21 May 2015

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Subject: Draft Rule Determination: National Electricity Amendment (Expanding Competition in Metering and Related Services) Rule 2015

SA Power Networks welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) draft determination on the National Electricity Amendment (Expanding competition in metering and related services) Rule 2015, issued on the 26th March 2015.

In its original *Power of Choice* report, AEMC wrote that:

> *"The metering arrangements need to consider the overall efficiency of the market, including the impacts on retailers, LNSPs and consumers, rather than being efficient for their own sake"*[1]

SA Power Networks strongly supports this view, and this principle underpins our submission, as it has our previous submissions to this rule change process. Increased competition in metering is not an end it itself; it serves only as a vehicle to drive greater adoption of the smart meters required to enable greater demand-side participation, and to unlock consumer benefits across the whole of the energy supply chain.

SA Power Networks supports a future national framework for metering that:

- Benefits customers through economic achievement of future network operational benefits
- Enables a transition to cost reflective network tariffs as quickly as practicable
- Enables a competitive, open and fair market for demand-side services
- Achieves available benefits across the whole electricity supply chain
- Maintains current metering-enabled services and efficiently leverages existing investments
- Facilitates broader adoption of smart meters while minimising price impact on customers.

SA Power Networks welcomes the fact that the AEMC has clearly sought to address all of the above objectives in formulating the draft rule change. However, we are concerned that the proposed new rules as presently drafted leave some of these outcomes in doubt, particularly the enablement of future network operational benefits and the market for demand side services, both fundamental goals of the *Power of Choice* reforms.

[1] *AEMC Power of Choice review – giving consumers options in the way they use electricity*, Final Report, 30th September 2012, p83

Our submission proposes refinements to the draft rules that are intended to promote better outcomes in the long term interests of consumers of electricity in four key areas:

1. **Supply disconnection and reconnection**

   The introduction of a new party, the Metering Coordinator (MC), who is able to remotely disconnect and reconnect supply to the customer premises is a significant change that has implications for customer safety and impacts on the fundamental role, obligations and liabilities of the distributor under the National Energy Customer Framework (NECF). Greater clarity is required as to the responsibilities and liabilities of all parties when a remote disconnect or reconnect is undertaken. Appropriate coordination with distributors is also essential to ensure that distributors aren't called to investigate supply interruptions that result from retailer-initiated remote disconnections.

2. **The proposed national minimum services specification**

   The draft rules in relation to the proposed minimum services specification do not provide confidence that customer benefits from even these minimum services will be realised. For example, basic functions required to manage safety risks associated with remote disconnection and reconnection are not included in the draft specifications, even though these already form part of established operational procedures in Victoria and have no material impact on meter cost. Similarly, further detail is required in the service definitions to ensure that when a customer-side safety or power quality issue is detected and logged by the meter, the associated alarms are passed through to relevant market participants so that the issue can be addressed. We also retain our view that the current minimum services specification is unnecessarily narrow, and a broadening, as a minimum to include load control services, would provide increased value to customers.

3. **The market power of the incumbent Metering Coordinator (MC)**

   The effective monopoly power of the MC in the provision of metering services to distributors and third parties may impede the development of a competitive market for demand side services, and puts at risk the opportunity to achieve network operational benefits. We consider that this issue has not been adequately addressed in the draft rules and that some form of light-handed regulation is required, as least in the short term.

4. **The right of the Local Network Service Provider (LNSP) to retain or install a network device**

   SA Power Networks considers that the right of the LNSP to retain or install a network device is essential to ensure that the value of existing investments in metering and monitoring equipment is not eroded, and as a backstop to the potential market power of incumbent MCs. We consider that the current drafting may not fully enable the intent of this important aspect of the draft rules.

The attachment to this letter discusses these issues in detail, and makes specific recommendations as to how the draft rules could be modified to promote better outcomes for consumers.

The attachment also discusses additional concerns relating to the application of ring fencing to distribution businesses that determine not to enter the contestable market and the proposed timeframe for the final rule change determination. In other matters we rely on, support and endorse the positions put forward by the Energy Network Association (ENA) in its submission.

