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Mr S Graham
Chief Executive Officer
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
SYDNEY NSW 2000

Dear Mr Graham

PROPOSED AMENDMENT TO THE NATIONAL ELECTRICITY RULES

The Tasmanian Government has committed to extending retail contestability to customers consuming between 50-150MWh per annum (Tranche 5a customers) from 1 July 2011. The regulations to enable this to occur were gazetted on 27 April 2011.

Implementation of this decision requires a number of technical and procedural instruments under the National Electricity Law and the National Electricity Rules to be amended to enable these customers to operate as contestable customers in the National Electricity Market.

In particular, amendments are required to:

- apply the National Metrology Procedure to the basic accumulation meters in Tasmania, which are the meters utilised by most Tranche 5a customers;
- update the NEM Business to Business procedures to include Tasmania for all customer and site details notification transactions, apply relevant service order types to Tasmania and provide for various procedures relating to the connection and disconnection of Tranche 5a customers; and
- amend a number of NEM customer administration and transfer procedures, which govern customer transfer, the registration of metering installations and the management of customer data.

We are advised that the above amendments would ordinarily require a consultation process to be undertaken in accordance with Rule 8.9 of the National Electricity Rules.

However, we consider that the required procedural amendments will have the effect of including Tasmania where it had otherwise been excluded from national procedures, will have no impact on other market participants and will promote further competition in the Tasmanian retail sector.



Accordingly, please find enclosed for your consideration a Rule Change Request submission from the Tasmanian Government requesting that the Rules be amended to allow AEMO to amend the relevant national procedures without the consultation process in Rule 8.9 in the Rules being followed. We consider that the Rule Change Request is of a non-controversial nature. Officers at Aurora Energy and AEMO have been involved in the preparation of the submission.

We are advised that the proposed changes were outlined by AEMO in its *AEMO Communication* on 29 March 2011, ensuring that all NEM participants have been advised of the proposal. We are also advised that as secretariat to the Information Exchange Committee and chair of the Retail Market Executive Committee presiding over NEM B2B, MSATS and Metrology Procedures, the AEMO also wrote to each of the committee members advising of the proposed approach for the procedural changes in this instance.

We are advised that a single response was received from an IEC member indicating in-principle agreement that the procedural changes in this instance were unlikely to be controversial, but nominating a preference for a full Rules consultation. We have further been advised that AEMO contacted the IEC member explaining the approach being undertaken, the time constraint difficulties and the IEC member was satisfied with the explanation and has not pursued or raised any further concerns.

We consider that the consultation undertaken to date provides strong support for the proposed amendments and their treatment as a non-controversial change.

If you have any queries in relation to the Government's submission, we suggest that you contact Mr Andrew Rayner of the Department of Treasury and Finance on (03) 6233 6732 or by email: andrew.rayner@treasury.tas.gov.au.

Yours sincerely



Lara Giddings MP
Premier
Treasurer



Hon Bryan Green MP
Minister for Energy and Resources

Tasmania Tranche 5a: Rule Change Proposal

1 Background

The Tasmanian Government has been progressively introducing retail contestability for Tasmanian electricity consumers since 1 July 2006. Currently, business customers with annual electricity consumption of 150MWh or above can choose the electricity retail offering that best suits their needs. This group of customers roughly equates to medium and large businesses.

The Tasmanian Government has committed to introducing a further tranche of reforms (Tranche 5a) from 1 July 2011 for smaller business customers consuming between 50-150MWh per annum. This change is anticipated to affect approximately 3 500 Tasmanian business customer sites. To facilitate these changes the Tasmanian Government has amended the *Electricity Supply Industry (Contestable Customer) Regulations 2005* to allow contestability for these customers from 1 July 2011.

The proposed rule change allows AEMO to amend the Market Settlement and Transfer Solutions, Business to Business (B2B) and Metrology Procedures to allow these contestability arrangements to be implemented in the NEM systems by the desired target date of 1 July 2011.

2 Statement of Issue

2.1 Issue with current NER requirements

Introducing retail contestability for Tasmanian business customers with annual usage between 50-150MWh does not require any changes to the National Electricity Rules (NER) but the following Procedures need to be amended:

- Metrology Procedure;
- Market Settlement and Transfer Solution Procedures; and
- B2B Procedures.

