

# Large Customer Connections (LCCs)

## What is happening with Large Customer Connections (LCCs)?

As part of ENERGEX's Regulatory Review process, the Australian Energy Regulator (AER) has determined that the design and construction components of large customer connections will be classified as an Alternative Control Service (ACS) from 1 July 2010.

The primary impacts of this decision for large customers are:

- The customer may choose ENERGEX or an accredited service provider to design and construct their connection assets
- The customer will be required to pay for their connection assets by direct charge rather than through the annualised tariff arrangements that are currently in place.

## What are Connection Assets?

Connection Assets are those "dedicated" high voltage and/or low voltage assets that must be constructed in order to connect a customer's electrical installation to the ENERGEX network.

## What is the definition of a Large Customer?

A Large Customer will have any one of the following characteristics.

1. **Annual Consumption** > 4GWh
2. **Estimated Maximum Demand** > 1MVA
3. **Significant connection assets.** General guidelines:
  - a. Installed Capacity for new connection > 1MVA, significant HV feeder connection works, (annual consumption may be <4GWh);
  - b. Connection capacity or capability which is above and beyond the standard e.g. redundant transformer capacity, network automation schemes.
4. The service is not a Temporary Supply Service.
5. **Embedded Generation** with export capacity > 1MVA.

## Who will be affected by this?

This will affect *large customers* requiring either a new connection or an upgrade to the capacity of an existing connection and *accredited service providers* undertaking the design and construction of large connection assets.

## Why is it changing?

ENERGEX's regulator is changing from the state-based Queensland Competition Authority (QCA) to a national regulator, the Australian Energy Regulator (AER). In making the decision to classify the design and construction of Large Customer Connections as an Alternative Control Service, the AER considered a number of criteria including:

- Potential for competition in the design and construction of large connection asset market; and
- Whether costs could be attributed to the customer requesting the service.

## When is it changing?

These arrangements will apply from 1 July 2010.

## What does this change mean for our Large Customers?

Large customers will be able to choose either ENERGEX or an accredited service provider to undertake the design and construction of the connection assets (to ENERGEX's technical standard/s).

Where ENERGEX undertakes the work, customers will be required to pay for the cost of design and construction of new connection assets as an up-front payment rather than costs being recovered by ENERGEX as a component of the network tariff or charges over time.



From 1 July 2010, Large Customers will have a number of options available under this new approach.

Options	Description
<b>Option 1 - ENERGEX Constructed</b>	<ul style="list-style-type: none"> <li>Customers can engage ENERGEX to design and construct the assets.</li> <li>Customers will pay ENERGEX up-front for the design and construction of the assets.</li> <li>The customer will "gift" the assets back to ENERGEX.</li> <li>ENERGEX will be responsible for the on-going operation &amp; maintenance of the gifted assets.</li> <li>There will be an ongoing operations and maintenance charge for the customer.</li> </ul>
<b>Option 2 - Customer Constructed</b>	<ul style="list-style-type: none"> <li>Customers can choose an approved service provider to design and construct the assets.</li> <li>Customers will pay the approved service provider for the design and construction of the assets.</li> <li>The customer will "gift" the assets back to ENERGEX.</li> <li>If ENERGEX is to accept this responsibility, the assets must be designed and constructed to ENERGEX's technical standard/s.</li> <li>ENERGEX will be responsible for the on-going operation &amp; maintenance of the contributed assets.</li> <li>There will be an ongoing operations and maintenance charge for the customer.</li> </ul>
<b>Option 3 - Customer Owned</b>	<ul style="list-style-type: none"> <li>Customers can engage either ENERGEX or their own service provider to design and construct the assets as in option 1 or 2, above, but can then retain ownership and control of the assets.</li> <li>In this case the assets will become customer owned assets not connection assets.</li> <li>This arrangement is similar to the present arrangement for High Voltage Customers.</li> <li>The customer would be responsible for the ongoing operation and maintenance of the assets.</li> <li>Ownership of high voltage electric assets may also require other third party approvals. It is recommended that customers discuss their project-specific requirements with ENERGEX who can provide further guidance in this regard.</li> </ul>

## How is this different to what happens now?

Presently, ENERGEX designs and constructs the connection assets for large customer connections. The customer pays for the assets over time through the appropriate network tariff or charge.

From 1 July 2010, customers will have a choice between ENERGEX or an ENERGEX approved service provider to design and construct connection assets.

If ENERGEX design and constructs the asset, the customer is required to pay for these services either through an upfront payment or milestone payments (subject to negotiation). The customer is subsequently only charged for the ongoing maintenance of these assets through the appropriate network tariff or charges.

Customers may engage an accredited service provider to design and construct the connection assets in accordance with ENERGEX's technical standard/s.

Customers will gift the assets to ENERGEX or retain ownership of the assets. If the customer retains ownership of the assets, they would be responsible for the ongoing operation and maintenance of the assets and would not be charged for this in their network tariff or charges.

Under the new arrangements, if the customer has gifted the asset back to ENERGEX, they will not be required to pay any additional network charges for the assets other than the ongoing operations and maintenance charge or in the circumstance that an upgrade is required.

## Will ENERGEX still build large customer connections?

If requested, ENERGEX can provide a cost estimate to a customer for design and construction work using the approved AER pricing formula. ENERGEX is also obligated under the QLD Electricity Act 1994 to provide connection services to customers.

If ENERGEX constructs the assets or the customer gifts the assets to ENERGEX, ENERGEX will operate and maintain the assets on an ongoing basis. There will be an ongoing operations and maintenance charge for the customer, included in the customer's electricity charges.



## Who else can connect to the network?

The customer can choose other ENERGEX approved contractors or service providers who are accredited to design and/or build their connection assets in accordance with ENERGEX's technical standard/s. However, only ENERGEX can perform the final phase of connecting the asset to the ENERGEX network.

## If a connection asset is "gifted" to ENERGEX, can it then be used to supply other customers?

Where the connection of a new customer utilises existing connection assets, which have been "gifted" to ENERGEX by a current customer, ENERGEX will determine the level of payment from the new large customer to compensate the existing customer.

The compensation payment will only apply where the new connection assets are commissioned within a **seven** year period following the commissioning of the existing assets.

## Transitional arrangements

ENERGEX is currently preparing for the implementation of this change from 1 July 2010. The implementation involves the establishment of new procedures and standards for large customers and accredited service providers who will be approved to undertake the design and construction of large connection assets. These new arrangements and documents will be rolled out in readiness for 1 July 2010.

## Who can you contact for more information?

Please email Jason Farrell on [jasonfarrell@energex.com.au](mailto:jasonfarrell@energex.com.au) or phone him on (07) 3407 5844 if you have any questions in relation to Large Customer Connections.