

A few
words.



23 October 2015

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW1235

Lodged online: www.aemc.gov.au

Ref: ERC0179

Dear Mr Pierce,

RE: National Electricity Amendment (Embedded Networks) Rule 2015

AGL Energy Ltd (**AGL**) welcomes the opportunity to respond to the Australian Energy Market Commission's (**AEMC**) Draft Determination to the Embedded Networks Rule Change (the **Draft Determination**) in the National Electricity Market (**NEM**).

We are one of Australia's leading integrated energy companies with around 3.7 million retail customers, and as such are a strong advocate of the Power of Choice reforms and its application to NEM. Specifically, we support a NEM which provides all customers with access and the ability to choose retail products that best suit their needs, including those customers within Embedded Networks (ENs).

AGL strongly supports the Draft Determination. We acknowledge that the proposed reforms set out in the National Electricity Rules (NER) will:

- promote greater clarity in the role and responsibility of Embedded Network Operators (ENO);
- create a new market role, the Embedded Network Manager (ENM) to facilitate the NEM activities of EN customers; and
- increase competition and customer choice, reducing electricity costs to EN customers.

AGL also agree with the AEMC's position, that the Draft Determination is a more preferable rule change, due to the increased flexibility provided to the Australian Energy Regulator (AER) in determining which ENs should be required to appoint ENMs.

Specifically we believe that ENM mandatory appointment will be cost efficient and increase retail competition for larger ENs or for an ENO with multiple sites such as shopping centres, sizable apartment complexes or office buildings. However, we do not consider that small ENs should be forced to appoint an ENM, particularly where the costs of the appointment will outweigh the benefits. We therefore welcome the Draft Determination's guidance to the AER to enforce the ENM role on a case by case basis. We also look forward to working with AEMO on the market participant accreditation process for ENMs.

AGL supports the need for EN customers to have access to competition and be covered under the same consumer protections whilst maintaining a market framework that promotes innovation and alternative business models.

We therefore support the AEMC's decision to recommend to the AER that the standards for meter reading, testing and inspection for EN customers should be updated to match those applied under the NEM. This will ensure that metering competition, once established, is able to equally benefit customers within ENs and will also greatly assist customers seeking to receive a Retailer service without needing to purchase/upgrade their meter. Such a decision will enable and promote innovative offerings, tariff structures and multi-utility smart grid service models to the benefit of customers, including community energy and individual distributed energy solutions.

Outstanding Concerns

AGL concedes that this Draft Determination and rule is largely dependent on additional changes to both the National Energy Retail Rules (NERR) and more importantly the AER's Network and Retail Exempt Selling Guidelines (the Guidelines). In our view, changes to these regulatory frameworks, particularly those under the AER's remit, are critical, if the proposed changes to the NER are to deliver on their intended purpose.

In particular, AGL notes that certain obligations, requirements and information exchange provisions, which are necessary to promote active Retailer engagement with EN customers, require complementary consequential changes to protect and obligate each market party to undertake its designated role within an EN. We note that without certainty over specific operational aspects, such as published network tariffs, Use of System charges, and applicable data requirements in the Guidelines, the process of engaging an EN customer may be difficult and costly for a Retailer. We therefore agree that ENO's through the Guidelines should

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be required to unbundle their network charges to better enable Retailers to ascertain the costs of providing retail services to EN customers.

Retailers can decide if the investment, time and effort of establishing a retail contract and/or billing processes to service an EN customer will outweigh the costs. Similarly where a Retailer decides to provide an offer to an EN customer, it should retain the ability negotiate with the ENO on a commercial basis to provide services such as the collection of the ENO's network charges.

Therefore, while we acknowledge that the AEMC cannot ensure that the AER revises the Guidelines to give effect to this rule, we strongly encourage the AEMC to set out an appropriate direction to the AER in its Final Determination. This direction should adequately promote 'due consideration' of the changes required to better aid EN customers to access retail competition.

Additionally, we believe the AEMC should undertake a full review of all consequential amendments required to the NERR and also consider whether ENMs should be made to comply with some or all of the retailer support obligations in the NERR where an off-market customer has engaged a retailer for electricity services.

We also consider that certain obligations and information exchange provisions under the NERR, which currently apply to the Retailer-Distributor relationship, should equally apply to the Retailer-ENO relationship. In particular, AGI believes that the regulatory arrangements for illegal usage, assisting with obtaining access to the site, outage notifications, resolving network issues and other working arrangements such as obligations to assist a Metering Coordinator, should all apply to the ENO.