SA Power Networks recognises the importance of this significant rule change, and has been an active and engaged participant in the AEMC consultation process since the rule change request was made in 2013. We welcome the opportunity to respond to the draft rule determination and consider that our proposed amendments to the draft rule will enhance the opportunity to unlock network operational efficiencies, enable an active demand side market, maintain customer safety and ultimately deliver to the consumer the full range of benefits smart meters offer.

We appreciate the rigour and depth of the consultation process that the AEMC has conducted throughout this process, and we are confident that the AEMC is committed, as we are, to achieving an outcome that delivers benefits across the whole of the energy supply chain, and is in the long-term interest of consumers.

Should the AEMC require further clarification of any of our comments, please contact Mark Vincent, Manager Network Investment Strategy, on (08) 8404 5284.

Yours sincerely,

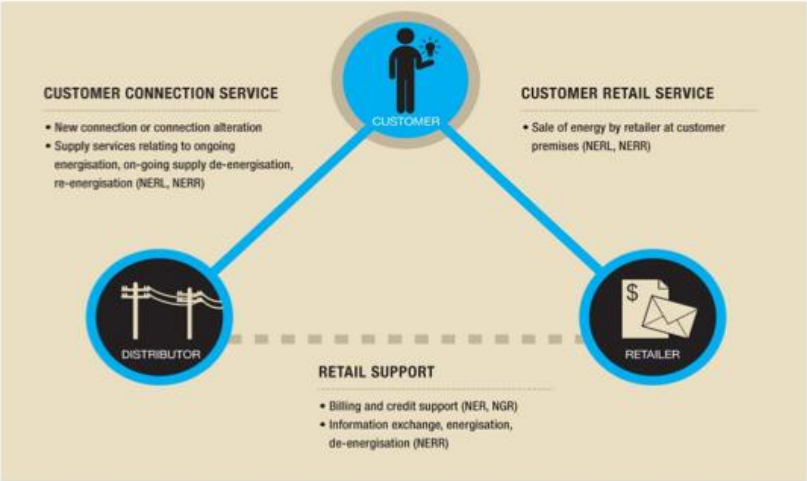
Sean Kelly

General Manager Corporate Strategy

Attachment 1 – details

1. The distributor's responsibility for supply disconnection and reconnection

The National Energy Customer Framework (NECF) enshrines in legislation the triangular relationship between customer, retailer and Local Network Service Provider (LNSP) shown in the figure below[2].



Under NECF, the LNSP has sole responsibility for the continuity of supply to the customer's premises. It follows from this that the LNSP is the only party able to undertake de-energisation and re-energisation under the current rules. The rules in Part 6 of the NERR make this clear; the rules do not allow for a retailer to de-energise or re-energise a customer's premises, only to *arrange* for de-energisation or re-energisation to be performed by the LNSP.

Under the proposed rule change, the Metering Coordinator (MC) will be able to perform de-energisation and re-energisation remotely using their smart meter, and the retailer will have the option to arrange for remote de-energisation and re-energisation directly with the MC. SA Power Networks supports this in principle, but we are concerned that the draft rules do not adequately address the significant contractual, legal and safety implications of having a party other than the LNSP disconnect or reconnect supply.

Our specific concerns, and our proposed remedies, are as follows:

Customer safety may be compromised

There are specific customer safety risks associated with performing de-energisation and re-energisation remotely because important safety checks that are normally undertaken on-site by the crew are not possible. These checks include checking that there aren't unsupervised children at the premises, checking for any electrical safety hazards at the site, and so on.

In Victoria, the only state in Australia where remote de-energisation and re-energisation are undertaken today, the jurisdictional safety regulator, retailers and distribution businesses worked together to develop procedures to ensure that remote de-energisation and re-energisation is

[2] Extract from AEMC Power of Choice final report, page 47

undertaken safely, based on a comprehensive risk assessment. Specific provisions in these procedures include:

- Remote de-energisation cannot be performed in some circumstances, including abolishments, for life support customers, or when there is a known electrical hazard or defect at the site.

