

2 July 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

Dear Mr Pierce

NSW DNSPs Response to the National Electricity Amendment (Embedded Networks) Rule 2015 consultation paper (ERC0179).

The NSW DNSPs welcome the opportunity to provide a submission on the Australian Energy Market Operator (AEMO) embedded networks rule change proposal and Australian Energy Market Commission (AEMC) consultation paper. We support the creation of an Embedded Network Manager (ENM) to assume the responsibility of managing embedded network customers in the National Electricity Market (NEM).

In particular, we support making it clear in the National Electricity Rules (NER) that while the Local Network Service Provider (LNSP) or DNSP is responsible for electricity supply to the parent connection point of an embedded network it is not responsible for supply to an on-market or off-market child connection point within an embedded network. Accordingly, the LNSP/DNSP has no operational responsibility for an embedded network; instead it will be the ENM who has the obligation to support NEM activities for customers within embedded networks. This includes:

- the obligation to set up and maintain the MSATS standing data for an embedded network;
- responsibility for ensuring that data on life support customers within embedded networks is maintained;
- performing the NEM processes for the transfer of embedded network customers between retailers, particularly between the Embedded Network Operator (ENO) and a registered retailer;
- determining who has access to embedded network customers' metering data; and
- responsibility for metering for embedded network customers.

While supportive of the above, we would like the AEMC to consider the following issues with the rule change proposal as drafted. Further detail is provided in Attachment A:

1. The use of an overly broad definition of Embedded Networks may inadvertently include single customer private networks.
2. In the context of the expanding competition in metering and related services rule change, LNSPs (DNSPs) should not automatically be the Responsible Person (Metering Coordinator) for metering within embedded networks for any type of meter – this could be made clearer in the Rules.
3. The register of life support customers within an embedded network should be the responsibility of the ENM and the ENO must not disconnect supply to a life support customer without making arrangements for the safety of the life support customer.
4. The calculation of distribution loss factors (DLFs) for customers within an embedded network is impractical but if considered to be required should be the role of the ENM.

We believe that there are synergies available from implementing this proposed rule in co-ordination with the expanding competition in metering and related services rule change. This is because the embedded networks rule change does not make any amendments to the National Energy Retail Rules (NERR) which, as for the reasons outlined in Attachment A, are likely to be important from a consumer protection perspective when defining roles and responsibilities.

If you have any further queries or would like to arrange a meeting to discuss our submission please contact Mr Murray Chandler, Group Manager Network Technology & Innovation at Networks NSW on (02) 9269 7210 or murray.chandler@ausgrid.com.au

Yours sincerely,



John Hardwick
Group Executive Network Strategy
Ausgrid, Endeavour Energy and Essential Energy

Attachment A – NSW DNSPs’ Comments on Potential Issues for the Rule Proposal

Metering within embedded networks

While we note the intent of the rule change is that ENM’s will be responsible for metering on embedded networks, we are concerned that clause 7.2.3(a)(1) of the draft rule seems to allocate responsibility for type 1-4 metering to the LNSP to act as Responsible Person (Metering Coordinator) for child connection points.

The obligations and responsibilities for LNSPs and DNSPs ends at the parent connection point - the National Metering Identifier (NMI) of an embedded network. We therefore do not consider it appropriate to be the Responsible Person (Metering Coordinator) for metering in an embedded network. This is because:

- There is no contractual relationship between the DNSP and the child NMI to appropriately allocate and manage risk associated with the DNSPs assuming the Responsible Person (Metering Coordinator) role.
- There would be access issues in order to read the meter, particularly private dwellings which would be more appropriately managed by the ENM.
- DNSPs have no direct cost recovery mechanism as Network Use of System (NUOS) charges are not recoverable from child NMIs and therefore not available through the distribution determination; any additional costs would need to be recovered from the Financial Responsible Market Participant (FRMP)) which would be an unintended outcome for FRMPs.

Notwithstanding the above, we submit that if energy in the embedded network is to be settled in the NEM then its metering needs to comply with the Rules. This is not a new approach as embedded networks are in existence and being settled in the NEM today (for example, unit blocks where requests of NMIs are currently issued for child connection points in embedded networks by DNSPs). The embedded network codes are assigned and updated in MSATS; energy is settled in the NEM for embedded networks whereby energy consumption from child NMIs is netted off the energy consumption of the parent. Going forward, we support that the ENM must be appointed by the ENO, and that it is AEMO accredited to ensure that the metering installation is compliant with the Rules.

