



22nd October 2015

Australian Energy Market Commission
PO BOX A2449
Sydney South NSW 1235

Submission on Australian Energy Market Commission Draft Rule Determination – National Electricity Amendment (Embedded Networks) Rule 2015
REF: ERC0179

The Caravan, Camping & Touring Industry & Manufactured Housing Industry Association of NSW (CCIA) welcomes this opportunity to respond to the Australian Energy Market Commission's (AEMC) Draft Rule Determination for embedded networks.

In our submissions to the 21 May 2015 consultation paper we noted our concerns that the Australian Energy Market Operator's (AEMO) proposed rule change would place an unnecessary compliance and cost burden on embedded network operators that fall within Classes ND3, NR4 and NR05 of the AER's Electricity Network Service Provider Registration Exemption Guideline (ENSP Guideline) – namely, embedded networks within caravan and holiday parks and manufactured home estates in NSW. In support, we highlighted:

1. the regulatory framework in NSW that already supports retail competition and customer protection,
2. caps on energy pricing for permanent residents under the Residential Parks Act 1998,¹
3. the range of embedded networks and their nuances, particularly in caravan and holiday parks and manufactured home estates, and
4. park residents' access to free information and dispute resolution services from NSW Fair Trading and the Energy & Water Ombudsman NSW.

Thank you to the AEMC for its consideration of our submissions, clearly evident in the Draft Rule Determination, which adapts the AEMO's proposed rule change to include flexibility for the Australian Energy Regulator to decide which embedded network operators are required to appoint an embedded network manager.

We still question whether, in the context of permanent residents in land lease communities,² the appointment of ENM will prove necessary to facilitate more retail market competition or enhance the availability of sufficient information for consumers to make efficient decisions.

¹ On 1 November 2015 the Residential (Land Lease) Communities Act 2013 will come into force (repealing the Residential Parks Act 1998) and extend these protections. Section 77 (3) of that Act provides that the 'operator must not charge the home owner an amount for the use of a utility that is more than the amount charged by the utility service provider or regulated offer retailer who is providing the service for the quantity of the service supplied to, or used at, the residential site.' As such, operators of embedded networks in land lease communities will be required to pass on savings at the parent connection point.

² Now known as residential parks, including caravan parks and manufactured home estates.

However, in consideration of the larger embedded network sector, we accept that the draft rule is a more preferable rule to the AEMO's proposal. Therefore, our submissions in this response primarily raise issues around implementation and brief comments on the AEMC's recommendations to the AER.

Embedded networks implementation schedule

We broadly support the proposed schedule to implement the new embedded networks framework set out in Table 1 of the Draft Rule Determination and the AEMO's proposal to maintain a list of accredited embedded network managers on its website to assist embedded network operators.

We only suggest that in the nine months between 1 March 2017 and 1 December 2017, the AEMO upload the details of embedded network managers immediately upon their accreditation to ensure there is no 'information gap' prior to the final rule commencement date. Embedded network operators will need time to compare and arrange appropriate service contracts.

Appointment of Embedded Network Manager: AER discretion

We acknowledge that in exempting an embedded network operator under the network exemption guideline, embedded network operators will be required to appoint an embedded network manager unless:

- all of the embedded network customers will not be able to gain access to a retail market offer even if an embedded network manager is appointed, or
- the AER considers that the costs of appointing an embedded network manager are likely to outweigh the benefit.

Further, where the AER has determined that an embedded network operator is not required to appoint an embedded network manager it will be required to do so if a customer within the network exercises its right to access a retail market offer.

To ensure that the requirement for embedded network operators to appoint and bear the cost of an embedded network manager, either as directed by the AER or when a single customer or small number of customers seek to go on market, is fair and reasonable we recommend that the following issues also be taken into consideration:³

1. Clarification on the AER's review of existing exempt embedded networks and the estimated timeframe,
2. Development of clear factors that the AER must consider when determining the costs vs benefit of appointing an embedded network manager, including any circumstances unique to a particular embedded network,
3. Embedded network operators be given a chance to make submissions to the AER and for those submissions to be taken into account,
4. Establishment of a formal process to ensure that a customer's exercise of a right to access a retail market offer is a bona fide act,
5. A process to deal with instances where a customer changes their mind about going on market (e.g. the requirement to appoint an embedded network manager drops off after a

³ We note that some of these are most appropriately addressed in the AER's network exemption guideline

period of inactivity by the customer) or an on-market customer reverts to an off-market customer.