- Remote re-energisation cannot be performed after an electrical defect has been resolved, or when supply to the site has been off for more than 12 months

- All meters in Victoria must include an auto-disconnect function whereby when a remote re-energisation is performed, the meter will automatically de-energise if current is detected flowing through the meter immediately after energisation. This protects the property if an electrical appliance such as a cooktop or iron has been left on. This function is part of the Victorian AMI specification of the remote energisation service[3]

- All meters in Victoria must provide clear local indication of the status of the main supply contactor, so that persons working at the premises can determine whether the meter has been remotely energised or de-energised[4]

SA Power Networks considers that these procedures have been effective in protecting lives and property in Victoria and provide a model for the safe use of remote de-energisation and re-energisation nationally.

In the proposed Schedule 7.5 of the National Electricity Rules (NER), we recommend that:

1. The draft service specification in Table S7.5.1.1 (a) for the remote disconnection service be amended by re-wording the Description of this service to be: "The remote *disconnection* of a *small customer's* premises via the *metering installation* in accordance with jurisdictional safety requirements. The metering installation must provide a clear local visual indication of the status of the switch used to effect the disconnection service."
2. The draft service specification in Table S7.5.1.1 (b) for the remote reconnection service be amended by re-wording the Description of this service to be: "The remote *reconnection* of a *small customer's* premises via the *metering installation* in accordance with jurisdictional safety requirements. For safety, this service must support an auto-disconnect function if load is detected flowing through the meter immediately following the remote *reconnection*. The metering installation must provide a clear local visual indication of the status of the switch used to effect the reconnection service."

The wording of the changes recommended above is based directly on the Victorian AMI specification[3,4]. In making this recommendation, we have taken into account the fact that the Victorian AMI specification is fully supported by multiple meter manufacturers today, who have supplied more than 2.8 million meters in Australia to this specification since it was published in 2008. We also note that the safety function of automatic disconnect is implemented entirely in

[3] *Advanced Metering Infrastructure Minimum AMI Functionality Specification (Victoria) v1.1*, Department of Primary Industries, 2008, section 3.4.3.2
[4] Ibid, section 3.4.1 (e)

software within the meter; for a meter that already has a remote disconnect/reconnect relay there is essentially no additional cost to provide this function[5].

A minimum services specification that allows for remote disconnection and reconnection without requiring basic capabilities that enable this to be performed in a safe manner would be contrary to the National Electricity Objective (NEO), which includes promoting safety in the supply of electricity.

The distributor may be unable to meet its regulated and contractual obligations to maintain supply

Under NECF the distributor is responsible for the supply of energy to the customer's premises. When there is a planned or unplanned interruption in supply, the distributor has specific obligations, e.g. under rules 90 and 91 in the National Energy Retail Rules (NERR), to inform the customer and use best endeavours to restore supply as soon as possible. The distributor faces civil penalties if it fails to meet these obligations.

Similarly, the deemed standard connection contract between the distributor and the customer set out in Schedule 2 of the NERR commits the distributor to guaranteed service levels in respect of the connection, and to pay a penalty to the customer (subject to any specific jurisdictional scheme) if these service levels are not met.

Under the draft rule, a metering coordinator has the capability to cause a supply *interruption* (as defined in rule 88 of the NERR) to one or many customers through the operation of the remote disconnection service. SA Power Networks is concerned that this may expose distributors to the risk of being in breach of their obligations under the rules and/or the terms of their connection contract with the customer through no fault of their own, for example if a metering coordinator were to issue a remote disconnection command to a customer or group of customers in error, or as a result of a cyber-attack.

SA Power Networks is seeking clarity as to what provision in the rules or applicable law would indemnify a distributor from any liability arising from the disconnection of supply by a metering coordinator that is not acting at the request of the distributor. If there is any doubt in this matter, a new clause should be inserted in the NERR and/or amendments made to the model standard connection contract, to relieve distributors of their obligations under NERR rules 90 and 91 when supply is interrupted by a third party that is not acting at the request of the distributor. SA Power Networks also considers that the civil penalty provisions that apply under the current rules should also apply to third parties that undertake supply disconnection, to ensure consistency outcomes for customers.