The NER prescribe the processes that must be followed to amend these Procedures. For all three Procedures, this includes consultation using the “rules consultation procedures” in Rule 8.9 of the NER.

Consultation in accordance with the rules consultation procedures takes 85 business days (approximately 4 months). AEMO has advised that it is unable to make these changes by 1 July 2011 under the current arrangements, including those under Rule 8.9.

The Tasmanian Government considers that, while the changes to Procedures may be considered significant insofar as the extent to which they affect market arrangements for Tasmanian Tranche 5a customers, the required changes will not have an effect on market participants other than AEMO and Tasmania’s distribution business, Aurora Energy. Further, a failure to make the required changes to Procedures prior to 1 July 2011 would have a significant impact on other market participants in that Tasmanian second-tier retailers could be faced with compliance requirements that differ to those required in other NEM regions for retailing to similar customers.

3 Proposed Solution and Rule

3.1 Description of the Proposed Rule

The prescribed timeframes under the Rules consultation procedures in Rule 8.9 mean that the proposed changes cannot be completed by 1 July 2011. To address this issue the Tasmanian Government proposes to create a one-off transitional rule, under Chapter 11 of the NER, to facilitate the implementation of Tranche 5a.

The proposed Rule change will allow AEMO to amend the MSATS, B2B and Metrology Procedures without complying with the Rules consultation procedures in Rule 8.9.

The transitional Rule will specify:

- the Procedures that would be amended;
- that AEMO can amend these Procedures to implement Tranche 5a; and
- that AEMO must publish the amended Procedures.

A list of the amendments that Tasmania and AEMO currently anticipate will be made to the Procedures is included in Attachment A. This list is not intended to be comprehensive as more changes may be identified prior to 1 July 2011. The Rule should be written in sufficiently broad terms to ensure that AEMO is empowered to make any necessary changes to these Procedures that are identified prior to 1 July 2011.

3.2 Non-controversial Rule

The Tasmanian Government requests that the AEMC consider this Rule change request as a non-controversial proposal under section 96 of the National Electricity Law (NEL).

The AEMC is permitted to treat a proposal as non-controversial if it considers that the proposal “is unlikely to have a significant effect on the national electricity market.” The Tasmanian Government believes the proposed Rule is non-controversial for the following reasons:

- it facilitates the removal of existing derogations for Tasmanian Tranche 5a customers to more closely align the Tasmanian arrangements with those in other NEM regions;
- it extends retail contestability to Tasmanian business customers using greater than 50MWh but less than 150MWh per annum but does not require them to change retailers. The changes will not affect market participants operating in other NEM jurisdictions;
- existing contestable customers in the NEM will not be affected by the changes; and
- the number of customers affected, and their total electricity consumption, is very small as a proportion of the NEM, which suggests that the changes could not be considered significant.

3.2.1 Stakeholder Engagement

On 29 of March 2011, AEMO advised all registered participants in the NEM of this proposed approach to Procedure changes through a formal AEMO Communication¹. As secretariat to the Information Exchange Committee (IEC) and chair of the Retail Market Executive Committee (RMEC) presiding over NEM B2B, MSATS and Metrology Procedures, AEMO wrote to each of the committee members advising of the proposed approach for Procedure changes in this instance.

A single response via e-mail received on 1 April 2011 from an IEC/RMEC member indicating in-principle agreement that the Procedural changes in this instance were unlikely to be controversial, but nominating a preference for a full Rules consultation.

¹ AEMO Communication No.611- NEM – Tasmania Contestability Tranche 5A

AEMO contacted the IEC/RMEC member explaining the approach being undertaken, the time constraint difficulties and the IEC member was satisfied with the explanation and has not pursued or raised any further concerns.

3.3 Proposed Rule

11.39 Tasmania Tranche 5a NEM Procedure Changes

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- (a) Despite any other provision of these Rules AEMO may amend the:
- (i) Metrology Procedure;
 - (ii) Market Settlement and Transfer Solution Procedures; and
 - (iii) B2B Procedures (Procedures),
- without complying with any process specified in these Rules for the amendment of the Procedures.
- (b) An amendment made under paragraph (a) must be made:
- (i) prior to 1 July 2011; and
 - (ii) for the purpose of introducing contestability for connection points located in the Tasmanian region with annual consumption between 50 and 150 MWh.
- (c) Within (3 business days) of making any amendments under paragraph (a) AEMO must publish on its website revised versions of each of the Procedures incorporating those amendments.

