SUBMISSION TO THE AUSTRALIAN ENERGY REGULATOR

QUEENSLAND DISTRIBUTION DETERMINATION FOR THE PERIOD 2015 – 2020

SPA REVIEW AND COMMENT ON DRAFT DETERMINATION

3rd July 2015

SPA Consulting Engineers (QLD) Pty Ltd

P.O. Box 664, North Cairns
QLD, 4870
PH (07) 4032 3311
Email admin@spaconsulting.com.au
www.spaconsulting.com.au

REVISION HISTORY				
Rev	Date	Author	Reviewed / Authorized	Description
1	3-07-15	S. Perkins		Submitted to AER

1 INTRODUCTION

SPA Consulting Engineers (QLD) Pty Ltd are an electrical consulting engineering practice whose principal area of expertise is the design, documentation and contract administration of electrical distribution and roadway lighting for contestable subdivision developments. SPA carry out work primarily in regional Queensland (the area served by Ergon Energy).

We make this submission in response to the Ergon Energy submission and AER draft response and more particularly with respect to issues of transparency and contestability with respect to real estate projects.

2 TRANSPARENCY

The Ergon Energy document "09-01-01 Ergon Energy Connection Policy October 2014" which is embedded within the Ergon Energy submission and which has been accepted at a draft level by the AER requires developers to pay the full cost for works which are associated with their projects. Ergon have also advised that if there is a 'bring forward cost" for reinforcement of the network above that which is in the Ergon Energy 5 year planning window, then the developer must pay for that cost.

It is common for a new development to be at the edge of the network or to require upstream reinforcement of the network to permit the development to be provided with electrical supply. A result of this is that there will be increased capacity of the overall network that can then be used be Ergon Energy themselves as part of their allowance for organic growth and also by other developers who carry out developments in the areas where the network has been upgraded. This leads to a situation where the first developer effectively subsidises later developers.

Ergon Energy, in their policy refer to establishing a reimbursement scheme to reimburse the initial developer where that developer pays to upgrade the network for their project and then in the future (5 year window) a subsequent developer takes advantage of that upgrade.

At present there is no transparency of the Ergon Energy distribution network, i.e. it is not possible to access a web site or other facility on an open access basis to view layout plans, feeder names, capacity, present demanded, planned demand (organic growth and 5 year planned period) for distribution feeders.

The lack of network transparency limits prevents developers from:

- independently assessing the network to determine if their project would have costs that may prevent it from proceeding
- verifying that the charges that Ergon are proposing due to upgrade costs or bring forward costs are valid
- reviewing the feeders over time to ensure that initiator of a network upgrade that leaves a legacy of increased capacity is able to request payment when that capacity is used by others.

Transparency is also needed to verify that Ergon Energy are following the AER agreed policies.

We recommend that the AER requires that Ergon Energy publish on their web site full details of feeders including geographic information, operating load, planned loads / upgrades, etc, to permit external review and examination and that if there are security concerns that Ergon permit password access to such a site.

3 REAL ESTATE DEVELOPMENTS AND INCREASED COMPETITION

The Ergon Energy document "09-01-01 Ergon Energy Connection Policy October 2014" which is embedded within the Ergon Energy submission nominates that Real Estate Developments

are to be Alternative Control Services (ACS) and also nominates that developers pay the full cost for any works associated with their projects.

Other Distribution Network Service Providers have mechanisms where all elements of ACS are subject to competition via a contestable process, however Ergon Energy presently strictly limit contestability to new underground subdivisions in greenfield estates and Large Customers. Such a constraint results in the cost of development in regional Queensland being higher than it would be if a competitive market were permitted to operate and only limited ability to test the market.

There is significant opportunity for the expansion of contestability for the design and construction of all customer initiated capital works, such that all works which are an Alternative Control Service would be open to contestability. There is an active market and suitable skills and capacity through regional Queensland and the constraint is one imposed by Ergon Energy and agreed to by the Australian Energy Regulator.