SA Power Networks is also concerned with the new draft NERR rule 91A, in particular 91A (b) which requires the distributor to "provide such assistance as the *metering coordinator* may reasonably require to enable the *metering coordinator* to carry out the installation, maintenance, repair or replacement of *metering* equipment." Beyond the work required to interrupt and restore supply to the premises, it is not clear what other assistance a commercial metering coordinator could reasonably require from the distributor in order to install or maintain their meter, or on what basis a regulated distributor would recover any costs associated with rendering such assistance. Moreover we are concerned that this clause may conflict with the distributor's other obligations (e.g. to use best endeavours to restore supply to the premises as soon as possible) or with jurisdictional technical and safety requirements. This part of rule 91A (b) would seem

[5] While there is a one-off development cost to implement any software feature in a meter, the cost of implanting this feature is already a sunk cost for all manufacturers currently supplying the Victorian market, and given the simple nature of the feature in this case is unlikely to be material in any event when amortised over the total number of meters sold.

superfluous in any event as the intent (that there should be reasonable cooperation between distributor and metering coordinator) is also expressed in 91A (d).

Finally, we note that the drafting of the new NERR clause 106A (6) implies that the retailer undertakes de-energisation, which is incorrect.

In summary, SA Power Networks recommends that the AEMC:

1. Consider further amendments to the NERR, including the model standard connection contract (NERR schedule 2), to relieve the distributor of its obligations in respect of interruptions to supply that are caused by another party that is not acting at the request of the distributor
2. Replace draft NERR clause 91A (b) with "The distributor must effect the interruption; and"
3. Amend draft NERR *clause 106(A)(6)* to delete the words "if the premises were de-energised by a retailer" and replace them with "if the de-energisation of the premises was arranged by a retailer".

The distributor may be called to respond to an outage at the customer's premises when supply is disconnected remotely

A customer who loses supply as a result of a remote de-energisation performed by a MC may contact the distributor to report an outage. Whenever a retailer arranges for a customer's premises to be de-energised remotely by a party other than the distributor it is, therefore, imperative that the distributor be notified immediately. This will help to ensure call centre staff are aware that the customer has been de-energised, and prevent a wasted truck roll to investigate the outage and the associated cost to the customer.

The draft NERR clauses 104 (2) and 106A (2) require the distributor to be notified "as soon as practicable". SA Power Networks supports this, but recommends that the drafting be amended to give some surety of the timeliness of the notification that LNSPs can rely on in establishing new business practices for customer-reported outages (noting, for example, that under current procedures a customer de-energisation will not be visible as a state change in MSATS until the following day).

SA Power Networks recommends that:

1. Draft clause 104 (2) be amended to replace the words "as soon as practicable" with "at the time the de-energisation is arranged and as soon as practicable, but no later than 15 minutes, after the de-energisation takes place"
2. Draft clause 106A (2) be amended to replace the words "as soon as practicable" with "as soon as practicable, but no later than 15 minutes after the re-energisation"

From a practical perspective, this could involve the retailer entering into an arrangement to have the MC provide notification to the distributor at the same time as they notify the retailer that the de-energisation or re-energisation has taken place. Although we have proposed 15 minutes as the upper bound, we would expect it to be practicable to notify much sooner, noting that in practice a delay of 15 minutes could still result in a wasted truck roll.

2. The proposed national minimum services specification

SA Power Networks supports a national minimum services specification for meters. We consider, however, that the narrow specification proposed in the draft rule change is not consistent with the NEO. Of most concern is the fact that the proposed national specification omits load control, a service that is delivered via the metering installation at millions of customer premises across all NEM jurisdictions today, upon which networks rely on a daily basis for the efficient utilisation of network assets, and which offers considerable potential for greater community benefits in the future.

SA Power Networks considers that a national specification that omits load control and other network services commonly supported by smart meters and already in use in Victoria could result in a fragmented approach to the use of smart metering across the NEM, putting at risk key outcomes in network efficiency and ultimately denying the community a significant portion of the potential future value from its investment in a national transition to smart metering. This was recognised in the AEMC's *Power of Choice* review, which recommended a national specification consistent with the Victorian specification for a market-led smart meter rollout.

SA Power Networks has put its position on the set of services that could be included in a national specification in detail in previous submissions to AEMC and AEMO, and we will not consider this further here. However, should the AEMC wish to re-engage or seek clarity on those previous submissions and recommendations, we would be pleased to do so.