4 Expected Benefits and Costs of the Proposed Rule

It is very likely that, in the absence of the proposed Rule, relevant Procedures would be amended at the conclusion of a standard rules consultation process. The probable effect of the proposed Rule is not the implementation of Procedures to support Tasmanian Tranche 5a *per se*, but rather the bringing forward of those arrangements to 1 July 2011.

An important implication of this is that the marginal cost of the proposed Rule is essentially zero, as the work required of AEMO and Aurora Energy to amend Procedures for Tranche 5a will be required in any event.

The principal benefit of the proposed Rule is that it will permit retail contestability for business customers consuming greater than 50MWh per annum to be implemented at the earliest possible date, consistent with the announced Tasmanian Government policy position and the *Electricity Supply Industry (Contestable Customer) Amendment Regulations 2011 (Tasmania)*. This will deliver a benefit for these customers as they will be permitted to choose the retail offering that best suits their business needs on and from the date on which the Tasmanian customer base has been advised that the arrangements will be implemented.

Meeting the announced contestability timeframe will also have benefits in terms of maintaining the confidence of customers and retailers in the ongoing reform process and encouraging second-tier retailers and retail market brokers to participate in the Tasmanian market. Providing market arrangements that encourage competition and new entrant participants will, in the medium and longer term, increase choice and efficiency in the Tasmanian market.

In contrast, the disbenefit that is likely to be incurred through failing to meet the reform timeframe is the confusion that would be created if Procedures are not adequate to support Tranche 5a from 1 July 2011. This would see new entrant and second-tier retailers discouraged from participating in the Tasmanian retail market and may also discourage Tranche 5a customers from accessing offers from second-tier retailers. This would be detrimental to the medium and longer term evolution of competition in the Tasmanian market.

5 How the Proposed Rule Contributes to the NEO

Before the AEMC can make a rule it must apply the rule making test set out in the NEL, which requires it to assess whether the proposed rule will or is likely to contribute to the National Electricity Objective (NEO):

...to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to –

(a) price, quality, reliability and security of supply of electricity; and

(b) the reliability, safety and security of the national electricity system.

This Rule Change request enables the extension of retail contestability from 1 July 2011 to Tasmania's Tranche 5a customers and will maintain the confidence of customers and second-tier retailers in the reform program, which will facilitate increased competition in the supply of electricity. The Tasmanian Government anticipates that this will promote efficient investment in and use of electricity with respect to price by allowing a broader class of customers to choose from whom they purchase electricity and allowing other retailers to enter the Tasmanian market. The benefits of increased completion are anticipated to be in the long-term interests of electricity consumers.

Attachment A

NEM B2B Procedures	Current Requirements	Proposed Amendments
1. Generic - Jurisdictional Applicability Tables		
Customer and Site Details Notification		Section 1.7(c) Table amended to include Tasmania for all transactions
Service Orders		Clause 2.1.1, Figure 2 of the Service Order Process amended to include applicable service order types to Tasmania. (Tasmania will apply all SO Types applicable to Vic, SA & Qld. Tasmania does not have processes that support Allocate NMI which is particular to the industry structure in NSW & ACT)
2. NEM B2B Service Orders Procedures		
Clause 1.9.2 Terminology	Consideration given to any requirement to add examples of Tasmania "Service Paperwork".	Suggested amendment to give example of appropriate Tasmania Service Paperwork form names.
Clause 2.12.7 Re-energisation		Amended to include new dot point j) Reference to the requirement in Tasmania for a safety inspection if supply has been disconnected for longer than 6 months.
Clause 2.12.13 Supply Abolishment		Added Tasmania to the list of states that have paperwork associated with abolishment of supply.
Clause 3.3.2	Notice Period Timing Requirements Figure 17	Re-energisation – Same Day BH - Add new dot point f.) 4pm in Tasmania. Re-energisation – Same Day AH – Add new dot point l.) Not available in Tasmania. Re-energisation – Previous Business Day - Add Tasmania to the list of other states in dot point m.) De-energisation – Add new dot point e.) In Tasmania, by 3pm one business day before the next scheduled day for the area.(ie Permissible Day) Special Read – Add dot point for TAS: by 3pm one business day before the next scheduled day for the area.(ie Permissible Day)
Clause 3.3.5	Timing Requirements for Completion of	New Connection : Add 10 business days in Tasmania. (from Service

	Requested Work	Request acceptance) Re-energisation – Add Tasmania into the list of other states. De-energisation – Add In Tasmania, normally on the permissible day, but may be within 2 days.
Clause 4.1	Figure 19 Service Order Transaction table.	Add Tasmania into list of states that use New Connection Service order listed in the table header.

