

Essential Energy: Supplementary Questions

Inquiry into Electricity Supply, Demand and Prices in NSW

- > Essential Energy appeared before the Select Committee on Electricity Supply, Demand and Prices in NSW on 18 June 2018
- > This document contains Essential Energy’s responses to Supplementary Questions provided following the hearing on 27 June 2018

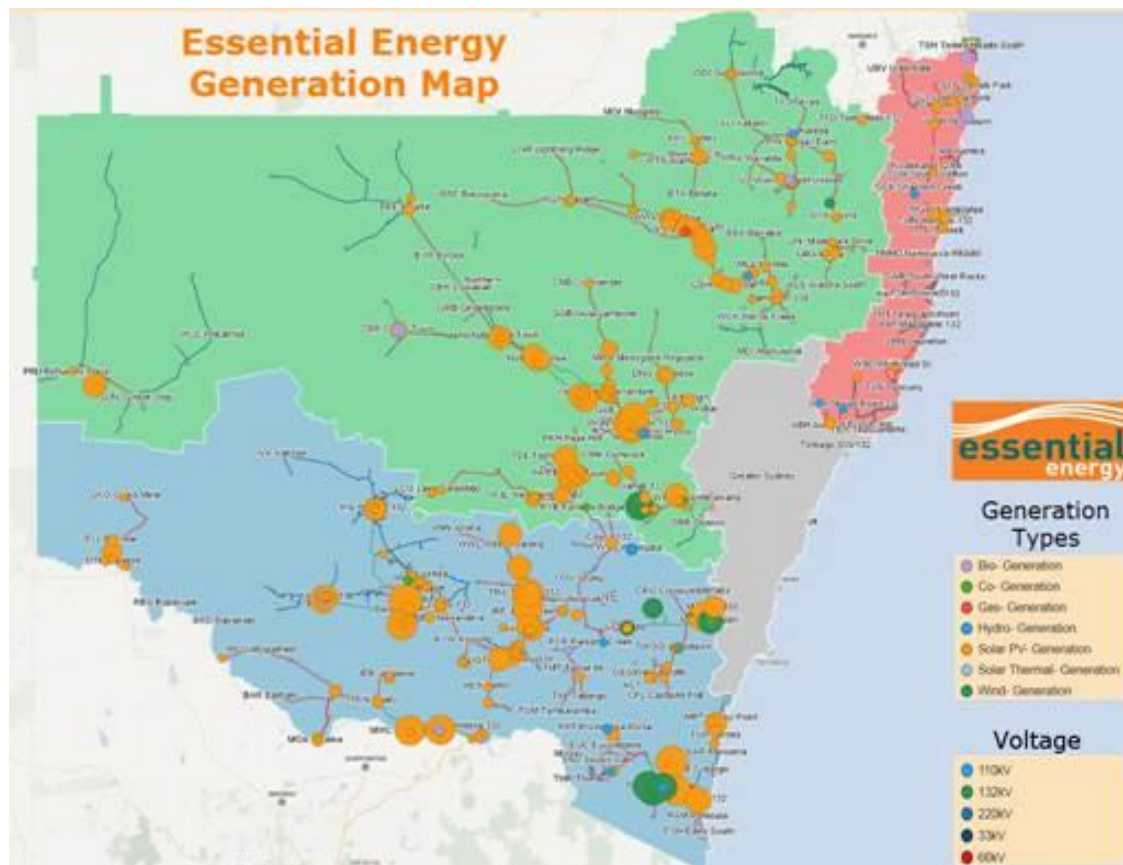
Question 1 - How effectively are you dealing with the ever-increasing number of solar applications for grid connections?

Essential Energy has seen a marked increase in the number of applications to connect large scale renewable generation in a relatively short period of time. As a result, processing of applications within prescribed timeframes has presented a challenge. In response, Essential Energy is regularly reviewing its internal connection process to ensure the most time and cost efficient use of resources.

