

15 March 2019

John Pierce AO  
Chair  
Australian Energy Market Commission  
Level 6, 201 Elizabeth Street  
Sydney NSW 2000

## **Submission to Updating the Regulatory Frameworks for Embedded Networks Draft Report**

Dear Mr Pierce,

Energy Networks Australia (ENA) welcomes the opportunity to provide a submission to the *Updating the regulatory frameworks for embedded networks* Draft Report.

ENA is the national industry body representing businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to almost every household and business in Australia.

ENA supports a review of the embedded networks framework as embedded network customers have not had ready access to necessary consumer protections nor access to the competitive market. Many parts of the proposed framework are sound and will deliver value to embedded network customers.

Energy Networks Australia, however, has four specific areas of concern.

### **DNSPs have a strong preference to not have a role in billing customers within embedded networks.**

The AEMC's draft report, consistent with its recommendations in the 2017 review, recommends that the Embedded Network Service Provider (ENSP) should be responsible for network billing in embedded networks. ENA strongly supports this position.

At the AEMC's recent Embedded Networks stakeholder workshop in Sydney it was suggested that the Australian Energy Market Operator (AEMO) or Distribution Network Service Providers (DNSPs) could perform an intermediary billing function between an ENSP, National Electricity Market retailers and off-market retailers. While networks are indifferent to the existence of an intermediary, it would be imprudent for DNSPs to be assigned to perform this function.

Embedded networks are connected to the distribution network via a single 'Parent' meter with its own unique national meter identifier (NMI). While the embedded network may contain its own additional sub-meters ('Child' NMIs) beyond the Parent NMI, DNSPs have no visibility of Child NMIs, nor do they have any obligation to

monitor any of the evolving arrangements and interactions which occur between network operators, sellers and customers within embedded networks. Accordingly, DNSPs have not built systems with the capability of performing network functions beyond the Parent NMI for embedded networks.

It would be a costly and potentially complex process if DNSPs were required to modify their systems to allow for network billing functions to be undertaken for Child NMIs. The associated costs would need to be funded from electricity customers as Child meters within embedded networks would not currently be considered a “Direct Control Service” under the National Electricity Rules.

### **DNSPs are not best placed to provide Planned Interruption Notifications to parties within embedded networks.**

The limitations discussed above also mean that DNSPs would find it difficult to provide Planned Interruption Notifications to retailers of Child NMIs or provide Guaranteed Service Level payments to customers of Child NMIs within the embedded network. Significant and costly system upgrades would be needed for DNSPs to comply with the expanded notification requirements as proposed by the AEMC.

Furthermore, it is not clear why the AEMC have split planned outage notification responsibilities, where DNSPs notify Child NMI retailers and ENSPs notify Child NMI customers. If the new framework seeks to broadly align ENSP responsibilities with those of DNSPs for standard supply connections, the ENSP should be responsible for notifying both groups as ENSPs are better placed than DNSPs to inform retailers within embedded networks.

Requiring different parties to provide notification could result in confusion particularly in instances where ENSPs deploy temporary generation to maintain supply to customers during DNSP planned outages (with retailers of these customers anticipating a supply outage as notified by DNSP).

### **An increase in embedded generation connected behind the Parent NMI can have potential flow on impacts to the DNSP’s network**

The new guidelines ensure that basic connections (residential, no network augmentation) must be made when requested, including connections for basic generation. Although we support the AEMC making it easier for connections and alterations to be made within embedded networks, this can give rise to potential issues at the parent connection point.

DNSPs have no visibility as to what connections exist within an embedded network. As such, the proposed framework to require embedded networks to allow additional connections and generation will increase the risk of distribution system security and reliability issues. These risks are exacerbated by the potential for poor quality connections within an embedded network in the absence of DNSP oversight or relevant rules.

**Costs to comply with the embedded network framework are potentially significant**

Many of the proposed changes to the embedded networks framework will require DNSPs to make various system improvements to ensure that they are capable of delivering required services. These improvements will come at a cost to networks and customers.

As such, care needs to be taken when designing the optimal embedded networks framework to ensure that framework transition costs are minimised and do not outweigh the benefits to customers.

As we get a clearer picture of what the framework might look like, network businesses look forward to working with the AEMC to provide indicative cost estimates.

Should you have any queries on this response please feel free to contact Chris Gilbert at [cgilbert@energynetworks.com.au](mailto:cgilbert@energynetworks.com.au) or on (03) 9103 0409

Yours sincerely,



Andrew Dillon  
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