



25 October 2018

Prabpreet Calais
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Prabpreet,

Re: GLOBAL SETTLEMENT AND MARKET RECONCILIATION DRAFT DETERMINATION - ERC0240

CitiPower, Powercor and United Energy welcome the opportunity to respond to Australian Energy Market Commission's (AEMC) draft determination on global settlements and market reconciliation.

We support the draft decision to settle the market globally to improve efficiency and reduce losses. However, we have concerns over the proposed timing of the rule as the implementation and early timing of the transition does not align with the 5-minute settlement rule, increasing the cost to consumers.

Our submission proposes an alternative path to global settlement which delivers the same benefit at lower cost to consumers. It also highlights further considerations for the final rule to ensure its effectiveness.

The implementation of the draft rule should be aligned to the implementation of the 5-minute settlement to reduce costs to consumers

The draft rule proposes the following timing:

- Australian Energy Market Operator (AEMO) to amend and publish its relevant procedures to take into account the draft rule by 1 December 2019
- distributors to provide AEMO with the mapping of national metering identifier (NMI)-to-TNI and estimated energy consumption of unmetered loads by 1 March 2020
- AEMO to calculate and publish unaccounted for energy volumes (UFE) volumes for all transmission connection points that are not market connection points in accordance with the new rules from 1 July 2020
- commencement of global settlement on 1 July 2021 (at a distribution network level).

The timing of the draft rule is designed to coincide with the 5-minute settlement rule commencement date.

The draft rule requires AEMO to allocate UFE at the TNI level despite settling the market at the distributors' network level. While the TNI level allocation is more accurate, it creates requirements on distributors to implement IT systems to track and measure unmetered connection points at the TNI level (more than 25,000 in our networks). This includes having the dynamic capability to update TNI to NMI mapping data daily, due to deliberate switching of some load between TNIs to more effectively manage demand.

To provide this information to AEMO by 1 March 2020, our IT systems would have to be upgraded over the next 12 months, removing any synergies with the planned roll-out of IT systems related to 5-minute settlement. Without the synergies, the cost of providing the data on unmetered connection points at TNI level would be much higher than the estimated <\$300,000 per distributor in the draft determination. We estimate the cost of IT systems for the purpose of providing data on unmetered connection points at TNI level at around \$1.5 million.

We therefore propose the AEMC amend the draft rule to:

- limit the unmetered load connection points provided to AEMO by 1 December 2020 to be at distributors' local area, rather than for each TNI. The estimates could be used for global market settlement simulations in (MSATS)

- commence global settlement and UFE calculations at distributors' network level on 1 July 2021
- require distributors to provide data on unmetered load connection points at TNI level to AEMO by 1 July 2021, to allow for synergies with the implementation of 5-minute settlement IT systems
- allow AEMO six months to calculate and publish UFE at TNI level to identify missing data and errors
- implement global settlements based on calculated TNI level based UFE by 1 January 2022.

This approach would allow for global settlement to commence at the distribution network level on the same date as the draft rule proposes, albeit allowing distributors to synergise the roll-out of IT systems for the 5-minute settlement and the global settlement rules, reducing the overall cost to consumers.

Distributors are best placed to identify sources of UFE and rectify errors

One of the benefits of global settlement is the ability to minimise UFE and more accurately bill consumers. Distributors will be able to better identify sources of UFE across their networks, including errors in the measurement of distribution losses, errors in estimating franchise unmetered loads and theft. However, it is unlikely *retailers* will be able to identify sources of UFE by installing a smart meter, as suggested in the draft determination. In our experience during the Victorian advanced metering infrastructure (**AMI**) roll-out, meter errors of the basic meters were not found to be the source of significant error or UFE. The major sources of UFE are within the distribution network and would require the distributor to resolve them.

We therefore propose the AEMC consider incentives or programs of work for distributors to proactively identify sources and causes of UFE and rectify errors where possible, to provide the greatest benefit to consumers.

The final rule should require more accurate measurement of franchise unmetered supplies

Most existing franchise unmetered supplies (e.g. a common area park barbeque) are not predictable and trade on an 'agreed value' established at the initial time of connection. The agreed values can vary from the actual load as customers make subsequent alterations, additions or replacement of their devices and are not obliged to notify distributors of this change. While some customers have implemented National Association of Testing Authorities (**NATA**) tests on some of their loads, this is not standard practice and the vast majority of the existing loads are not accurately estimated.

We therefore propose the AEMC consider mandating more accurate measurement of load of franchise unmetered supplies, through various approaches including:

- imposing an obligation on customers to notify distributors of any alterations to their devices
- mandating a roll-out of small measuring devices (not meters) on a sample of load types, to better estimate actual consumption levels as an input to the 'agreed value' of new connections
- limiting the supply capacity for all future unmetered supplies to 6 amps through AEMO Procedures, beyond which compliant National Electricity Market (**NEM**) metering should be required regardless of the level of predictability.

The final rule and AEMO procedures should reflect the new MC role for distributors

The draft rule proposes distributors be appointed as Metering Co-ordinators (**MC**) for transmission connection points that are not market connection points. This includes the 66kV sub-transmission loops in Victoria but also the 22kV network. Currently the 66kV sub-transmission loops are metered however some of the 22kV loops are not adequately metered and would require **NEM** compliant meters to be installed by 1 July 2021 to comply with the draft rule.

Rule 7.6.3A should be broadened, along with the AEMO procedures, to include the registration and appointment of a Distribution Network Service Provider (**DNSP**) MC. Distributors are currently only registered as MCs for type 5, 6 and 7 metering. The final rule, and AEMO Procedures, should be updated to define the new MC role for

distributors and stipulate the registration requirements similar to those of transmission MCs, including the required expertise to work around high voltage distribution assets.

Rule 7.6.3A should also be broadened to deal with cross boundary and cross border connection points (i.e. appointment of MC where a connection point or proposed connection point is a distribution network connection to another distribution network connection point that is not a market connection point). Both the 66kV and the 22kV network have cross-boundary non-market connection points (between a number of distributors) and there are cross-border supplies Victorian distributors and New South Wales distributors. The final rule should clarify how the MC would be determined in that case, given the removal of the local retailer role to appoint the MC.

Should you have any queries about this letter please do not hesitate to contact Sonja Lekovic on (03) 9683 4784 or slekovic@powercor.com.au.

Yours sincerely,



Brent Cleeve
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