With respect to the services proposed in the draft rule change, we welcome the inclusion of table S7.5.1.1 setting out the required elements of the minimum services and the parties allowed to access each service.

We understand that the intent of this table is to define the requirements of each service at a high level only, on the basis that the services will be specified in detail in the procedures to be developed by AEMO in accordance with draft rule 7.8.3. We are concerned, however, that the very high level service descriptions leave considerable room for interpretation, and omit some details that are fundamental to achieving benefits from the services proposed. We have made some specific recommendations in relation to the proposed services below.

Remote disconnection and reconnection (Table S7.5.1.1 (a) and (b))

We have already made specific recommendations in relation to the remote disconnection and reconnection services, namely the inclusion of fundamental safety provisions in the service definitions.

Remote meter read services, on-demand and scheduled (Table S7.5.1.1 (c) and (d))

These service definitions are incomplete as they describe only the retrieval and provision of energy data, and do not consider the requirement to retrieve meter alarms. The retrieval of alarms registered by the meter is required for data validation in accordance with the relevant AEMO Procedure[6] and MDP Service Level Procedure[7], which also require that alarms are provided to relevant market participants[7,8].

[6] AEMO Metrology Procedure: Part B: Metering Data Validation, Substitution and Estimation Procedure for Metering Types 1-7, version 5.30, section 6.2
[7] AEMO Service Level Procedure: Metering Data Provider Service Categories D and C for Metering Installation Types 1,2,3,4,5,6 and 7, version 1.0, section 5.1.1 (g)
[8] AEMO Metrology Procedure: Part B: Metering Data Validation, Substitution and Estimation Procedure for Metering Types 1-7, version 5.30, section 9.3.1(e)

As well as alarms that are directly relevant to data validation for market settlement (e.g. loss of supply), a smart meter is capable of logging alarms in relation to customer safety and quality of supply issues. Under- and over-voltage alarms in particular provide data that distributors can use to identify and remediate local voltage issues caused by high levels of local generation from solar PV, which may otherwise go undetected. These voltage variations can cause solar inverters to disconnect intermittently from the grid[9], reducing customers' value from their solar PV systems, as well as potentially causing visible quality of supply issues for other customers such as light flickering and issues with customer equipment. As the uptake of solar PV in South Australia is higher than in any other state, and continues to rise, the detection and management of emerging customer voltage issues is one of the most pressing concerns facing SA Power Networks at the present time.

Alarms such as under- and over-voltage are intermittent in nature, tend to affect only a small proportion of meters at any given time and cannot easily be predicted. For these reasons it is highly efficient to collect alarm data during the regular meter read cycle, as the incremental amount of data is often zero (when there are no new alarms), or is very small relative to the size of the daily interval energy data, and so there is essentially no incremental cost involved. Conversely, it would be highly *inefficient* to rely on polling the entire meter population periodically using the meter installation enquiry service to collect alarms as this would require many thousands of additional transactions, the majority of which would return no data.

For the reasons above, the retrieval of such alarms from the meter event log is part of the service definition for regular remote meter reading in the Victorian AMI specification[10], the NSMP National Minimum Functionality Specification[11] and smart meter specifications in other jurisdictions such as the UK[12].

SA Power Networks recommends that the draft service specifications in Table S7.5.1.1 (c) and (d) for the remote meter reading services be amended by:

1. In the Description, replacing the words "the remote retrieval of *metering data* and the provision of such data to the requesting party" with "the remote retrieval of *metering data* and meter alarms, storage of such data and alarms in the *metering data services database*, and the provision of such data to the requesting party"

2. Adding the following bullet point to the Description of these services: "

    - meter alarms recorded in the *meter* log (or logs) including over- and under-voltage alarms, power failure alarms, tamper detection alarms, reverse energy flow alarms, meter temperature alarms and other alarms as required by the procedures made under clause 7.8.3".

For the avoidance of doubt, it is SA Power Networks' view that meter alarms that are captured as part of the regular meter read cycle should be stored in the *metering data services database*, and access to these alarms should be provided to the distributor as part of the access to which they are entitled under clause 7.15.5 (see below).

