



## Connection Negotiation Process

July 2013



## SCOPE

This document describes the process that needs to be followed in the event that either Ausgrid or a connection applicant requires a negotiated connection contract.

## WARNING

It is the responsibility of the user of this document to ensure that only the current version is being used.

## DOCUMENT AND AMENDMENT HISTORY

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# 1 Introduction

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When Ausgrid receives a *connection application* and has assessed it, it makes a *connection offer*, which is an offer to *connect* the *premises* identified in the *connection application* on the terms set out in the *connection offer*.

Ausgrid's *connection offer* is an offer to enter into a contract. Ausgrid has a number of *model standing offers* that relate to a particular category of *connection*. These *model standing offers* contain a contract that sets out the terms and conditions on which Ausgrid is willing to permit *connections* to be made between its *distribution network* and *premises* whose *connection specifications* fall into that category.

A negotiated *connection contract* is required where Ausgrid determines that none of our existing *model standing offers* are suitable, or the *connection applicant* elects to negotiate terms and conditions of the *connection offer* and pays Ausgrid's *negotiation fees*.

This document describes the process that needs to be followed in the event that either Ausgrid or the *connection applicant* requires a negotiated *connection contract*.

All terms in italics are defined in the Dictionary in section 4.

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## 2 Background

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### 2.1 Defined terms

Terms in italics are defined in the Dictionary provided in section 4.

### 2.2 Purpose and Scope

This document describes the process to be followed when a *connection offer* needs to be negotiated between a *connection applicant* and Ausgrid.

This *connection* negotiation process is consistent with the requirements of Chapter 5A of the National Electricity Rules and in particular the *negotiation framework* described in rule 5A.C.3.

The reader is encouraged to review this document in detail and also to become familiar with the *negotiation framework* and Ausgrid's *connection* processes as they are described on our website before proceeding to negotiate a *connection offer*.

### 2.3 When a Negotiated Connection is Required

The vast majority of *connection applicants* will not negotiate a *connection offer* because they will receive an offer in the form of one of Ausgrid's existing basic or standard *model standing offers* that is acceptable to them. In general, a negotiated *connection offer* will only be required in either of the following two situations:

(a) Ausgrid has assessed the *connection* proposed in a *preliminary enquiry* or *connection application* and determined that none of our existing *model standing offers* are suitable;

OR

(b) A *connection applicant* requires a negotiated *connection offer* and is willing to pay Ausgrid's negotiation fees.

### 2.4 What can be Negotiated?

A wide range of matters could be the subject of negotiations. In some cases, extensive negotiations may be required, such as for very large complex industrial or commercial facilities requiring sub-transmission network *connections*. In others, negotiations could involve relatively simple changes to an existing *model standing offer*.

In addition, the *connection applicant* may wish to include *supply services* in the negotiations. *Supply services* are services that Ausgrid provides in relation to the delivery of electricity after the connection is *electrified*. Before requesting such a negotiated offer, the *connection applicant* should contact Ausgrid to discuss the scope of the *supply services* that may be negotiated. If the *connection customer* is a small customer, Ausgrid will provide information regarding the small customer's right to have a *deemed standard connection contract* for their ongoing *supply services* and an explanation of the differences between the terms and conditions of any proposed negotiated *connection contract* and the *deemed standard connection contract*.

In all cases, Ausgrid will aim to develop a *connection offer* that complies with the applicant's reasonable requirements. However there are certain *minimum requirements* that all *connection contracts* are required to include. These *minimum requirements* are described in Chapter 5A of the National Electricity Rules (see Schedule 5A.1).

Furthermore, all negotiated *connection offers* must comply with Ausgrid's *Connection Policy* and must not include a *connection charge* that is inconsistent with that policy.

At the commencement of the negotiation process, Ausgrid will review the matters that the applicant wishes to negotiate. It may be necessary to exclude particular matters where they do not meet regulatory or other legal requirements. In that case, Ausgrid will provide reasons for the exclusion and you will have the opportunity to revise your negotiation request.

## 2.5 Timeframe and Costs

Negotiating a *connection contract* may introduce significant additional time and costs to the *connection process*, especially for very large or complex *connections*.