3. MSATS Procedures	Current Requirements	Proposed Amendments
Clause 4.10.3 (e)	Note: In Tasmania the only valid Data stream Type is I.	This clause needs be removed, as then (f) will apply to Tasmania.
Clause 4.10.3 (f) 2	In Victoria and ACT, Profile Name must be NSLP.	Change to ; In Victoria, ACT and Tasmania, Profile Name must be NSLP. Corresponding change required in Standing Data for MSATS.
Table 43B NMI Discovery	NMI Discovery will need to be enabled for the Tasmania jurisdiction.	The Tasmania row of table altered to reflect the same search conditions as all other jurisdictions. Remove the jurisdictional variation that NMI Discovery is not enabled in Tasmania.

1. Metrology Procedure		
Part A Clause	Current Requirements	Proposed Amendments
2.1.2	The requirements of clause 2.3 are applicable to type 5 and type 6 metering installations only. These clauses apply in the jurisdictions of Australian Capital Territory, New South Wales, South Australia, Queensland, and Victoria but do not apply in the jurisdiction of Tasmania.	Delete the last sentence of clause 2.1.2 and include Tasmania as a jurisdiction in which clause 2.1.2 applies.
2.1.5	The requirements of clause 2.7 are applicable to type 5, type 6 and type 7 metering installations only. These clauses apply in the jurisdictions of Australian Capital Territory, New South Wales, South Australia, Queensland, and Victoria, but do	Delete the last sentence of clause 2.1.5 and include Tasmania as a jurisdiction in which clause 2.1.5 applies.

	not apply in the jurisdiction of Tasmania.	
3.1.2	Clause 3 applies to the jurisdictions of Australian Capital Territory, New South Wales, South Australia, Queensland, and Victoria but does not apply in the jurisdiction of Tasmania.	Delete the last sentence of clause 3.1.2 and include Tasmania as a jurisdiction in which clause 3.1.2 applies.
6.1.1 (Schedule 3)	Meter Provision components for type 6 metering installations do not currently apply in Tasmania.	Delete the last sentence of clause 6.1.1 and include Tasmania as a jurisdiction in which clause 6.1.1 applies.
7.1.1 (Schedule 4)	Energy Data Service components for type 5 metering installations do not currently apply in Tasmania.	Delete the last sentence of clause 7.1.1 and include Tasmania as a jurisdiction in which clause 7.1.1 applies.
8.1.1 (Schedule 5)	Energy Data Service components for type 6 metering installations do not currently apply in Tasmania.	Delete the last sentence of clause 8.1.1 and include Tasmania as a jurisdiction in which clause 8.1.1 applies.
11.1.1 (Schedule 15)	Capability of metering providers for type 5 meter installations.	Delete the last sentence of clause 11.1.1 and include Tasmania as a jurisdiction in which clause 11.1.1 applies.
12.1.1 (Schedule 16)	Capability of metering providers for type 6 meter installations.	Delete the last sentence of clause 12.1.1 and include Tasmania as a jurisdiction in which clause 12.1.1 applies.

1. Metrology Procedure		
Part B Clause	Current Requirements	Proposed Amendments
3.1.1	Substation and estimation of type 5 meter installations	Delete the last sentence of clause 3.1.1 and include Tasmania as a jurisdiction in which clause 3.1.1 applies.
4.1.1	Substation and estimation of type 6 meter installations	Delete the last sentence of clause 4.1.1 and include Tasmania as a jurisdiction in which clause 4.1.1 applies.
13.1.1	Application of load profiling (to Tasmania)	Delete the last sentence of clause 13.1.1 and include Tasmania as a jurisdiction in which clause 13.1.1 applies.
13.2.2	Requirement for load profiling (net system load profiles with no peel-off)	Amend the introduction to 13.2.2 to read: The requirements for Load Profiling in Victoria, Australian Capital Territory and Tasmania are to:
13.4.1	Net System Load Profile	Amend 13.4.1 to include Tasmania.