Lastly, with respect to implementation of the draft rule, AGI supports its introduction in line with the rule change for Metering Competition¹ and any proposed rule change for Meter Replacement Processes² and the Shared Market Protocol³ as long as there is no undue delay. We strongly note that the changes proposed in Metering Competition are essential to facilitating the market-led deployment of digital meters⁴ across the NEM, which will enable smart services and the wider market transformation and that these changes must take priority over all other market reforms.

AGI's initial assessment of the key issues with respect to the application of the NERR to EN customers, as per Appendix F of the Draft Determination, is included at Annex A. We note that this is a very high level assessment and is in no manner exhaustive. AGI therefore encourage the AEMC to use this list as a guide.

¹ Refer to <http://www.aemc.gov.au/Rule-Changes/Expanding-competition-in-metering-and-related-serv>

² Refer to <http://www.aemc.gov.au/Rule-Changes/Meter-Replacement-Processes>

³ <http://www.aemc.gov.au/Markets-Reviews-Advice/Implementation-advice-on-the-Shared-Market-Protoco>

⁴ Commonly referred to as a 'smart meter'.

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We are happy to contribute to a future process once the AEMC commence a process to review amendments to the NERR to support the Draft Determination.

Should you have any questions in relation to this submission, please contact Dan Mascarenhas on (03) 8633 7874.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Stephanie Bashir', is positioned below the closing text.

Stephanie Bashir
Head of Policy and Regulation, New Energy

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Annex A

AGL's View on NERR Issues for Embedded Networks

AGL has undertaken an initial assessment of the issues outlined in Appendix F of the Draft Determination. We consider that these issues would need to be resolved through amendments to the NERR or the Guidelines, in order to facilitate retail competition (and the necessary obligations and protections) within ENs.

- Customer classification: ENO (or possibly the ENM) will need to classify an EN customer as either a large or small customer in lieu of the Distribution Network business. The provisions which allow business customers to aggregate their sites and seek recognition as a large customer should also be managed by the ENO or ENM.
- Standing retail offers and contracts: designated retailer obligations should not apply to an EN customer.

We note that the Guidelines:

- afford EN customers a number of protections which largely reflect those contained in the NERR and the National Energy Retail Law;
- mandate that an exempt seller must not:
 - refuse to supply an EN customer; and
 - charge tariffs that exceed the local area retailer's standing offer prices.

As such, we consider it unnecessary to impose additional obligations on a designated Retailer to make a standing offer to an EN customer. We also believe that it may also be significantly more costly for a Retailer to supply an EN customer under a designated Retailer arrangement.

- Market retail offers (MRC) and contracts: we agree that certain MRC minimum requirements will not be relevant to EN customers, for example certain bill content requirements and disclosure of all tariffs and charges.

A detailed assessment should be undertaken to determine which requirements are necessary in an EN context.

- Move in/carry-over customers: we agree that that these requirements should apply to EN customers who have been supplied by a Retailer, to ensure continuity of supply for an EN customer.

- De-energisation and re-energisation of shared customer's premises: there appears to be a gap in the Guidelines as EN Operators are not obliged to carry out a Retailer's request to de-energise an embedded customer site.

To manage de-energisation and re-energisation services, the same rules provided under the NERR for Distribution Network businesses should apply to ENOs. In addition, once Metering Competition is effective, the ENO should receive notification of any Retailer remote de-energisation or re-energisation.

- Life support equipment: under the NERR, responsibility for this function currently sits with Retailers and Distribution Network businesses. We note that ENO's are not recognised under the NERR.

To give effect to this rule change, all relevant parties, including the ENO, Retailer and Distribution Network Business, must be informed of the existence of a life support customer within the EN, keep an up to date register, and must notify each other of a change in circumstance.

This is necessary to ensure that supply to the site is not mistakenly interrupted to the detriment of the customer.

- Retailer of Last Resort (ROLR): we consider that the broader ROLR scheme should not apply to EN customers.

In the event that an authorised retailer (who is supplying an EN customer) fails, we consider that the ENO should assume full responsibility for electricity supply to the customer.

- Presentation of market offer prices: we agree that consideration should be given to whether the Guidelines (including the AER Retail Pricing Information Guidelines) can and should apply to EN customers. We note however that, the AER's Pricing Guideline is largely flexible enough to accommodate EN customers.
- Explicit Informed Consent (EIC): this will vary between EN customers as it will depend on whether the customer's connection point has a NMI number established when the customer wishes to take up a Retailer offer.

We consider however, that in most cases existing EIC requirements should be flexible enough to accommodate EN customers, and to ensure that there is adequate and appropriate disclosure where, for example, an EN customer is seeking transfer to a Retailer. This is because EIC requires a Retailer to disclose 'all matters relevant to the consent of the customer'.