Ausgrid will use its best endeavours to make a negotiated *connection offer* within 65 *business days* of receiving a *connection application* or a request to negotiate (plus the time taken for the *connection applicant* to provide necessary information that may be requested by Ausgrid). However, the negotiation period may need to be extended in consultation with the applicant particularly for very complex or extensive negotiations, noting also that Ausgrid may need to consult with other users of the network who may be adversely affected by the proposed *connection*.

Ausgrid is also entitled to charge the applicant for expenses directly and reasonably incurred in assessing an application and providing a negotiated *connection offer*. This includes the cost of facilitating the negotiation process and participating in it. Ausgrid will provide an estimate of its costs and expenses related to the negotiations as soon as practical, and within 10 *business days* of the need for a negotiated contract first being identified and/or advised. The *connection applicant* will be liable to pay Ausgrid's reasonable costs whether or not the *connection offer* that it eventually makes is accepted.

## 2.6 Negotiating Principles

Two key underlying principles must be applied to all negotiations, that is:

- (a) Each party must negotiate in good faith.
- (b) Each party must maintain the confidentiality of all confidential information disclosed by the other party unless disclosure is authorised by the other party or required by law.

## 2.7 Difficult Situations

In some cases despite the best intentions of both parties, the negotiation process may be difficult, especially where important commercial, technical or regulatory requirements are at stake.

In difficult situations, and where considered beneficial, Ausgrid may escalate and arrange for an alternative key negotiator to be appointed to assist with or lead the negotiations. If it becomes apparent that Ausgrid will not be able to make a *connection offer* acceptable to the *connection applicant*, the applicant may choose from the following options:

- (a) Review their requirements and continue with negotiations.
- (b) Withdraw their *preliminary enquiry* or *connection application*.
- (c) Submit a new *preliminary enquiry* or *connection application*.
- (d) When Ausgrid's *connection offer* is received, lodge a dispute with the Australian Energy Regulator in line with the dispute resolution provisions of Part G of Chapter 5A of the National Electricity Rules.
- (e) If a *small customer*, use the *AER* dispute resolution process referred to above or raise a dispute in accordance with Ausgrid's Standard Complaint and Dispute Resolution Procedure or make a complaint to the New South Wales Energy and Water Ombudsman (*EWON*). *EWON* can be contacted on FREECALL 1800 246 545 OR [www.ewon.com.au](http://www.ewon.com.au)

# 3 The Negotiation Process

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## 3.1 Negotiation Process Phases

All *connection* negotiations will follow the three broad phases described below:

- (a) **Information Phase:** the *connection applicant* and Ausgrid prepare and provide the necessary information to proceed with the negotiation.
- (b) **Negotiation Phase:** negotiation matters are reviewed and discussed in detail in order, if possible, to reach an in-principle agreement.
- (c) **Formalisation Phase:** outcomes of the negotiation are documented and a negotiated *connection offer* is finalised and provided to the *connection applicant*.

Each of these phases may involve a number of steps subject to the complexity of the *connection* negotiations as discussed further below.

## 3.2 Negotiation Process Template

The table below represents a generic process template that may be applied to the negotiations. This template will provide a starting point where steps may need to be adjusted, simplified or expanded depending on the matters under negotiation.

The indicative timeframes indicated below provide generic targets only, which may vary subject to the particular situation. The time taken by the *connection applicant* to provide any information requested by Ausgrid must be added to the timetable. A specific negotiation program will be developed in consultation with the applicant during the initial information phase.

Information Phase	
1. Need for a negotiated connection first identified	a) Ausgrid determines that none of the existing <i>model standing offers</i> are suitable for the proposed <i>connection</i> . OR b) The <i>connection applicant</i> applies to Ausgrid to negotiate a <i>connection offer</i> , which may be at the time of making a <i>connection application</i> or after Ausgrid has made a <i>connection offer</i> that the applicant is unwilling to accept.