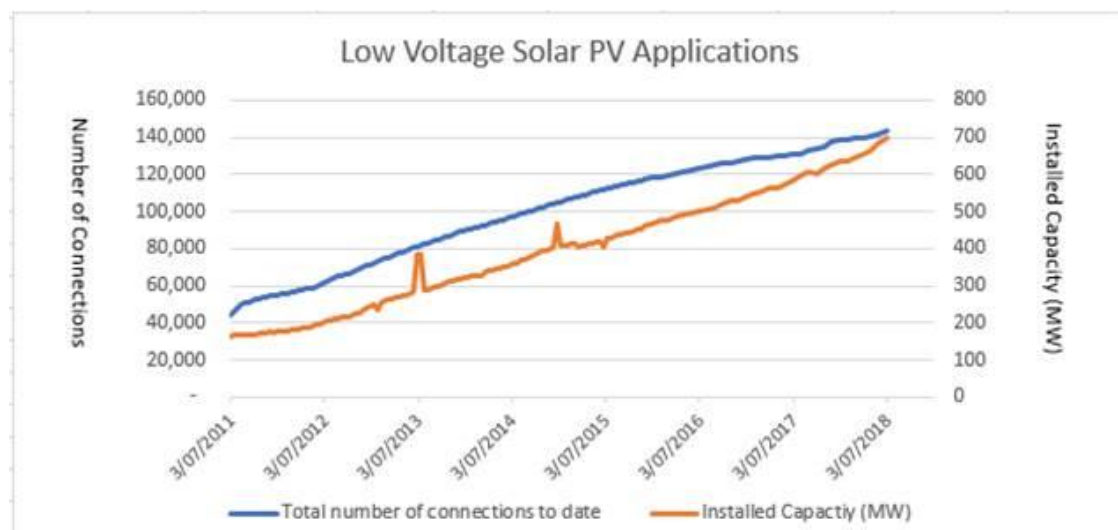
The chart below provides an indication of the magnitude (size of enquiries chart) and volume (number of enquiries chart) in terms of capacity of applications received per quarter over the period 2016 to 2018.



The Essential Energy Generation Map shown below provides a view of the concentrated nature of applications received. Limited network capacity at some locations creates challenges in processing applications.



Essential Energy has managed a steady increase in applications for small scale photovoltaic (PV) connections over a long period of time, as shown in the cumulative plot below. We have implemented an automatic approval process for PV installations less than or equal to 3 kW to streamline the process. Localised planning assessments are required for proposed solar PV installations greater than 3 kW to ensure that they will not adversely impact surrounding customers.



Question 2 – What more could be done to assist in this space?

Policy uncertainty at a national level has led to fluctuating levels in generation applications for distribution network connections. The resulting workload variability poses difficulties in finding suitably qualified and available professionals to assist with short-term connection processing peaks.

Stable policy is critical to enable Essential Energy to appropriately resource to meet demand for new generator connection, particularly for large-scale generation connections.

Question 3 – Would you consider a regional based approach?

Non-network solutions will play an increasingly important role in minimising costs for all customers, particularly for long rural feeders with minimal customer density. A number of regulatory uncertainties need to be addressed to ensure that Essential Energy can maximise the potential of these distributed resources.

We are actively pursuing trials in an effort to learn and identify what needs to change, to support discussions around this.

Question 4 – Do you see the ring fencing regulations as a barrier to development or as an obstruction to competition?

