



New rules for embedded networks

Publication of final rule determination and final rule

The AEMC has made a final rule that will reduce the barriers to embedded network customers accessing offers from electricity retailers. It follows a rule change request proposed by the Australian Energy Market Operator (AEMO) stemming from recommendations in the AEMC's Power of Choice review.

What are embedded networks?

Embedded networks are private electricity networks which serve multiple premises and are located within, and connected to, a distribution or transmission system through a parent connection point in the National Electricity Market.

Common examples of embedded networks include shopping centres, retirement villages, caravan parks, apartment blocks and office buildings.

Within an embedded network, the embedded network operator (for example, a shopping centre owner) provides embedded network customers with network services. Many embedded network operators also sell electricity to embedded network customers (for example, a business leasing space in a shopping centre). The final rule determination makes it easier for embedded network customers to choose an alternative electricity supplier, while remaining part of the embedded network.

Why is access to the competitive retail market important?

Allowing embedded network customers access to the competitive retail market is likely to allow embedded network customers to:

- choose the price and price structure of their electricity service that suits them best, which may result in lower bills;
- choose from a wider variety of products and services; and
- gain easier access to government schemes and consumer protections.

This rule change does not prevent embedded network operators from continuing to sell embedded network customers electricity. Instead, it will provide them with a greater incentive to compete with retailers.

Why do the current rules need to be changed?

The current regulatory arrangements for embedded networks are unclear and result in barriers to embedded network customers purchasing electricity from retailers in the competitive retail market. Notably:

- the National Electricity Rules do not allocate responsibility for performing the market interface functions required to link embedded network customers to retailers in the National Electricity Market systems (for example, assigning customer a National Metering Identifier) to a specific party;
- jurisdictional regulations which govern embedded network customer access to retail market offers are inconsistent and some prevent embedded network customers accessing retail market offers; and

The new rules reduce the barriers to embedded network customers accessing offers from electricity retailers in the competitive retail market.

The new rules will commence on 1 December 2017.

- the National Energy Retail Rules do not provide clear obligations and relationships between authorised retailers, embedded network operators and embedded network customers.

How does the final rule address these problems?

The changes to the National Electricity Rules set out in the final rule will create a new accredited provider role – embedded network manager – to perform the market interface functions that link embedded network customers to the National Electricity Market systems. The changes to the National Electricity Rules will also trigger changes in the relevant AEMO procedures and the Australian Energy Regulator's (AER) network exemption guideline. Together, these amendments will:

- set out the detailed functions, responsibilities, and governance arrangements for embedded network managers; and
- specify which embedded network operators are required to appoint an embedded network manager.

The Commission has also recommended separate but supporting changes to state and territory legislation, the AER's network exemption guideline and a review to the National Energy Retail Rules for embedded network customers. These recommendations have been made with the aim of a further decrease in barriers to embedded network customers accessing retail market offers.

Power of Choice

This rule change is part of a reform program identified by the 2012 AEMC Power of Choice Review. This review set out a market-wide reform program to give electricity consumers more opportunities to understand and take control their electricity use and costs.

The final rule directly contributes to this priority by reducing the barriers to embedded network customers choosing the products, services and provider of retail services that suit them best.

Implementation

The final rule specifies that the new version of the National Electricity Rules would start on 1 December 2017. This coincides with the changes arising from the Expanding Competition in Metering and Related Services rule change (published 26 November 2015). Any changes from the Meter Replacement Processes rule change process and the Updating the Electricity B2B Framework rule change process may also commence at this time. The proposed implementation schedule is attached.

The final rule also specifies timeframes for AEMO and the AER to undertake changes to their procedures and guidelines prior to commencement of the new rule.

The final rule for embedded networks will take effect in Victoria, NSW and South Australia. Their application in Queensland, Tasmania and the ACT is dependent upon those governments making relevant legal changes to recognise the metering and other arrangements regarding embedded networks.

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