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# Connecting to the Transmission Network

Australian Geothermal  
Energy Group Workshop  
29 November 2007

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## Outline of presentation

1. Obligation to provide access/services
2. The connection process
3. What's in a connection agreement
4. Negotiating framework



## Obligation to provide access/services

- Chapter 6A of the National Electricity Rules
- Establishes:
  - a right to apply for the provision of certain services
  - an obligation on TNSP's to provide those services
  - an obligation not to prevent / hinder
- Subject to and consistent with other Chapters
- Replaces the original access undertaking concept

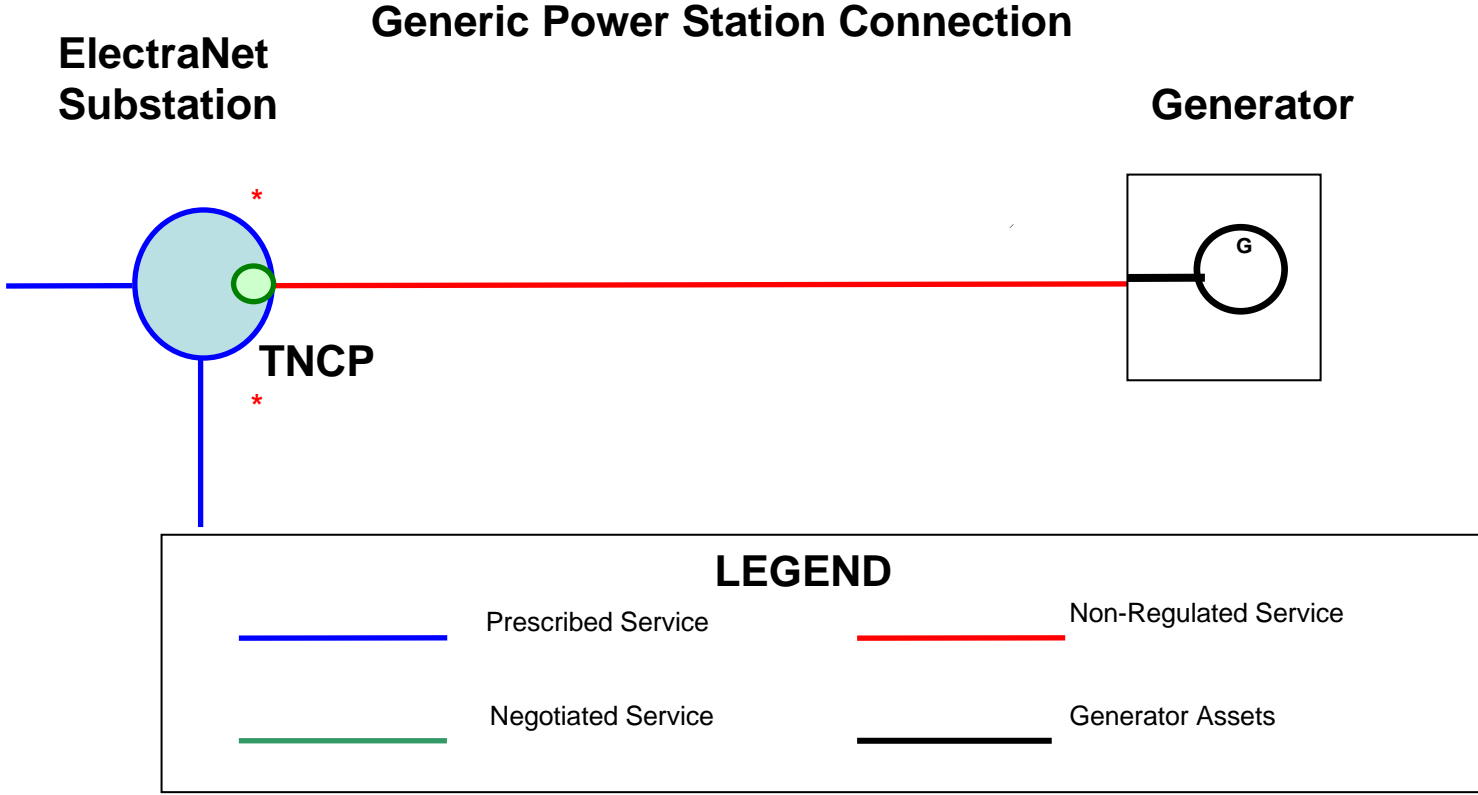


## Obligation to provide access/services

- Chapter 6A refers to the provision of:
  - prescribed transmission services
  - negotiated transmission services
- Doesn't cover non-regulated transmission services
- Prescribed = shared transmission services
- Negotiated = connection services
- Non-regulated = any other services



# Generic power station connection





## Obligation to provide access/services

- What is covered by obligation?
  - prescribed – limited in the generator context
  - negotiated – generally only small component of work
- What's not covered by obligation?
  - extensions to the existing network
  - non-regulated / contestable transmission services
  - i.e. most of the connection work



## Obligation to provide access/services

- Chapter 5 (not 6A) establishes the framework for the connection process
- Sets out the underlying principles and guidelines for the connection process
- Imposes general obligations
- Details each step from enquiry to agreement



## Chapter 5 - Principles

- All Registered Participants should have the opportunity to connect and have access to the network
- Terms and conditions of connection set out in commercial agreements on ‘reasonable terms’
- Standards of performance:
  - must be at or above minimum access standards
  - can be less than the automatic access standard
  - however, can not affect power system security or the quality of supply to other network users