6. Should changes to the AER's network exemption guideline include aligning metering standards within and outside embedded networks, clear rules are needed on replacing accumulation meters with advanced meters and who bears the cost of this, particularly where a new or replacement advanced parent meter is needed for the installation of a new or replacement advanced child meter.

Draft Rule

The draft Schedule 1 Amendment to the National Electricity Rules proposes to amend Clause 2.5.1 Registration as a Network Service Provider. Overall, the draft amendment is appropriate however we suggest that the AER's power to impose such conditions as it deems appropriate on an exemption is already set out in rule 2.5.1 (d). Draft rule (d1) (2) is therefore unnecessary and should be deleted:

2.5.1 Registration as a Network Service Provider

(a) Subject to clause 2.5.1(d), a person must not engage in the activity of owning, controlling or operating a transmission or distribution system unless that person is registered by AEMO as a Network Service Provider.

(b) [Deleted]

(c) [Deleted]

(d) The AER may, in accordance with the guidelines issued from time to time by the AER, exempt any person or class of persons who is or are required to register as a Network Service Provider from:

(1) the requirement to register as a Network Service Provider; or

(2) the operation of Chapter 5,

subject to such conditions as the AER deems appropriate where (in the AER's opinion) an exemption is not inconsistent with the national electricity objective.

(d1) An exemption granted by the AER under paragraph (d):

(1) is, if the exemption relates to a person who owns, controls or operates an embedded network, deemed to be subject to the ENM conditions unless:

(i) the embedded network the subject of the exemption is located in a participating jurisdiction in which persons connected, or proposed to be connected, to the embedded network are not afforded the right to a choice of retailer; or

(ii) the AER has made a determination under paragraph (d2).~~;~~
and

(2) may be subject to such other conditions as the AER deems appropriate.

(d2) If the AER considers that the likely costs of complying with ENM conditions outweigh the likely benefits to persons connected, or proposed to be connected, to the embedded network,

the AER may, when granting an exemption under paragraph (d), determine to exempt that person or class of persons from the requirement to comply with the ENM conditions until such time as an ENM conditions trigger occurs.

(e) The AER must develop and issue guidelines for the exemptions described in clause 2.5.1(d) pursuant to the Rules consultation procedures and in accordance with those procedures consult with Registered Participants and authorities responsible for administering the jurisdictional electricity legislation.

(e1) Without limitation, an exemption may be given which only relates to certain specified transmission or distribution systems or classes of transmission or distribution systems.

(f) Prior to granting any exemption under clause 2.5.1(d), the AER must consult with the authorities responsible for administering the jurisdictional electricity legislation in the participating jurisdictions in which any transmission systems or distribution systems owned, operated or controlled by persons or class of persons under exemption consideration are located.

(g) Without limitation, an exemption may be given which only relieves a person or class of persons from either or both of the matters described in clause 2.5.1(d)(1) or (2) in relation to certain specified transmission or distribution systems or classes of transmission or distribution systems.

Commission's Recommendations to the AER

We make the following comments on the Commission's recommendations to the AER:

1. The AER amend its network exemption guideline to include a requirement that embedded network operators provide information regarding the unbundled amount of charges when requested to do so by either a customer or a retailer that the customer is seeking an offer from.

Further information is required regarding what is involved for a park owner (operator) to do this. If there is a time and cost impact operators will be reluctant to take on that responsibility and feel that they are taking on a cost that they can't recover and the consequence is that they will lose a customer.

2. The AER change the standards for meter reading, testing and inspection for off-market customers by amending the conditions to exemptions in the AER's network guideline so that the conditions match the requirements to the NER.

This is a matter to be address with the AER when more information about the AER's position is available.

3. The Commission considers the AER's network and retail guidelines, and the consultation process required to update these guidelines, sufficiently address the issue that embedded network customers are informed of changes to their rights and the responsibilities of embedded network operators resulting from the change rule.

We agree with this analysis.

4. On the basis that the Competition in Metering draft rule is made, the Commission recommends that the AER amend its network exemption guidelines to require the

embedded network operator to inform the child connection point retailer of the life support requirement as we as the parent connection point LNSP.

We support this recommendation.

Thank you once again to the AEMC for its consideration of our submissions. In consideration of the larger embedded network sector, we accept that the draft rule is a more preferable rule to the AEMO's proposal. The flexibility for the AER to decide which embedded network operators are required to appoint an embedded network manager may assist with somewhat alleviating the compliance burden for some networks.

We are available to discuss this submission further and look forward to our continued involvement in the consultation process.

Should you have any questions or require further information please contact us on (02) 9615 9999 or email admin@cciansw.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lyndel Gray', with a large, stylized flourish at the end.

Lyndel Gray
Chief Executive Officer