

Paul Dunn
Australian Energy Regulator
360 Elizabeth Street
Melbourne
Victoria 3000

25 February 2010

Dear Mr Dunn,

Western Suburbs Leagues Club Illawarra - Application for exemption from the requirement to register as a Network Service Provider

Background

Western Suburbs Leagues Club Illawarra Ltd, ABN 29 000 964 152, (“the Club”) is working with Energy Response to register the generators on its site as Market Generating Units, so as to provide peaking capacity to the New South Welsh grid.

To allow different Financially Responsible Market Participants to be responsible for the generator and for the consumer load on the site, it is necessary to establish new market connection points for the generators. It is not practicable to establish a direct physical connection between the generators and the DNSP’s network; our discussions with AEMO, Integral Energy, and the AER have led us to conclude that the best solution is to treat the site as an exempt network, so that subtractive metering can be used.

We believe that this network should be covered by one of the general exemptions from the requirement to register as a Network Service Provider. However, for the avoidance of doubt, we are applying to you for a specific exemption.

Relevant network

The network is contained within the Club’s site at Hargreaves Street, Unanderra, NSW 2526. It operates entirely at low voltage. It connects to Integral Energy’s network over a single feeder to a dedicated substation.

We propose two child connection points, one for each generating unit.

Subtractive settlement will be used, through the MSATS embedded network mechanism, such that the Financially Responsible Market Participant for the parent connection point, i.e. the Club's retailer, remains responsible for consumption by everything connected to the network except for the separately metered child connection points. Since only the generators will be separately metered, this means that the retailer remains responsible for all consumption by loads on the site.

Principles to be applied by AER

We refer to the NECA guidelines, published in July 1998, which seem to be the most recent guidance. References to the Code should presumably now refer to the corresponding parts of the Rules.

Clause 6.1: The relevant network should be wholly contained within premises owned or controlled by the applicant.

The network is wholly contained within the Club's site at Hargreaves Street, Unanderra, NSW 2526.

Clause 6.2: The provision of the network (and any supply of electricity to other parties) must be incidental to the business of the applicant.

The Club's core businesses are the promotion of rugby league and kindred sports, and the operation of a Licensed Club. The distribution of electricity on the site is an incidental, non-profit-making activity.

Clause 6.3: Standards or other regulatory controls should be in place in respect of the relevant network.

The relevant network will be regulated under the Electricity Supply Act 1995. Although regulation 66 of the Electricity Supply (General) Regulations 2001 exempts the Club from the requirement to hold a distribution network service provider's licence, it remains subject to other provisions of the Act.

The Electricity (Consumer Safety) Act 2004 and the Electricity (Consumer Safety) Regulation 2006 require compliance with the Australian/New Zealand Wiring Rules.

Clause 4.4 of Integral Energy's Standard Form Customer Connection Contract explicitly obliges the Club to maintain the electrical installation in accordance with applicable electricity laws. The definition of "electrical installation" is such that it includes everything up to the sockets on the site, i.e. all of the relevant network.

Clause 6.4: The granting of the exemption should not unduly limit access of parties to the national electricity market contrary to the market objectives (clause 1.3 of the National Electricity Code).

The purpose of this exemption application is to provide access to the National Electricity Market for the generator on the site. It does not limit any party's access.

Exposing this additional generation capacity to market pricing signals is in the long term interests of consumers of electricity, as it should marginally improve the price, quality, reliability and security of supply of electricity, while having no effect on safety.

Clause 6.5: The proposed charging regimes(s) governing the NSP's network should balance the needs of the network provider and the end user.

The Club does not propose to levy any charges for the use of the network.

Clause 6.6: An appropriate mechanism must exist for the setting of energy charges if users of the network cannot access retailers. Jurisdictional licence conditions or regulations govern the on-selling of energy.

No on-selling will occur, as all electricity consumption within the network is paid for by the Club. The market generators, which are the only child connection points, will have separate market metering installations.

Clause 6.7: End users should have appropriate recourse in the event of disputes, for example to the dispute resolution arrangements contained in chapter 8 of the Code.

The only user of the network other than the Club will be Energy Response, the Financially Responsible Market Participant for the market generating units. The commercial contractual arrangements between the Club and Energy Response include provisions for dispute resolution.

Clause 6.8: The applicant should have obtained, or have applied for exemption from relevant jurisdictional requirements (eg under licencing or other regulations).

Regulation 66 of the Electricity Supply (General) Regulations 2001 automatically exempts the Club from the requirement to hold a distribution network service provider's licence under Section 13 of the Electricity Supply Act 1995.

Information required to be provided

Clause 11.1: Whether they are seeking (or have received) exemptions from other codes or regulations governing the ownership or operation of networks, including details of those exemptions or applications for exemptions.

As noted above, the network is exempt from licensing requirements by virtue of regulation 66 of the Electricity Supply (General) Regulations 2001. Since this is an automatic exemption, there is no application process.

Clause 11.2: Whether they are seeking exemption from the requirement to register as an NSP or just from the application of chapter 5 (and the requirement to provide an access undertaking).

The Club seeks a full exemption.

Clause 11.3: The precise network to be subject to the exemption, including circuit diagrams if necessary.

The relevant network was described above, and a single line diagram is attached.

Clause 11.4: What discussions have taken place between the applicant and the NSP to which the relevant network will be connected.

The network is already connected to Integral Energy's distribution network. This connection is covered by a Standard Form Customer Connection Contract, which should remain unchanged. Protection arrangements for the connection and for the generating systems are also already agreed and in place.

Integral Energy is aware of the intention to use the generators as a market generators, and is in discussions with Energy Response regarding the practical and administrative steps required.

Clause 11.5: What arrangements are proposed for setting network charges for parties using the network.

External network charges will be solely the responsibility of the Club, as now. There will be no charges for use of the Club's network.

Clause 11.6: What arrangements are proposed for energy charges (e.g. fixed percentage of total costs or direct access to retailers by tenants).

There will be no on-selling, so there are no energy charges to be set.

Further information

You will receive a separate letter confirming that we are acting on the Club's behalf in seeking this exemption.

If you require any further information about the site, the network, our proposals, or this application, please contact me by phone (03 8643 5909) or email (paul.troughton@energyresponse.com).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Paul Troughton', with a long horizontal flourish extending to the right.

Dr Paul Troughton
Generation Manager
Energy Response Pty Ltd