We recommend that contestability be expanded as detailed in the following sub-sections.

3.1 ENERGISING NEW LOW VOLTAGE LOADS CONNECTED TO NEW AND EXISTING PAD MOUNTED SUBSTATIONS UNDER THE CURRENT CONTESTABLE PROCESS

Presently Ergon Energy do not permit contestable contractors to energise works.

Where a new LV feeder connects to the low voltage switchgear of a new or existing substation, contestable contractors could readily make the connections and energise the feeders without having to engage with existing customers. This would reduce the costs and time taken to bring on line new projects.

Given that all contractors working on contestable projects are licensed electrical contractors and they have trained electricians, there is no reason why they could not carry out the testing and energising of low voltage feeders with pillars, street lights. The only delay in implementing the increase in contestability is small system changes within Ergon that would take no more than 4 – 6 weeks.

3.2 ENERGISING LOW VOLTAGE LOADS CONNECTED TO EXISTING LIVE ERGON ASSETS

Presently Ergon Energy to not permit contestable contractors to energise works.

Where new low voltage feeder cables need to connect onto existing live Ergon Energy assets, contestable contractors could readily coordinate with Ergon Energy via the following process to energise the new feeders:

- When advised by the contestable contractors that they are ready to make the connections, Ergon Energy issues a notice to affected customers of a scheduled shutdown to permit works to be carried out dead.
- The contestable contractors could then have access to the Ergon network and to make the necessary connections, after first carrying out testing and commissioning.
- Ergon Energy could, if deemed necessary have their own auditors review the testing, commissioning and energisation of the works, rather than carry out that works themselves. A preferable mechanism would be for contractors and consultants to “self certify” based on their capacity and accreditation.

3.3 DESIGN AND CONTRUCTION OF CUSTOMER INITATED CAPITAL WORKS ASSOCIATED WITH ANY UNDERGROUND CUSTOMERS REQUIRING MORE CAPACITY THAN IS AVAILABLE FROM THE PRESENT NETWORK

In many instances a new or existing small underground customer requires more capacity from the network than is presently available. In the instance where the network is underground, this often results in a new substation being placed on the customer's premises and in that instance there is no reason why the works could not be carried out via the contestable process.

It would take 3 to 6 months for Ergon Energy to set up the policy changes and documentation necessary to implement this change.

3.4 DESIGN AND CONSTRUCTION OF CUSTOMER INITIATED CAPITAL WORKS ASSOCIATED WITH LARGE CUSTOMERS

At present the process for the provision of supply to large customers (loads greater than 1.5 MVA) involves the following steps:

- Prepare a planning report;
- Prepare a concept design and estimate;
- Prepare a detailed design and documentation; and
- Construct and energise the works.

All phases of the process are open to contestability in theory, however due to a lack of defined requirements and transparency, providing planning reports, determining augmentation of zone substation and adjustments to the protection system are difficult / impossible to carry out contestably at present. We acknowledge that to

We recommend that Ergon Energy be requested to either provide planning reports and arrange the setting of protection themselves as a standard control service (until acceptable arrangements can be made) and to work to have standards and systems acceptable to the commercial market available within a reasonable period (say 12 months).

3.4.1 DESIGN AND CONSTRUCTION OF CUSTOMER INITIATED CAPITAL WORKS TO THE OVERHEAD NETWORK

There is no practical or legislative impediment to permitting customer initiated capital works to the overhead network from being contestable. Such works would include extensions of the network to serve new customers, relocation of assets associated with change to civil infrastructure, requirements for upgrading of the overhead network for a customers increased load requirements.

There is capacity within regional Queensland to carry out such works and it is limited only by present Ergon Energy policy. If Ergon Energy were required to make a change to introduce contestability, it would take around 12 to 18 months for them to establish processes, standard and documentation to permit the works to be carried out contestably.

We recommend that Ergon Energy be required to make all customer initiated capital works contestable by the 30th of June 2017.