Information Phase	
2. Formal notification of negotiation	<p><b>a) No appropriate model standing offer:</b>            Within 10 <i>business days</i> of receiving a complete <i>connection application</i>, Ausgrid advises the applicant of:</p> <ul style="list-style-type: none"> <li>• The need for a negotiated <i>connection</i>.</li> <li>• The negotiation process.</li> <li>• The estimated costs and expenses the applicant may incur in relation to the negotiations.</li> </ul> <p>OR</p> <p><b>b) Connection applicant chooses to negotiate:</b>            The <i>connection applicant</i> provides Ausgrid written notification that they wish to negotiate their <i>connection offer</i>, giving details of the issues they wish to negotiate.            Within 10 <i>business days</i> of receiving the <i>connection applicant's</i> notification, Ausgrid advises the applicant of:</p> <ul style="list-style-type: none"> <li>• The negotiation process.</li> <li>• The estimated costs and expenses they may incur in relation to the negotiations.</li> </ul> <p>Ausgrid may also issue an initial invoice for commencing negotiations, which the applicant will need to pay in accordance with terms and conditions on the invoice.</p>
3. Initial meeting	<p>Ausgrid will arrange an initial meeting with the <i>connection applicant</i> as soon as practical to review and discuss:</p> <ul style="list-style-type: none"> <li>• Contact arrangements.</li> <li>• Negotiation principles including the need for good faith on both sides and confidentiality requirements.</li> <li>• The negotiation process described in this document.</li> <li>• The specific matters under consideration for the negotiations.</li> <li>• Additional information that Ausgrid may provide and that may assist the applicant to negotiate on an informed basis.</li> <li>• Minimum contract requirements and the <i>connection charges</i> payable under Ausgrid's <i>Connection Policy</i>. If possible at this stage Ausgrid will provide an estimate of <i>connection charges</i> and a statement of the basis upon which <i>connection charges</i> are calculated.</li> <li>• Payment of negotiating fees and schedule for costs/expenses relating to the negotiations.</li> </ul> <p>A preliminary negotiation program will also be discussed and determined at this initial meeting. In the case of complex negotiations this schedule may include a series of regular meetings and a set of key milestones.</p>
4. Information request	<p>In some cases Ausgrid may require additional information from the applicant in order to continue with the negotiations on an informed basis. Ausgrid will (if practicable) request this additional information in writing within 20 <i>business days</i> of:</p> <p>a) The completed <i>connection application</i>            OR            b) The need for a negotiated <i>connection</i> being advised by the <i>connection applicant</i>.</p> <p>Note, however, that throughout the negotiations, Ausgrid may reasonably require additional information and there is no limit on the number of information requests it may make.</p>



Information Phase	
5. Information disclosure	<p>a) Ausgrid provides any remaining information requested by applicant as soon as practical.</p> <p>b) The <i>connection applicant</i> also prepares and provides information requested by Ausgrid as soon as practical.</p> <p>A meeting between Ausgrid with the applicant may be needed at this stage to review and clarify the information each party has requested and received. Where Ausgrid considers it to be necessary or at the applicant's request, Ausgrid will arrange such a meeting.</p> <p>Ausgrid may invoice to the <i>connection applicant</i> for the cost of continuing with negotiations, which will need to be paid in accordance with the terms and conditions on the invoice.</p>

Negotiation Phase	Indicative timeframe – within 40 business days
6. Negotiations commence	Ausgrid will arrange a meeting to further discuss and refine the negotiation program based on the information provided and target date for completion. Negotiation may also commence at this meeting, facilitated by the Ausgrid representative. In straightforward cases agreement may also be able to be reached at this meeting.
7. Negotiations	<p>Interactions including meetings and/or discussions proceed in line with the negotiation program. By agreement, Ausgrid will generally record these interactions through meeting minutes and file notes to clearly document the key issues and actions required to reach an effective outcome. Subject to progress, adjustments to the negotiation program may be required. During this phase Ausgrid will provide an estimate of connection charges and a statement of the basis on which connection charges are calculated if an estimate has not been provided in Step 3 above.</p> <p>In the case of protracted or problematic negotiations Ausgrid may escalate and/or appoint an alternative negotiator to assist or lead the discussions. Ausgrid may if necessary consult other users of the distribution network who may be adversely affected by the proposed connection.</p> <p>During this phase Ausgrid will determine and provide to the customer:</p> <ul style="list-style-type: none"> <li>(i) The technical requirements for the proposed new <i>connection</i>;</li> <li>(ii) The extent and costs of any necessary augmentation of the <i>distribution system</i>;</li> <li>(iii) Any consequent change in charges for the distribution use of system services; and</li> <li>(iv) Any possible material effect of the proposed <i>connection</i> or <i>connection alteration</i> on the network power transfer capability of the <i>distribution network</i> or any other <i>distribution network</i> that might be affected by the proposed <i>connection</i>.</li> </ul>
8. Negotiations conclude	<p>a) Agreement is reached for all matters under negotiation allowing a negotiated <i>connection offer</i> to be drawn up.</p> <p>OR</p> <p>b) In the event agreement cannot be reached the options described earlier in section 2.7 may need to be followed.</p> <p>Ausgrid may also provide an invoice to the applicant for concluding the negotiations, which will need to be paid in line with terms and conditions on the invoice.</p>

