

# Submission to the Ministerial Council on Energy / Standing Committee of Officials

## Re: National Framework for Electricity Distribution Network Planning, Connection and Connection Charge Arrangements

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**UNITED ENERGY**  
***Distribution***

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## 1 Introduction

United Energy Distribution (UED) appreciates this opportunity to comment on the Standing Committee of Officials (SCO) Policy Response Paper on the proposed National Framework for Network Planning and Connection ('national connection framework').

UED notes that, consistent with previous stakeholder submissions, SCO has referred the matter of a national framework for network planning and expansion to the AEMC for comprehensive review. In UED's view, this correctly recognises that a national planning framework cannot be implemented without further analysis and consultation.<sup>1</sup>

This submission does not provide detailed comment on each of the NERA/Allen Consulting Group (NERA/ACG) recommendations addressed in the SCO Policy Response paper (the SCO paper). Rather, it describes UED's overall position on a number of key issues.

## 2 Prescription vs flexibility

The SCO paper recognises an important trade-off between prescription and flexibility when it states:

The intent is to establish balanced connection arrangements which are not overly prescriptive – only regulating when it is deemed necessary and recognising distributors' incentives to gain new customers under price regulation.<sup>2</sup>

UED considers that SCO has highlighted a vital issue. This recognition of a trade-off should inform judgement in balancing (a) what degree of prescriptive regulation might be required under a national connection framework: and (b) the need for networks to have flexibility to innovate and develop market-responsive solutions.

In this regard, UED considers that SCO could usefully engage with a small technical expert group drawn from the distribution industry to gain a better understanding of how connection processes work in practice and whether they require significant modification.

## 3 Proposed connection framework

SCO's framework (as per figure 1 of the SCO paper) requires the distribution network service provider (DNSP) to provide an applicant with a standard connection offer or alternatively proceed to a negotiated connection. A standard contract is to be approved by the AER.

Under standard connection, the customer has two months to accept. Under the negotiation process, the DNSP has 10 business days to advise the applicant of the required technical information and preliminary program. At the end of the negotiation process the customer is provided with a negotiated connection offer with one month to respond.

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<sup>1</sup> MCE Standing Committee of Officials Policy Response 15 December 2008: *Electricity Distribution Network Planning and Connection*, Part 1 p 8.

<sup>2</sup> Op Cit p 9.

Compared with most jurisdictional practice, SCO is proposing a very formalised process. However, UED notes that the vast majority of present connections can be accommodated in a straightforward manner, without the need for the structured contractual model between applicant and DNSP envisaged by SCO. The proposed formalised process would most likely place an excessive number of relatively simple connections into a 'negotiated' category, with its attendant special timelines and a requirement to exchange technical data – which is not a realistic model for most connections under current practice.

In Victoria the connection process is supported by a legislative framework designed to standardise the rights and obligations of both the DNSP and end-user in connection matters. There is no 'standing offer to connect'.

Rather than the two opposed options of an AER-approved 'standard' contract and a negotiation, UED submits that the connection framework should recognise that connection is not simply a choice between a totally standardised process and total negotiation.

Rather, it is the case that most small standard connections may involve various degrees of negotiation. UED submits that these elements of negotiation can be accommodated in a standard framework in various ways. One approach would be to have a schedule or schedules of specific variations provided for in the basic connection agreement.

As a result, the negotiation framework would be kept for specialised connection matters to be negotiated between a DNSP and non-small users.

## **4 Contractual model – initial and ongoing services**

UED has difficulty with the concept of 'ongoing supply services', and has taken the view that the RPWG's proposed definition is unclear and appeared to duplicate obligations on DNSPs under the access frameworks. This applied especially to the concept of 'ongoing supply'. After connection and energisation, distributors are basically obliged to make transportation (supply) available to third parties (mainly retailers) and this is the key purpose of an access framework.

It is possible that the concept of 'ongoing distribution services' might be referring to mutual obligations between distributors and end-users designed to support retail activities; e.g. providing unobstructed access to meters, and providing for no tampering or other interference with network equipment. UED understands that some DNSPs would have this interpretation.

If this is SCO's intent, then UED submits that these matters must necessarily be separate from the connection agreement. They involve two separate activities (connection to the network and retail support). The only common element between them is the existence of the distributor. Once connection is made, the connecting applicant may well depart the scene, and it would in no way be reasonable for an applicant who is not an end user to enter into matters in a connection agreement which would continue to bind both the end user and distributor. Even if the applicant is the retailer, their relationship with the end user changes significantly after connection and energisation.

'Ongoing' matters could be the subject of a standardised arrangement (developed by the DNSP under the Rules) with the end user and which applies to their particular premises. This could take contractual form, and some jurisdictions use this approach. Alternatively, the relevant obligations could be imposed by the Law/Rules or regulations. Whatever approach is adopted, UED submits that a connection agreement should deal only with initial connection to the network, and not ongoing matters.

## 5 Connection timeframes

UED considers that the SCO proposed timeframes do not reflect the practicalities of connection. Specifically:

- The proposed five days in which to advise an applicant that a connection will be either standard or non-standard is too short – currently UED is allowed ten days, previously twenty days. UED recommends ten days on the basis of allowing DNSP's to evaluate alternate engineering options (within given technical standards) and propose a solution to the applicant;
- For a non-standard connection, UED does not agree with the proposal that a DNSP must advise the applicant of any required technical information within fifteen days of application. Greater time flexibility is needed.

UED believes that the SCO's explanatory material in Part 2 of the Policy Paper has left out an enquiry phase that is referred to in SCO response 17 in Attachment C. This response recognises an earlier pre-application enquiry phase but sets specific timelines for a DNSP response to an enquiry.

UED notes that Chapter 5 of the NER has provision for both an enquiry and an application, and submits that the SCO framework should make a similar provision. UED believes that the enquiry phase should be completely flexible.

## 6 Submission to the AER

SCO's framework requires a DNSP to submit a 'standard connection contract' to the AER for approval. As noted earlier in section 1.2, it is important to establish to what degree prescriptive regulation is required under a national connection framework. Therefore, careful consideration should be given to what might need to be reviewed and approved by the AER.

The SCO Policy Response document states:

Standard connection arrangements, thus proposed, would be subject to AER approval as part of a distribution pricing review. These standard arrangements may provide for a standard connection asset to be offered to customers (for example, but not limited to, a network span to a premises, or metering equipment) and associated charges (discussed further in Part 3 of this paper under Capital Contributions).<sup>3</sup>

UED considers that this description suggests that SCO's intent appears much closer to requiring the 'terms and conditions' of connection to be approved by the AER, rather than a connection agreement itself.

If the Rules are intended to set the 'minimum content' of the agreement, then UED suggests that connection agreements containing minimum content should simply be matter of compliance for DNSPs, and to that extent, the agreements do not require AER approval.

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<sup>3</sup> MCE Standing Committee of Officials Policy Response 15 December 2008: *Electricity Distribution Network Planning and Connection*, Part 2 p 11.

Importantly, the frameworks for energy economic regulation frameworks require that contractual terms and conditions (including prices and charges) must be approved by the AER, but not the individual contractual arrangements which embody those terms and conditions.