[9] It is a requirement of AS4777 that solar inverters disconnect automatically from the grid when supply voltage varies outside normal range.
[10] *Advanced Metering Infrastructure Minimum AMI Functionality Specification (Victoria) v1.1*, Department of Primary Industries, 2008, section 3.3 (e) (5) and Appendix A

[11] *NSMP Smart Meter Infrastructure Minimum Functionality Specification*, version 1.3, section 7.2.1
[12] *Updated draft Communications Hub Technical Specifications (November 2014)*, UK Department of Energy & Climate Change

Distributor's entitlement to access data from the metering services database

SA Power Networks is concerned with the change in wording in draft NER clause 7.15.5 (d) (formerly clause 7.7 (c)). Clause 7.7 (c) in the current rules reads:

> *"7.7(c) The responsible person ... must ensure that access is provided to metering data from the metering data services database to persons eligible to receive metering data in accordance with paragraph (a)"*

The equivalent clause in the draft rule change reads:

> *"7.15.5 (d) The Metering Data Provider ... must ensure that access is provided to metering data from the metering data services database **only** to the persons referred to in subparagraphs (a)(1) to (6) and (a)(11)." (emphasis added)*

This change appears to alter the purpose of this clause. Where the original clause *requires* that access to data is provided to those parties entitled to receive it, including the distributor, the new clause appears only to limit the parties to whom access may be provided.

On page 165 of the Draft Determination, the AEMC wrote of the above change:

> *"One effect of amendments noted in the last bullet point above is that these parties will only have an automatic entitlement to access metering data from the metering data services database. If they wish to receive other metering data directly from the Metering Data Provider, they will need to negotiate access to that service on commercial terms."*

SA Power Networks is concerned that the drafting of 7.15.5 (d) does not capture the AEMC's intent as expressed above, which is that the Local Network Service Provider has an automatic entitlement to access metering data from the metering services database, as is the case under the Rules, Metrology Procedures and Service Levels as they stand today, and will not be expected to negotiate for access to this data on commercial terms.

SA Power Networks recommends that clause 7.15.5(d) is amended to delete the word "only," and make explicit the requirement to provide access to relevant meter alarms, so that the clause reads: "The *Metering Data Provider* or *AEMO* (as the case may be) who is responsible for the provision of *metering data services* must ensure that access is provided to *metering data* and relevant alarms from the *metering data services database* to the persons referred to in subparagraphs (a)(1) to (6) and (a)(11)."

Meter installation enquiry (Table S7.5.1.1 (e))

SA Power Networks recommends that the draft service specification in Table S7.5.1.1 (e) for the metering installation enquiry service be amended as follows:

1. The service definition should be amended to make it clear that the voltage, current, power and frequency measurements referred to in the Description must be available separately for each phase for a multi-phase metering installation

2. The final bullet point in the Description should be replaced with: "

    - the contents of the meter log (or logs) including over- and under-voltage alarms, power failure alarms, tamper detection alarms, reverse energy flow alarms, meter temperature alarms and other alarms as required by the procedures made under clause 7.8.3".

Advanced meter reconfiguration service (Table S7.5.1.1 (f))

SA Power Networks recommends that the draft service specification in Table S7.5.1.1 (f) for the advanced meter reconfiguration service be amended as follows:

1. The third bullet point in the Description should be replaced with: "

    - thresholds and other parameters required to configure the alarms referred to in the meter installation inquiry service; and"

3. The market power of the incumbent Metering Coordinator

In our submission to the AEMC's initial consultation paper, dated 29th May 2014[13], SA Power Networks noted that:

> *"Under the proposed model, Metering Coordinators (MCs) compete to provide services to the retailers who appoint them, while LNSPs must rely on whatever network services are offered by the retailer-appointed MC. Competition will drive MCs to offer the services that retailers value at an efficient price, but, once appointed, MCs will have no competitive pressure in relation to the provision of services to the LNSP."*

We remain concerned with the market structure proposed under the draft rule, which

(a) does not require the MC to offer any service to any party, even those services in the minimum services specification that its meters are required to support; and

(b) requires the LNSP and other access seekers to negotiate commercial terms for access to services with each incumbent MC who, having been appointed by the retailer, enjoys an effective monopoly as metering service provider for the premises.

