

22 October 2015

Mr Paul Smith
Chief Executive
Australian Energy Market Commission (AEMC)
PO Box A2449
SYDNEY NSW 1235

And by email: submissions@aemc.gov.au

Dear Mr Smith

ERC0179: AEMC 2015, Embedded Networks, Draft Rule Determination

Thank you for the opportunity to provide feedback on the Draft Rule Determination and Draft Rule to amend the *National Electricity Rules* to provide a new regulatory framework for embedded networks to better enable customers to access their retailer of choice. We are grateful for the AEMC's ongoing consultative approach on this issue.

We note that under section 107 of the *National Electricity Law*, the timeframe for publishing the final determination is 17 December 2015 (which would be applicable in NSW, Victoria and South Australia), with a commencement date of 17 December 2017.

We support this commencement period (subject to our comments in relation to *Rule 7.7, section 4a – Entitlement to metering data and access to metering installation*).

It will provide appropriate time for Embedded Network Owners (ENOs) to prepare for the new regulatory framework, including the principal requirement to appoint an Embedded Network Manager (ENM).

GENERAL SUPPORT

We are a member of the Australian Energy Market Operator's (AEMO's) Multiple Trading Relationships and Embedded Networks (MTREN) working group that provided advice on the development of the rule change request.

As we have expressed to the AEMC previously, we support the objective of the proposed rule change which stems from the *Power of Choice Review (2012)* to better provide customers which access to their retailer of choice.

We also broadly support the principal requirement to appoint and fund an ENM (and its associated functions, including market interface functions, and responsibilities), which will also become a condition under the Australian Energy Regulator's (AER's) exemption framework.

OUTSTANDING MAIN AREAS OF CONCERN

We provide the following comments for the AEMC's consideration in preparing the final Rule Determination and Rule, which outlines our main areas of concern in the draft documentation:

Capital costs should not be imposed

As we have outlined previously, we believe the final determination should provide that an Embedded Network Operator (ENO) should not have capital costs imposed on them where the transfer of an off-market customer to an on-market customer would impose unreasonable costs on their network. This could be, for instance, the upgrade of a parent meter or switchboard, or the need for significant wiring changes within a network.

All costs should be able to be recovered

Similar to the issue noted above, ENOs should be able to recover any costs imposed on them as a result of the transfer of an off-market customer to an on-market customer.

Further, ENOs should be able to recover the costs associated with the new regulatory framework, including the cost of ENMs and items such as metering services and connections, and repairs and maintenance.

Additional EN requirements should not be able to be imposed

To ensure that regulatory certainty and harmonisation is achieved with the new framework, Local Network Service Providers (LNSPs) and Distribution Network Services Providers (DNSPs) should be expressly prohibited from imposing additional embedded network requirements outside, and in addition to, requirements in the final rule determination and rule change. Such requirements could possibly emerge in the form of a condition of development consent under State planning legislation or through the purchase of electricity. This would undermine the purpose and efficiency of the new framework.

AEMO operating procedures must consider cost issues (section 7.16.4)

While we accept that the final rule change will trigger a change in AEMO's service level procedures (section 7.16.4 of the draft rule change), there is a critical need to ensure that AEMO's establishment of these procedures must be based on:

1. consultation with ENOs,
2. minimum standards to achieve the objective of the rule change, and
3. a full consideration of cost issues for ENOs.

There is a considerable risk that AEMO could over-specify the service level procedure requirements, which could see unnecessary additional costs imposed on ENOs and their relatively small customer base.

Having such criteria apply across all service level procedures (e.g. wiring information, ENM services, insurance, software and systems) will help ensure that new requirements are appropriate, but not over-specified.

For this reason, we recommend that a new clause be inserted at section 7.16.4 (b) (*Requirements of the ENM service level procedures*) which provides that "AEMO must establish the ENM service level procedures: (1) in consultation with embedded network owners (2) based on the minimum standards needed to achieve the objective of the rule change and (3) in consideration of potential costs that could be imposed on embedded network owners and customer".

Our concerns with potential increased costs for ENOs and their customers includes issues such as the frequency of compliance reviews (which we believe should be funded by AEMO), as well as the provision of electrical wiring information (section 7.16.4).

In relation to section 7.16.4 (c) (3), we believe it should be amended in three ways:

- Firstly, the current wording should be tightened to limit its application to *"track the parent-child relationship"*.
- Secondly, we repeat our previous recommendation that that management of EN wiring information should expressly provide that *"this excludes the provision of Single Line Diagrams (SLDs) by embedded network owners and ENMs"*.
- Thirdly, that *"only information on the parent meter needs to be provided by the ENO, upon request from a retailer whom an embedded network customer is proposing to transfer to"*.

Immediate commencement: Embedded Network Managers (Rule 7.7)

We believe that *Rule 7.7, section 4a – Entitlement to metering data and access to metering installation*, in the Draft Rule should commence immediately when the Rule is published in December 2015; rather than at the time of the scheduled commencement of the Rule in December 2017. This would enable ENOs to have an immediate entitlement to metering data, which will more effectively and efficiently help address current billing issues in relation to embedded networks. This would require an amendment to *Section 2 (Commencement)* of the Draft Rule to note that *"Schedule 2 (Rule 7.7) commences operation when the final rule is published/on 17 December 2015"*.

In addition, we believe that *Rule 7.7, section 4a*, should be amended to insert the term *"parent connection point and..."* after *"in relation to a metering installation for a..."* and before *"child connection point"*. This additional information in relation to the parent connection point would better enable the reconciliation of billing in relation to embedded networks.

AER network exemption amendments: billing and meter reading/testing

While we accept this this will be the subject of consultation by the AER, we reiterate our previous concerns about the proposed changes to the AER's network exemption guidelines to increase reading, testing and inspection standards and require unbundling of bills, to the extent that this could inadvertently require the installation of new digital meters. This concern, in general terms, relates to our earlier comment that the new regulatory framework should not impose additional new capital costs on ENOs.

I would welcome an opportunity to discuss this issue with the AEMC. Please do not hesitate to contact me on either 0408 079 184 or anardi@scca.org.au to discuss this letter.

Yours sincerely,



Angus Nardi
Executive Director

