



8 December 2016

Franc Cavoli
Manager Transmission Procurement
Australian Energy Market Operator

Dear Mr Cavoli,

VICTORIAN CONNECTIONS REFORM – CONSULTATION PAPER – NOVEMBER 2016

Origin Energy Limited (Origin) welcomes the opportunity to provide feedback to the Australian Energy Market Operator's (AEMO) review of the Victorian transmission connections framework.

Origin is supportive of these reforms which seek to limit AEMOs involvement in the direct negotiation of Victorian connection and augmentation contracts between Network Service Providers and connecting generators. AEMO's current role within the Victorian declared transmission system (DTS) requires extensive tri-lateral negotiations which are both lengthy and costly to all parties. The simplification and streamlining of the connections process is a step in the right direction which will result in greater time and cost efficiencies for all parties. It is particularly welcomed in light of the Victorian Renewable Energy Target mandated by the State government which will see increased construction and connections required to meet this obligation.

Origin would like to highlight a number of areas within the connections framework that can bring about greater efficiencies in terms of costs, negotiations and time frames. Drawing on our experience of connecting Mortlake power station and our continued development of the Stockyard Hill Wind Farm we believe this real world understanding of the commercial and technical frameworks will be beneficial to AEMO and the wider market.

New Connections Process

There are a number of business assessment steps that a connecting generator must undertake before submitting a formal connection application with AEMO. Often feasibility studies or financial modelling will be used to determine the optimal project including site selection, transmission connection availability and generator preference. Undertaking a formal connection application is costly in both time and expense; Origin believes that AEMO should be open to discuss preliminary connections without having to submit a formal application.

Currently AEMO develops the functional specification for a connection point after a full assessment of a generator's lodged system studies. However to reach this point a connecting generator needs a good idea of what connection infrastructure will be imposed, in order to cost these variables into the early stages of a project. Origin contends that AEMO should consider how it deals with Connection Enquiries under section 5.3.2 of the Rules prior to full connection applications being received.

Additional information provided at the Connection Enquiry stage from both TNSPs and AEMO would help a connecting generator to understand the network environment at any particular connection point. It is beneficial for connecting parties to discuss and learn from network experts who can advise on the best solution for all parties. This has the ability to reduce AEMO's connections workload by allowing connecting generators to scope out potential locations and functionality before having to assess a formal connection application.

Additionally it would be helpful for connecting generators to be able to request a draft of the Primary Functional Requirements (PFR). Connecting generators may look to select preferred TNSPs before AEMO has developed the PFRs, having draft specifications will provide a good indication of the

connection point requirements and any changes that may be required. There may be variations required to meet the Generator Performance Standards (GPS) in the later stages, but in our experience, we would anticipate these to be minor variations rather than large scale revisits.

Origin believes that flexibility in the connections process is crucial. Enforcement of rigid timelines with regard to commissioning is counter-productive. For example if the connecting generator is unable to meet a non-critical deadline due to circumstances outside its control, it should not be penalised by having to reapply or re-start the registration process.

With flexibility in mind, Origin suggests that parts of the connection process can occur in a parallel. For example connection point development can occur alongside the development of generator performance standards by AEMO. While some parts of a connection must occur in a linear fashion under the Rules (5.3.2, 5.3.4), this need not be prescribed across the entire process and Origin believes there is room to increase efficiencies by allowing parallel processes to take place.

AEMO discusses the potential for a “mandatory confirmation step” at the end of the contract stage and before construction commences to ensure the set of system studies are still relevant¹. Origin suggests two potential options to address this step.

- 1) Apply an appropriate validity period to the system studies. For example, “X” months’ validity notice would provide an increased level of certainty to all parties that the connection is valid and fit for purpose. If construction has not commenced by the expiry date, then both the connecting generator and AEMO will understand the need to reassess the validity of the system study.
- 2) A non-mandatory evaluation step just prior to execution of the connection agreement. Either party (TNSP or generator) can examine the network conditions just prior to signing the connection agreement to determine if material network changes would require an alternation to the connection specifications. For example changes in voltage support or network augmentations.

AEMO Guidance and Dispute Resolution

Origin believes it is important that AEMO is proactive in their early discussions between the generator and the TNSP by offering suggestions or solutions on technical aspects of a connection, rather than simply being the “umpire” in disputes at later stages. For example, the assessment of connection requirements² states that any changes to PFRs, PCRs, GPS and AIS standards must be approved by AEMO. Additionally contractual agreements between the connecting generator and TNSP requires AEMO approval to ensure consistency with the technical specifications.

There is value in all parties working together early on in the process to discuss various options and work through appropriate standards across contracts. This can help set the right direction and lead to less technical disputes in later stages. This will lead to time and cost efficiencies by setting an effective framework early and result in more parties delivering successful connections.

Single or Multiple Contract Model

Origin does not believe there is a need to mandate a single or multiple contract model when negotiating with TNSPs for different parts of a connection agreement.

There will be varying levels of commercial negotiation expertise within small and large organisations. As such it is important that each business takes on the level of negotiation they are most comfortable with and thus should be afforded the ability to undertake either a single or multiple contract model of their choosing.

¹ VIC Connections Reform, AEMO, Page 12

² VIC Connections Reform, AEMO, Page 10

NEM Rules and/or Network Service Agreements (NSA)

Origin is open to working with industry to determine the ideal mix of Rules and NSAs which will ensure all parties are fully aware of their responsibilities and are accountable for their outcomes.

The best solution may be to draft a set of overarching, high level rules that provide a framework of responsibilities for AEMO, connecting generators and TNSPs. More specific deliverables and technical specifications can be provided in NSAs drafted for each separate connection.

Origin contends that Rules are often open to interpretation and an instructional approach within the NER would be overly prescriptive and unnecessary. Given the engineering requirements associated with a transmission connection an NSA would be a suitable instrument for providing detailed specifications and accountabilities.

Should you have any questions or wish to discuss this information further, please contact James Googan on james.googan@originenergy.com.au or (02) 9503 5061.

Yours sincerely,



Steve Reid
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