The overarching goal of the Power of Choice reforms is to establish a competitive market for demand-side products and services. Increased competition in metering is a vehicle to drive greater adoption of the smart meters required to enable new demand-side services; it is not an end in itself. EnerNOC, invited to comment on the draft rule change from the perspective of a demand-side services provider, devoted their presentation at the AEMC Public Forum on 30th April 2015 entirely

[13] SA Power Networks' submission to AEMC's 2014 Consultation Paper on the proposed rule change, 29th May 2014

to their concern that the new rules may actually impede, rather than facilitate, efficient access to the meter by demand-side service providers, because the MC has a commercial incentive to charge above the efficient cost for access and is not constrained by competition or regulation.

LNSPs and others will only invest in systems and capabilities that rely on access to the meter if they are confident that they can secure access to the data and functions they require at the customer's premises on an ongoing basis on reasonable commercial terms. If the new market does not enable this, then the opportunity to unlock network benefits from smart meters, and to enable a healthy competitive market for demand-side services, may be lost.

SA Power Networks considers that some form of light-handed regulation will be required. This could be through the inclusion of a rule to the effect that when an authorised party other than the FRMP requests access to meter services, such access shall not be unreasonably withheld, and the MC and that party must negotiate in good faith to arrive at commercial terms that are fair, reasonably reflect the cost to the MC to provide access, and do not have the effect of unreasonably discriminating between parties seeking access to meter services[14].

LNSPs and other parties could then rely on the dispute resolution provisions in rule 8.2 of the NER in the event of a dispute (noting that the definition in 8.2.1 (a1) and the substituted definition of *Registered Participant* in Chapter 10 would have to be amended to include parties seeking access to metering services in the deemed definition of *Registered Participants* for the purpose of rule 8.2).

The ENA has sought advice in relation to the market power of the MC and will be addressing this issue in more detail in its submission.

4. LNSP right to install and use a network device

SA Power Networks strongly supports the provisions in the draft rules for an LNSP to retain or install a network device on the meter board for network management purposes. This is absolutely essential to protect existing investments in advanced metering and load control, and provides LNSPs with an alternative option in the event that the incumbent MC is unable or unwilling to provide network data streams and functions from their advanced meter on reasonable commercial terms.

We do not support the wording in draft clause 7.8.6(c) (2) which prohibits the LNSP from using a network device to disconnect or reconnect supply remotely. Some of the most important capabilities from a network operational perspective are those that involve disconnection and reconnection of supply, including emergency supply capacity limiting and load shedding.

Prohibiting the LNSP from using a network device to disconnect and reconnect supply runs counter to the intent of the network device, which is to ensure the value of existing assets is retained and to provide the LNSP with an alternative if they are unable to obtain services from the MC. When an LNSP is able to secure access to remote disconnection and reconnection services from the MC on reasonable commercial terms, it will do so. If an MC does not offer these services (noting that there is no obligation under the draft rules for the MC to offer even those services in the minimum services specification), or is unable to offer them at an efficient price, LNSPs require the option to retain their own network device (e.g. in Victoria) or to install one.

[14] Note that this would be similar to existing provisions in the rules regarding the provision of type 7 metering services in clause 7.6.4 (e) (using the new numbering in the draft rule change)

SA Power Networks strongly recommends the following:

1. Draft NER clause 7.8.6 (c) (2) should be deleted

2. Draft NER clause 7.8.6 (a) should be amended to replace the words "install a *network device*" with "install a *network device* or retain an existing *network device*"

We also note that the proposed definition of the network device in Chapter 10 makes reference to the location in which the device may be housed. AEMC should consider aligning this with the wording in clause 7.8.6 (a) which states simply that the device may be "at or adjacent to a *metering installation.*"

Modification of existing type 5 or 6 metering installation to enable network functions

In keeping with other LNSPs outside Victoria, SA Power Networks has a small number of existing type 5 and type 6 meter assets that have the capability to be enabled for remote access for network operational and monitoring functions such as customer load profiling and local voltage monitoring. Using the existing monitoring and logging capabilities of an electronic type 5 or 6 metering installation in this way is an effective and low-cost means to capture valuable data for network planning and quality of supply management purposes at targeted customer premises, or to investigate local quality of supply issues. One outcome we are seeking from the rule change is to correct the ambiguity in the current rules regarding the treatment of such meters that arises from the NER clauses now numbered as 7.8.9 (b), (c) and (d) in the draft rule[15].

