who has approved the concept of a charge being levied for this work and has approved the quantum of this charge, to ensure that a user pays regime is in place and that DNSP resource is not wasted on frivolous “tire kicking” exercises by potential customers. This charge is deducted from the cost of works if these ultimately proceed.

Any attempt to establish timeframes for provision of Preliminary Estimates or Firm Offers is fraught with difficulties. As outlined above the resource required to produce the required outcome is very variable depending on the complexity of the connection. For a complicated subdivision connection, or a large factory with significant load beyond the capacity of the local network, this could involve the design and costing of an extensive range of infrastructure.

SP AusNet have not proposed in this submission any specific timeframes and consider that a national approach is necessary to arrive at the “correct” balance between providing customers with a firm time frame covering as many connection scenarios as possible, and the DNSP resource costs associated with maintaining

manpower to handle work load peaks and concurrent large jobs, and also recognising and documenting some criteria where the design work, including site visits etc, are beyond the “normal” extent.

There is not a one timeframe fits all solution.

5 Deemed Distribution Contract

In SP AusNet's submission regarding the most recent MCESCO output with respect to the NECF, we clearly made the point that the Framework should recognise the concept of at least the Standard Distribution Contract being deemed to apply where no specific contract is agreed. As we stated early in this submission this deemed distribution contract follows connection and should be matched and coupled to provide an unambiguous overall regime for the customer-distributor relationship.

Whilst this is difficult to achieve across the two frameworks (three, counting gas connections), SP AusNet accept that this can be done if handled carefully. Whilst in the Background and Context section of the Paper the need for “comprehensive” cover of both aspects of the relationship is recognised, we would be concerned if timing pressures broke this nexus and had one of other of the frameworks move ahead of the other.

SP AusNet Recommendation: In working to restructure the connections proposal the underlying principles behind the process outlined above are taken into account and the approach above, or a modified approach incorporated these principles, is considered.

Embedded generators

The connection of embedded generators of any size requires the understandings between the distributor and the customers which are to an extent different and generally more extensive than required for a load customer and hence a different connection agreement, and a different on-going service agreement is necessary.

Even for a “micro” embedded generator this difference in the level of understanding is not handled by the B2B process and requires an amount of detail which requires the exchange of a connection agreement, and probably an on-going service agreement which is different to the deemed agreement which would be the basis of most load customer's relationship with the DNSP. If this is not the approach there are potential safety risks to DNSP personnel and potentially under certain circumstances to adjacent customers within the distribution network.

For larger embedded generators the need for the special relationship with the distribution network to be recognised is even more important as it extends to potential impacts on the surrounding network and its customers under different loading conditions.

SP AusNet Recommendation: The concept of a deemed agreement for a micro embedded generator is not consistent with the need for a more detailed exchange of information and commitments.