

14 March 2019

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Dear John,

Draft Report: Updating the regulatory frameworks for embedded networks

AusNet Services is pleased to have the opportunity to make this submission in response to the Commission's draft report.

The draft report proposes improved consumer protections and access to retail market competition for customers within residing embedded networks by extending existing arrangements for distribution customers to embedded networks.

We support recommended reforms that unify National Electricity Market (NEM) arrangements to exempt Network Service Providers (NSPs) and customer protections for all distribution customers, including:

- protections for customers residing within embedded networks ensuring outage information and management of outages, including provision of fault and emergency contact details;
- ensuring safe operational arrangements for customers with life support equipment; and
- unhindered access to retail contestability.

In making these reforms not only will customers residing within embedded networks have access to better services but NSPs will benefit from well-defined responsibilities for customer service provision. For example, customer's residing within apartment buildings would no longer be surprised by planned outages.

In Victoria, the Distribution Network Service Providers (DNSPs) role when interacting with customers is governed by the energy retail code (ERC) and electricity distribution codes (EDC) rather than the National Energy Retail Rules. However, the AER's NSP exemption framework applies in Victoria and the Essential Services Commission (Victoria) is well placed to incorporate further customer protections and national processes with upcoming reviews of the ERC and EDC.

The remainder of this submission responds on particular aspects of the draft report where our experience may help guide the Commission's position.

Enhanced customer protection arrangements

Planned interruption notification and management is an important customer protection that is taken seriously by businesses and regulators alike. However, it is our experience that customers residing within apartment buildings do not receive supply interruption notices sent to the buildings registered contact point and call us. Currently, retailer and embedded network operators do not provide us with up-to-date contact details for the customers within the embedded network (such as apartment buildings).

We would like to ensure all customers have prior notice to any planned interruptions. Our approach to delivering this essential customer service to our distribution customers is to send SMS

and email notifications in addition to the written notices delivered in the mail. The SMS notifications we send are well-received and have a high level of readership.

With respect to the recommended process for embedded network service providers (ENSPs) to provide their customers with a notice of interruption within one business day, we believe the process could benefit from the use of written email notifications. This would better facilitate ENSPs to provide their customers with the service they expect.

- To enable this superior customer service there would need to be a strict obligation on retailers of parent connection points to provide an email address for the embedded network's outage contact to DNSPs. We suggest incorporating this change in the reform.

Enabling retail contestability through NMI allocation

We agree with the recommendation in the draft report to make NMI allocation mandatory for all customers within the embedded network. This would establish a greater level of retail competition for embedded network customers. NMI assignment for every customer within an embedded network has the added benefit of enabling DNSPs to quickly identify whether a customer calling is a distribution customer or not, and provide a more tailored customer service.

Shadow pricing and consistent billing arrangement

Embedded networks are often supplied with a high voltage power supply and own their distribution transformers and downstream low voltage network. The DNSP's network tariff assigned to the parent connection point typically does not recover costs for the DNSP's downstream distribution substation and low voltage network powerline. For rural DNSPs, like AusNet Services, these downstream assets make up a large portion of our cost base. The retailer of an embedded network pays lower network tariff charges than the network charges payable for low voltage customers outside the embedded network.

Therefore charging shadow prices, as recommended in the draft report, provides adequate revenue for embedded networks to maintain their network assets. However, where the retailer for the embedded network's parent connection point is assigned a network tariff with a "demand tariff" it would be appropriate for the embedded network to assign customers on child connection points with equivalent "demand tariff". Doing so, would enable behaviour change in response to the cost reflective components of the DNSPs demand tariff.

- We recommend provisions that enable the application of cost reflective network tariffs to customers residing in embedded networks.

Other than these recommended alterations, we are supportive of the reforms set out in the draft report and look forward to continuing to work with the Commission in the forthcoming rule and law changes.

If you have any queries about any of the positions outlined in this submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely



Greg Hannan
Manager Economic Regulation