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Updating the Regulatory Frameworks for Embedded Networks, Draft Report

Thank you for the opportunity to provide a submission in response to the Australian Energy Market Commission's (AEMC) Draft Report Updating the Regulatory Frameworks for Embedded Networks.

Momentum Energy is a 100% Australian-owned and operated energy retailer. We pride ourselves on competitive pricing, innovation and outstanding customer service. We retail electricity in Victoria, New South Wales, South Australia, Queensland, the ACT, and on the Bass Strait Islands. We offer competitive rates to both residential and business customers along with a range of innovative energy products and services. We also retail natural gas to Victorian customers.

Momentum Energy is owned by Hydro Tasmania, Australia's largest producer of renewable energy.

Overview

As an authorised retailer Momentum Energy has been concerned, for some time, that there were differing levels of customer protection applied to fundamentally the same type of small customers. Off market embedded network customers have largely been invisible to the market and hence little attention has been given to the protections and services offered to these customers. This is somewhat evident by the uncertainty expressed in the AEMC's draft report as to exactly how many off market embedded network customers exist. Is it 200,000 or could it be 400,000? What we do know is that this market is rapidly growing and we applaud the recommendations and draft rules presented in the AEMC's Draft Report. All small customers deserve the same protections and concessions for the supply of their electricity which is an essential service.

The Draft Report is recommending the following benefits for embedded network customers:

- Improved and new consumer protections covering disconnections, billing, payment options, supply notifications, connection services, customer hardship and retailer of last resort arrangements;
- Enhanced abilities for the Australian Energy Regulator (AER) to monitor and enforce compliance of electricity sellers covered by this new regulatory framework;
- Increased access to retail competition by formalising network billing arrangements, standardising billing processes and data formats for industry participants and extending National Electricity Market metering arrangements to all child connection points; and
- Changes be made to jurisdictional arrangements and regulations to improve access to concession schemes, independent dispute resolution and supply reliability protections.

Specific Comments Related to Issues Raised in the Draft Report

1. National Regulatory Regime and Child NMI Registration

Momentum Energy supports the elevation of embedded networks into the national regulatory regime that will ensure a consistent treatment for most small customers and also go some way towards equalising the costs to serve for all suppliers in the market. The creation of two new roles Embedded Network Service Provider (ENSP) and Off Market Retailer, with their associated responsibilities, is appropriate and will fill the gaps that exist in the current regime. It is also pleasing to see that the correct balance of application has been considered whereby exemptions will still exist for EV charging stations and temporary accommodation such as caravan parks.

The enforced registration of most child embedded network supply points (NMIs) into market systems (Australian Energy Market System Operator systems) will improve the visibility of these customers to all retailers and allow them to be targeted with a wide variety of suitable and innovative market offers that are not currently available. Moreover this will also allow the energy regulatory to monitor and report on the performance of authorised and off market retailers.

2. Network Billing

Embedded network customers can often be exposed to separate billing arrangements whereby they can receive two bills for their single electricity supply. One bill for the electricity consumed and another for the delivery of their electricity. Dual bills can be confusing for customers and also creates a barrier for customers directly accessing (on market) their electricity supply from authorised retailers.

The introduction of standardised network billing arrangements and the concept of “shadow” published network pricing will improve the visibility of these charges to all stakeholders in the market and support competition.

We are concerned however, with AEMO being tasked with the responsibility of developing this “shadow” pricing and believe that the AER would be better placed to undergo this activity. The AER has the role of approving electricity network tariffs in the NEM and will be able to better assess the level and application of these embedded network tariffs. While we acknowledge AEMO’s capability with the development of data processes and transactions we believe that the AER could take advice from AEMO to best deliver both aspects of the network billing reform.

3. Transitioning Legacy Embedded Networks to the New Framework

Imposing new regulatory obligations on existing embedded networks will be problematic as many do not have market compliant metering and the additional cost for small embedded networks may cause financial consequences to individual consumers.

However, we acknowledge that the AEMC has recommended the following for existing exempt networks:

- the registration of off market connection points into AEMO’s market system MSATs; and
- that new network billing and payment arrangements apply.

This will go some way to transitioning some legacy embedded networks to the new regime but fails to deliver the full suite of customer protections now available to all on market small customers.

Momentum Energy notes the potential transition triggers mentioned in the Draft Report and believes that the best solution should aim to capture as many embedded network customers as possible without placing undue costs to these consumers. Therefore we believe that a size threshold or class of embedded network should be determined and these sites be given 12 months’ notice from the effective date of the new framework to comply. Our initial thought is that this threshold should be set where in excess of 50 embedded customers exist per establishment.

4. Application of the Framework to Gas Embedded Networks

The application of a similar framework for gas embedded networks appears a reasonable starting position to ensure regulatory consistency but as the AEMC has discussed metered gas embedded networks are not prevalent in the market.

Gas is often delivered unmetered for cooking in residential accommodation with the cost recovered as part of the rent or averaged across multiple consumers together with common pool and space heating. The cost of this service is often minimal and inconsequential to most consumers.

A more fundamental and significant service delivered to many small customers in high rise units and apartments, that remains largely unregulated, is bulk hot water or serviced hot water. This service is often provided by centralised gas hot water units with hot water reticulated to each unit metered with hot water consumption meters. Each unit is either

charged per litre of hot water consumed or by using an algorithm that converts the hot water usage into an energy unit and billed accordingly to each separate unit. Momentum Energy understands that this service probably does not fall under the jurisdiction of national energy regulation being hot water and an after the meter value added service. This hot water service, in most jurisdictions, is not price regulated and is often delivered at a service efficiency of less than fifty per cent which imposes significant costs to small customers. We suggest that bulk hot water services would be the next priority for the AEMC to consider applying a regulatory framework.

We welcome the opportunity to further participate in the next stage of this review where these issues may be discussed.

Should you require any further information with regard to these issues, please don't hesitate to contact me on 03 8651 3566 or email randall.brown@momentum.com.au

Yours sincerely

[Signed]

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