Formalisation Phase	Indicative timeframe – within 10 business days
9. Preparation of <i>Connection offer</i>	Ausgrid finalises and delivers the <i>connection offer</i> as required by the <i>rules</i> .

Formalisation Phase	Indicative timeframe – within 10 business days
10. <i>Connection offer</i> provided to applicant	The <i>connection offer</i> is provided to the <i>connection applicant</i> for final consideration and acceptance or rejection (as the case may be). The offer will remain open for acceptance for a period of 20 <i>business days</i> from the date of the offer unless this period is extended by agreement.

## 4 Dictionary

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### 4.1 Statutory definitions apply

- (a) Terms used in this document have the meanings they bear in the *energy laws* as amended from time to time.
- (b) For ease of reference, *Ausgrid* offers the definitions set out in clause 4.2. Where our definitions differ from those in the *energy laws*, the definitions in the *energy laws* prevail in the event of a conflict of meaning.

### 4.2 Definitions

Subject to *clause* 4.1, the following words have the following meanings:

**AER** means Australian Energy Regulator.

**augmentation** of a *distribution system* means work to enlarge that system or to increase its *capacity* to distribute electricity.

**business day** means any weekday other than any public holiday in New South Wales and 27, 28, 29, 30 and 31 December.

**capacity** means the measure of the electricity (expressed in amperes) that can be received from the *distribution system* by an *electrical installation*.

**connection** means a physical link between a *distribution system* and a customer's *premises* to allow the flow of electricity.

**connection alteration** means an alteration to an existing *connection*, including an addition, upgrade, *extension*, expansion, *augmentation* or any other kind of alteration.

**connection applicant** means the person who lodged the *connection application*, who is either a *retail customer* or a *real estate developer*, or a person making a *connection application* on behalf of a *retail customer* or *real estate developer*.

**connection application** means an application for a *new connection* or *connection alteration* and in the context of this contract the completed *connection application* referred to in the *connection offer*.

**connection charge** means a charge imposed by a *distribution network service provider* such as Ausgrid for a *connection service*

**connection contract** means a contract formed by the making and acceptance of a *connection offer*. To avoid doubt, except where Ausgrid's **Deemed Standard Connection Contract** is expressly referred to in this document, *connection contract* refers to a *connection contract* under Chapter 5A of the *rules*.

**connection customer** means the *retail customer* or *real estate developer* (as the case may be) whose details are set out in the *connection application*.

**connection offer** means the offer by Ausgrid to enter into a *connection contract* on the terms of this contract and the *connection application* attached to the offer.

**connection point** means the *point of supply*.

**connection policy** means a document approved as a *connection policy* by the *regulator* under Chapter 6, Part E of the *rules*, setting out the circumstances in which *connection charges* are payable and the basis for determining the amount of such charges. Ausgrid's *connection policy* is available: [www.ausgrid.com.au/connectingtothenetwork](http://www.ausgrid.com.au/connectingtothenetwork)

**connection specifications** are the specifications for the *connection* set out in the *connection application*.

**deemed standard connection contract** is a standard form contract containing the model terms and conditions for *connection contracts* set out in Schedule 2 of the National Energy Retail Rules. The *Deemed Standard Connection Contract* establishes the terms on which Ausgrid will provide ongoing services to the *retail customer* at the *premises* once the *connection* is established. It applies when the *retail customer* begins to take supply of electricity. Ausgrid's Deemed Standard Connection Contract is available on our website at: [www.ausgrid.com.au/connectingtothenetwork](http://www.ausgrid.com.au/connectingtothenetwork)

**distribution network** means the apparatus, equipment, plant and buildings used to convey and control the conveyance of electricity to *premises* (excluding *connection* assets).