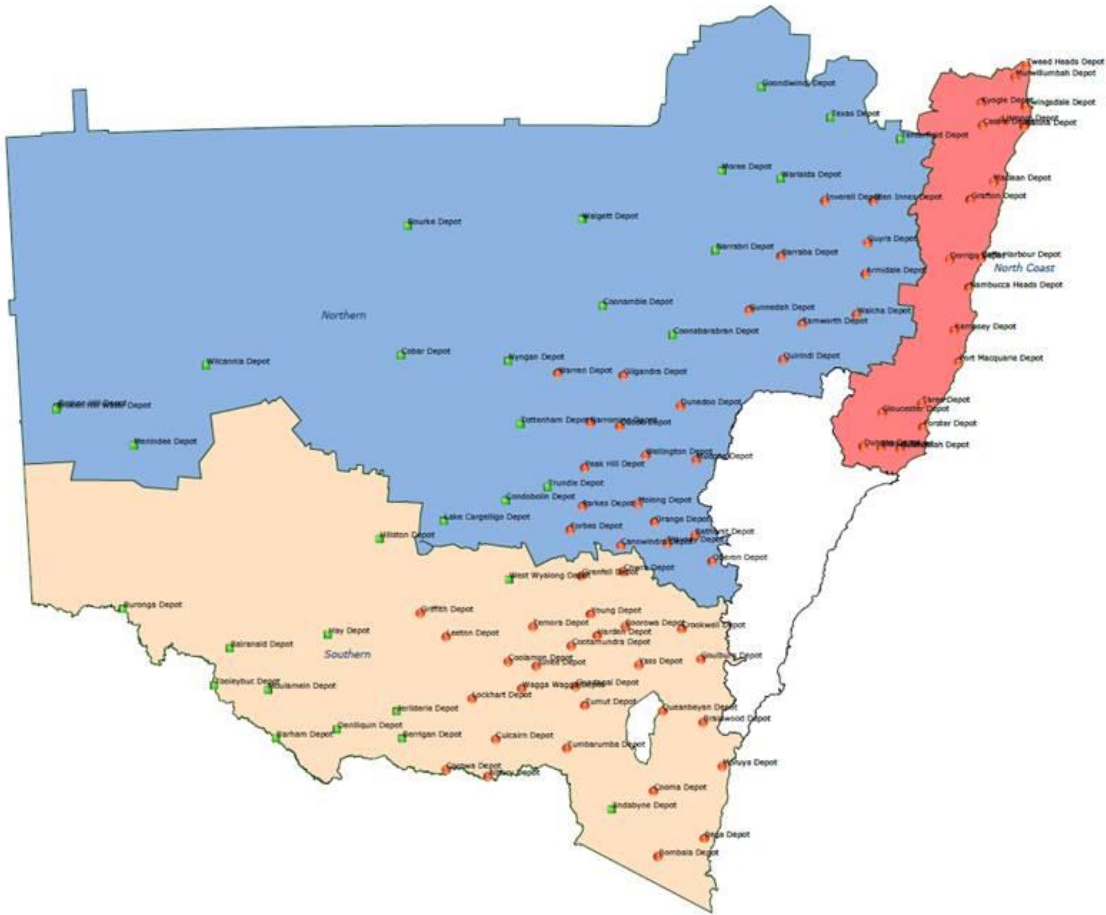
Ring-fencing is an important way to ensure regulated entities do not take advantage of their monopoly status and undermine competitive service provision.

However, in many parts of Essential Energy's distribution area there is limited or no competitive service provision, and a rigid application of the requirements under the AER's Ring-fencing Guideline can lead to poorer customer outcomes.

Under the Guideline, Essential Energy needs to create a separate legal entity to undertake contestable works.

To maintain customer service levels in regional communities where there are no alternate service providers, we are continuing to offer contestable services under waivers granted by the AER. While this approach is cumbersome and time-consuming for customers, it remains our most cost-effective approach to continuing to provide these services in these areas, compared to establishing a separate legal entity.

A 'regional office' exemption under the Guideline applies to those depots in the west of our footprint (see green depots in the attached map).



It is important to note that the AER can retract waivers and the regional office exemption with ‘at least 40 days’ notice’.

Question 5 – If so, how can that be resolved?

Currently, ring-fencing requirements are not a major barrier to Essential Energy’s ability to provide excellent customer service.

However, over time, application of ring-fencing requirements that do not consider the unique characteristics of Essential Energy’s electricity distribution area could limit regional and remote customers from gaining access to a range of new technologies that may lower their electricity costs.