



19 October 2015

Richard Owens
Senior Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

AEMC Reference: ERC0179

Dear Mr Owens

RE: EMBEDDED NETWORKS DRAFT DETERMINATION

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission) Draft Determination on the embedded networks rule change request.

About ERM Power Limited

ERM Power is an Australian energy company that operates electricity generation and electricity sales businesses. Trading as ERM Business Energy and founded in 1980, we have grown to become the fourth largest electricity retailer in Australia, with operations in every state and the Australian Capital Territory. We are also licensed to sell electricity in several markets in the United States. We have equity interests in 497 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, both of which we operate.

A subsidiary of ERM Power, Powermetric Metering Limited (Powermetric) gained accreditation as a Metering Provider and Metering Data Provider in 2014.

General comments

ERM Power is broadly supportive of the proposed amendments to the National Electricity Rules (NER), which we believe will facilitate greater retail competition for customers whose sites are within an embedded network. The Draft Determination will improve business efficiencies and reduce operational costs for retailers servicing those customers who choose to contract with an authorised electricity retailer (become an on-market customer).

In our submission to the Commission's Consultation Paper on this NER rule change request, we recommended a number of changes to the National Electricity Retail Rules (NERR) that we believe are necessary to clarify the customer protections intended to apply to on-market customers within an embedded network, compared to National Electricity Market (NEM) customers. We acknowledge the Commission's position that it is unable to progress these changes under this rule change request, and we look forward to continuing discussions on these recommendations under a separate NERR change process.

We also acknowledge that the Australian Energy Regulator (AER) is responsible for establishing the requirements for embedded network operators and off-market customers via its exemption guidelines.

While we have requested the Commission make recommendations to the AER, we recognise that it will ultimately be the AER that will determine if these changes should be implemented.

Metering services providers for embedded network children

ERM Power welcomes the Commission's draft recommendation that the AER aligns the standards for meter reading, testing and inspections for off-market embedded network customers with the requirements of the NER. This proposal will improve the accuracy and reliability of embedded network customers' meter readings and electricity bills. It may also reduce the cost barriers associated with metering installation replacement when a customer seeks to become on-market.

In our submission to the Consultation Paper, ERM Power indicated that in addition to improving the meter reading, testing and inspection standards, it was important to require off-market metering installations to be serviced by AEMO-accredited Metering Providers and Metering Data Providers.

AEMO-accredited metering service providers must meet stringent requirements relating to systems, security, audit, quality, operations, contracts and insurance. These requirements do not apply to metering service providers servicing off-market metering installations under the AER's Electricity Network Service Provider Registration Exemption Guideline (the Network Exemption Guideline). AEMO's accreditation requirements exist to ensure the safe, secure, and efficient provision of metering services to NEM customers. It is unclear why off-market customers should receive a lower standard of service.

The additional costs associated with meeting these requirements means that metering charges incurred by customers may be higher when they use an accredited service provider. This can compromise the viability of an off-market customer choosing to contract with an authorised retailer.

ERM Power recommends the AER requires AEMO-accredited metering service providers (or equivalent) to be engaged in relation to off-market meters in embedded networks.

Comparability of offers

AEMO recommended that the AER amend its Network Exemption Guideline to require all embedded network operators to unbundle retail bills into network and energy charges, to facilitate offer comparison between authorised retailers and embedded network operators. The Commission's draft decision is not to pursue AEMO's proposal for unbundling, instead suggesting that an embedded network operator should be required to provide this information to a customer or authorised retailer on request. The Draft Determination justifies this position by stating that it would be unnecessary in jurisdictions where embedded network customers cannot choose their retailer, where all customers are already on-market, or where a retailer offers an embedded network customer a bundled product.

ERM Power agrees that there are circumstances where a customer is unable to use the additional information provided to them on an unbundled bill to compare offers. However, the vast majority of embedded network customers are outside these circumstances. We do not believe these customers currently have ready access to the information they require to effectively engage with the competitive retail market. In particular, we are concerned that the AEMC's draft decision would not materially improve customers' access to information about their charges, and therefore would not facilitate offer comparison and choice compared to the current environment.

Electricity bills are readily available to customers, and often the process of reviewing their electricity bill triggers customers to compare retail offers. Their bill then acts as a customer's point of reference for offer comparison. Retailers seek to make the comparison and switching process as easy as possible for customers by ensuring that all the key information about their existing offer is outlined on their bill. This



allows rate comparison (and potentially switching) within one phone call, with reference to that bill. In comparison, the AEMC's draft decision would require one or more additional steps in the process, as the customer, or a retailer on behalf of that customer, is required to request the embedded network operator to provide information about its charges before a comparison can occur. This potential delay and inconvenience could deter a customer from investigating their options and exercising their right for choice.

ERM Power recommends the Commission reconsider its draft position, and that the AER requires embedded network operators to unbundle the network and retail charges on their bills.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

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