Life support customers within an embedded network

We understand that the policy intent of the draft Rules is that where electricity supply must be maintained for life support requirements, the ENM must notify the FRMP of the parent connection point of the requirement then the FRMP of the parent connection point will then notify the DNSP. We note that this is not covered in the draft rule proposal and would require a subsequent rule change to the National Energy Retail Rules (NERR). In this respect, it is important that any rule change recognise that DNSPs will appropriately only have visibility of the parent NMI status as we do not require information as to the identity of the embedded network child customer, as either on market or off market. This responsibility is with the ENM and accordingly, the ENO must not disconnect supply to a life support customer without making arrangements for the safety of the life support customer.

Additional consumer protections may be required

Related to disconnections more generally, we would submit that there should be arrangements in place to ensure that the consumer is appropriately protected in any relationship it has with the EMN and that its customers are protected, especially life support customers. This is particularly important where the embedded network is the customer’s primary supply. This could possibly be achieved through the AER’s exemption framework where it would replicate aspects of the NECF, such as the requirement for disconnection in limited circumstances where the customer has breached their obligations under the contract and or failed to remedy such a breach. However, even with an exemption framework, amendments to the NERR are likely to be important from a consumer protection perspective when defining roles and responsibilities.

Considerations should also be given to arrangements for continuity of supply, should the ENM/ENO run into financial difficulty which may see its customers immediately lose supply if no alternative arrangements are in place. If the embedded network fails, connecting customers to the main network may take an extended period and require significant investment in new connection infrastructure to adhere to networks required safety standards

Distribution Loss Factors (DLF)

We are concerned that requiring the ENM to undertake DLF calculations is onerous and unnecessary and would require interaction with the DNSP for the ENM to understand the transmission network connection point. We also note that the draft Rules appears to include the requirement for DLFs to be individually calculated for each embedded network connection point. This would add considerably to the cost of calculating DLFs if each embedded network connection point required an individually calculated DLF. Our preference would be for the DLF to be the same as other connections for the applicable network tariff. As such, we do not support a compliance obligation where DNSPs are required to abide by an ENM request for information to determine the loss factor at connection point within 10 days (draft clause 3.6.3(g3))- this requirement should be removed. Further, if embedded network losses are required to be calculated, this should be the role of the ENM.

Other issues

Definition of embedded networks in the proposed rule change

We are concerned that the definition of embedded networks in the proposed rule change is too broad and may end up capturing private networks which are not involved with on-selling. Under the National Electricity Law (NEL), network service providers and all re-sellers of electricity are either required to register in the NEM or to be exempt from registration by the AER. Embedded networks relevant to this rule design are exempt private networks which service multiple premises and which are connected to a distribution system in the NEM. Examples include airports, shopping centres, retirement villages and apartment blocks.

The proposed rule (definition of an embedded network) may inadvertently include any private network beyond the distribution network connection point regardless of whether it is used to service multiple premises. We believe the intent of the rule change is to capture only those embedded networks that on-sell electricity to other customers/premises. Further, the rule definition seems to imply that network customers such as large industrial/commercial customers and large renewable generators operating a private network (their own internal reticulation systems) will have to apply for exemption. We do not believe this is the intention of the Rule change but the drafting is too broad to exclude internal private networks as mentioned above.

Allocation of NMI going forward

We understand and support that the ENM will be required to request from AEMO a NMI or set of NMIs to allow that ENM to register, within MSATS, new on-market connection points within the embedded network. This removes the obligation for the DNSP to issue the NMI to the FRMP and then to the ENO. This means that NMIs will be no longer issued by the local DNSP and recorded in the MSATS system operated by AEMO. While we support this, it would be worth stating in the Rules that DNSPs (DNSPs) should be only responsible for issuing NMIs within the local network not the embedded network.

One practical issue to note is that the ENM role is a service provider role rather than a participant classification. We understand this to be a new classification in the draft Rules; however a problem could arise as only registered participants can interact via existing market channels (MSATS/B2B) so there would potentially be a need to maintain separate procedures for communicating with ENMs, unless this requirement is modified. We note that setting up separation communication channels was stated as having a negative cost impact in the initial cost benefit analysis provided by some of the NSW DNSPs to AEMO.