## General obligations of NSPs

- Clause 5.2.3 - NSP must:
  - Review and process applications to connect
  - Enter into connection agreements
  - Cooperate with other NSP's re connection
  - Ensure connections comply with the NER
  - Coordinate design of connections with other NSP's



## General obligations of generators

- Clause 5.2.5 – Generator must:
  - Plan, design and operate facilities to ensure comply with:
    - registered performance standards
    - connection agreement
    - system standards
  - Submit application to connect and new generating plant
  - Enter into connection agreement with NSP prior to connection



## The connection process - Overview

- Clause 5.3 of the NER
- Establishing or modifying a connection
- Establishes the framework for the connection process
- Prescribes a detailed process of enquiry, response, application and offer
- Fixes time frames for each process
- Sets out what information needs to be provided by whom/when



## The connection process - Overview

- Reflects the following general principles and objectives:
  - open access
  - offer to connect must be fair and reasonable
  - negotiate in good faith
  - dispute process where failure to agree



## Step 1 – Connection Enquiry

- A person wishing to establish a connection must first submit a connection enquiry
- Must include the type, magnitude and timing of proposed connection
- NSP must advise within 5 business days if further information is required
- Schedule 5.4 – lists the type of information
- Involvement of other NSPs



## Step 2 – Response to Connection Enquiry

- NSP must provide the following in response to enquiry:
  - details of other parties
  - is work contestable?
  - preliminary program
  - details re technical requirements/access standards
  - further information (eg, technical specifications, connection requirements/expectations, S5.5 data)
  - details of the application fee – reasonable costs



## Step 3 – Application to Connect

- Application to connect must include the information specified by the NSP in response and the application fee
- Where facility will not meet automatic access standard, application to connect must include proposal for negotiated access standard



## Step 4 – Negotiated Access Standards

- Negotiated access standard must:
  - be no less onerous than the minimum access standards
  - not adversely affect power system security
  - not adversely affect quality of supply
  - for generating plant, meet specified clauses of Schedule 5.2



## Step 4 – Negotiated Access Standards

- NSP must consult with NEMMCO for some standards
- NEMMCO must respond within 20 business days
- NSP must accept or reject within 30 business days
- NSP must reject if:
  - adversely affect power system security
  - adversely affect quality of supply
  - lower than minimum standard
  - not meet specified clauses of Schedule S5.2



## Step 5 - Offer to Connect

- Prepare offer to connect after access standards accepted
- Must contain proposed terms and conditions for connection (including the performance standards)
- Must be fair and reasonable, consistent with the safe and reliable operation of the power system



## Step 5 - Offer to Connect

- NSP must use reasonable endeavours to provide offer to connect that meets applicant's reasonable requirements
- Including location of proposed connection point and level and standard of power transfer capability
- May contain options
- Obligation on both NSP and applicant to negotiate in good faith



## Step 6 – Finalisation of connection agreements

- Applicant can accept offer or negotiate in good faith
- Connection agreement must include the proposed performance standards
- May be made subject to preconditions
- Right to refer to dispute resolution if can't agree
- Limited to prescribed and negotiated services
- Expert determination



## Step 6 – Finalisation of connection agreements

- Notification to NEMMCO re relevant technical details
- In case of generator, information for NEMMCO will also include arrangements for updating the information in clause S5.2.4(b)
- i.e. functional block diagrams and the associated model source code
- Recent changes to NER means this information will be required earlier in connection process
- Ongoing obligation to test and update – R2 data



## How does the connection process work in practice?

- Not a linear process
- Our experience
  - early involvement of NSP essential
  - early works required – studies/standards
  - negotiations start prior to the offer stage
  - parallel processes - technical, terms, costs, timing
- Offer to connect – last step in process
- Represents outcome of negotiations not commencement



## How does the connection process work in practice?

- Preliminary work/cost agreement covers the ‘reality’ gap
- Sets out process for:
  - early works - initial testing, design, costing, approvals, easements
  - controlling and reimbursing preliminary costs
  - negotiation and Board approval
  - fixing realistic time frames



## Final comments – connection process

- Connection process is still evolving
- Early consultation with NSP is essential
- Common ‘hiccups’:
  - gaps in approvals
  - late notification of financier requirements
  - mismatch of timing expectations
  - negotiated access standards
  - Understanding rights/obligations under NER



## What's in a connection agreement?

- A connection agreement (TCA) is not standard document
- Clause 5.3 requires certain matters to be covered in TCA
- Schedule 5.6 sets out a list of required conditions
- Other clauses of NER require terms to be included
- History of this approach
- State licence conditions
- Financiers etc



## What's in a connection agreement?

- Usually 3 parts
- Pre-condition stage:
  - approval's, financial close, etc
  - preliminary work
- Design and construct phase
- Operation phase



## What's in a connection agreement?

- Defines scope of work
- Completion and commissioning timing and process
- Delays and cost variation events
- Operation and maintenance issues
- Charges and how they can be varied
- Payment and security
- Disconnection and force majeure



## What's in a connection agreement?

- Term and consequences of early termination
- Liability
- Dispute resolution
- Change of law
- Ongoing technical compliance
- Project details
- Special conditions



## Negotiating framework

- NSP must comply with its negotiating framework
- Reflect Negotiated Transmission Service Principles:
  - price should be based on cost incurred
  - price same for all Network Users
  - price subject to adjustment over time for other use
  - recover efficient costs
  - liability/indemnity - not unreasonably onerous taking into account allocation of risk



## Negotiating framework

- Negotiating framework set out in transmission determination
- Procedure to be followed during negotiations as to terms and conditions of access for provision of negotiated transmission services
- Current framework approve



# Questions



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