The issue with the drafting of these clauses is that it suggests that when a network enables remote communications on a type 5 or 6 meter for any purpose other than the specific 'operational difficulties' cited in 7.8.9 (b) and (c), this could potentially cause the meter to be re-classified as a type 4 meter even though there is no intent to operate the meter as a type 4. This ambiguity has led to the unintended negative outcome that LNSPs that have invested in meters that support remote access for network operational and monitoring purposes have been prevented from enabling these functions.

The AEMC has previously indicated that this particular issue would be resolved through the rule change, thus enabling existing assets to be fully utilised, but the draft rule makes only one change to the clauses in question, which is to replace "type 4 metering installation" with "type 4 or 4A metering installation" in clause 7.8.9 (c). This particular change appears to be unwarranted, as we understand that a type 4A metering installation is, by definition, incapable of *remote acquisition* and hence an alteration of the kind contemplated in 7.8.9 (b) could not be expected to alter the classification of the metering installation to a type 4A.

[15] These correspond to clauses 7.3.4 (f), (g) and (h) in the current NER. For the purpose of this discussion we will reference these and other clauses using the proposed new numbering.

SA Power Networks recommends the following amendments to the draft rules:

1. Draft NER clause 7.8.9 (b) should be replaced with the following: "

   A *Metering Coordinator* may alter a type 5 or 6 *metering installation* in accordance with paragraph (a):

   (1) to make it capable of *remote acquisition* where the *Metering Coordinator* decides that operational difficulties reasonably require the *metering installation* to be capable of *remote acquisition*, or

   (2) where the Metering Coordinator is the Local Network Service Provider, to enable functions reasonably required in connection with the operation or monitoring of its network."

2. Draft NER clause 7.8.9 (c) should be amended to delete the words "or 4A"

5. Ring fencing

Networks are regulated businesses. Their capital and operating costs are recovered from customers through regulated network charges. Whenever a change in regulation results in new costs to networks, customers' bills increase in order to fund the new costs. A change in regulation that increases the network component of a customer's bill without achieving a corresponding saving elsewhere on the bill, or delivering a tangible benefit to the customer, is not in the customer's long term interest.

The purpose of ring fencing is to ensure effective competition in the unregulated metering market, which in turn is ultimately expected to reduce the cost of the metering component of the customer's bill and stimulate customer choice in products and services. A network that only operates in its role as deemed MC for its existing fleet of manually-read meters and does not offer an unregulated smart metering service does not participate in the unregulated market. Imposing new ring fencing requirements on such a network would impose new costs, potentially significant ones, that customers will pay through increased network charges, but would have no impact on competition in an unregulated market in which the network does not participate. It would, therefore, result in a net cost to customers, for no benefit.

SA Power Networks considers that the proposed NER clause 11.78.8 is unnecessary, as the AER already has the power to make ring fencing guidelines at its discretion.

If the proposed NER clause 11.78.8 were to be included in the rules, it should be amended to clarify that the ring fencing guidelines now required by the rules must not impose new costs on networks that are not participating in the contestable metering market.

If the NER clause 6.17.2 (a) is amended as proposed to remove the word "may" and replace it with "must" then the words "accounting and functional separation" should be replaced with "accounting and/or functional separation".

6. Implementation timeframes

SA Power Networks is concerned that the time available to AEMC for consideration of stakeholder feedback between draft determination and final determination is not sufficient, given the importance of the proposed rule change and the extent of the proposed new drafting that requires legal review.

We are also concerned that AEMO may be unable to complete the development of new procedures by 1st April 2016, and have indicated that they do not expect to implement the Shared Market Protocol until after the new rules come into effect.

SA Power Networks supports ENA's recommendations in relation to the implementation timeframe.