**distribution network service provider** means the owner, controller or operator of a *distribution network* and in this contract means Ausgrid.

**distribution system** means the apparatus, equipment, plant and buildings used to convey and control the conveyance of electricity to *customers* and includes any *connection* assets.

**electrical installation** has the meaning it is given in the Electricity (Consumer Safety) Act 2004 (NSW) and means the electrical wiring and associated equipment that are used to convey and control the conveyance of electricity within *premises* to which electricity is supplied from a *distribution system*, but does not include Ausgrid's *premises connection* assets or anything connected to and extending or situated beyond an electrical outlet socket.

**electrify** means the application of electrical current to the *premises connection assets* and the *electrical installation*; and *electrification* has a corresponding meaning.

**embedded generator** means a person that owns, controls or operates an *embedded generating unit*.

**embedded generating unit** means a unit that generates electricity at a customer's premises and is connected to Ausgrid's distribution system and includes a micro EG unit.

**energy laws** includes (as amended from time to time) the National Energy Retail Law, the National Electricity Law, the *rules*, any rules, regulations and instruments made under the National Energy Retail Law or the National Electricity Law, the Electricity Supply Act 1995 (NSW) and Electricity (Consumer Safety) Act 2004 (NSW), all rules, regulations, instruments and plans made under or to comply with those Acts, Ausgrid's Network Standards, Ausgrid's Electrical Safety Rules, the Service and Installation Rules of New South Wales and AS 4777 Grid connection to energy systems via Inverters.

**EWON** means Electricity and Water Ombudsman (NSW).

**extension** is an *augmentation* that requires the provision of a power line (including a *service main*) outside the present boundaries of Ausgrid's *distribution network*.

**micro embedded generator** means a *customer* who operates, or proposes to operate, an *embedded generating unit* for which a *micro EG connection* is appropriate.

**minimum requirements** means the minimum *connection contract* requirements described in schedule 5A.1 of the National Electricity Rules.

**model standing offer** means a contract that sets out the terms and conditions on which Ausgrid is willing to permit *connections* to be made between its *distribution network* and *premises* whose *connection specifications* fall into that category.

**negotiation framework** means the framework described in rule 5A.C.3 of the National Electricity Rules.

**premises** includes any building or part of a building, any structure or part of a structure, any land (whether built on or not) and any river, lake or other waters and for the purposes of this contract, means the *premises* referred to in the *connection application*.

**premises connection assets** means the components of Ausgrid's *distribution system* through which Ausgrid provides electricity to individual *premises*. In this contract, new or

altered *premises connection assets* designed and installed by Ausgrid are referred to as *augmentation works* and *premises connection assets* provided as a *contestable service* by an Accredited Service Provider are referred to as *dedicated premises connection assets*. The components of the *electrical installation* at the *premises* are not *premises connection assets*.

**real estate developer** means a person engaged in the commercial development of land and for the purposes of this contract means the *real estate developer* (if any) named in the *connection application*.

**retail contract** means a contract between a *retail customer* and a *retailer* for the supply of electricity to the *premises*.

**retail customer** means a person who purchases electricity from a *retailer* and includes a non-registered *embedded generator* and a *micro embedded generator*.

**retailer** means a person who is the holder of a retailer authorisation issued under the National Energy Retail Law in respect of the sale of electricity.

**rules** means the National Electricity Rules established (and as amended from time to time) under the National Electricity Law.

**small customer** means a residential customer or a business customer who consumes electricity under the upper consumption threshold (at 1 July 2013 this was 100MW per annum).

**supply services** are connection related services available from Ausgrid that continue after the *connection* is *electrified*.