

NEMMCO

National Electricity Market
Management Company Ltd

ABN 94 072 010 327

Sydney Office

15 February 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear John

**Submission on Victorian Government Rule Change Proposal (Jurisdictional Derogation):
Advanced Metering Infrastructure (AMI) Rollout**

Thank you for the opportunity to provide this submission to the above *Rules*¹ change proposal.

The Victorian government is proposing to accelerate the replacement of all existing type 5 and 6 *metering installations* throughout Victoria where the end users' consumption is less than 160 MWh per annum with remotely read interval meters. In order to facilitate this within the *Rules* the Victorian government has proposed this *derogation* to the *Rules*.

Although NEMMCO has no comment on the intent of the *derogation* we do have concerns with some outworkings of the specific *derogation* as drafted.

- The proposed wording of the *derogation* could lead to confusion on scope regarding joint metering installations, boundary metering points and high voltage installations;
- The responsibilities for meter data collection would become complex amongst *Meter Data Agents*, *Network Service Providers* and *NEMMCO*.

Please find attached further detail on the proposed wording of the *derogation* and suggested additional drafting.

We look forward to the Commission's consideration of our submission. If there are any queries about this submission, please do not hesitate to contact Craig Parr on 02 8884 5030.

Yours sincerely



Murray Chapman
For Brian Spalding
Chief Operating Officer

¹ Note that italicised terms are defined in the National Electricity Rules.

Mansfield Office
PO Box 2516
Mansfield QLD 4122
Tel: (07) 3347 3100
Fax: (07) 3347 3200

Melbourne Office
Level 12
15 William Street
Melbourne VIC 3000
Tel: (03) 9648 8777
Fax: (03) 9648 8778

Norwest Office
PO Box 7326
Baulkham Hills BC NSW 2153
Tel: (02) 8884 5000
Fax: (02) 8884 5500

Sydney Office
Level 22, Norwich House
6-10 O'Connell Street
Sydney NSW 2000
Tel: (02) 9239 9199
Fax: (02) 9233 1965

Derogation of AMI Meters – Considerations

1. The Proposed Derogation

NEMMCO's understanding² of the Victorian Government's Advance Metering Infrastructure (AMI) program is that it is intended to accelerate the replacement of all existing type 5 and 6 *metering installations* throughout Victoria where the end users' consumption is less than 160 MWh per annum with particular types of type 4 *metering installations*. This program is to be implemented by each relevant *Local Network Service Provider (LNSP)* who, by virtue of the proposed *derogation* through to 31 December 2013, is to be the *responsible person* for all those *metering installations*.

NEMMCO has some concerns with the proposed method of implementing the *derogation*, with the main issues relating to:

- The proposed wording of the *derogation* could lead to confusion on scope regarding joint metering installations, boundary metering points and high voltage installations;
- The responsibilities around the collection of metering data and its interaction with the existing Meter Data Agency framework which is not addressed directly within the *Rules*.

2. Scope of the derogation

In our view the proposed *derogation* (Rule 9.9B.1) could lead to incorrect inclusion of high voltage metering installations, boundary metering installations and joint metering installations that are below 160MWh.

The wording of the *derogation* creates a number of potential problems as described below:

1. There currently exist a number of *metering installations* in the NEM that are *distribution area boundary metering installations*, or *wholesale boundary metering installations* that are type 3 or 4 *metering installations*. These *metering installations* often form a parameter, or component, of a wider validation process and logical *energy* calculation that facilitates a wider *network* or *regional* assessment of *boundary energy*. In all instances these *metering installations* are *high voltage* installations. It will be necessary to confirm that these *metering installations* are not included in the *derogation*.

The current Meter Data Agent (MDA) legal framework permits NEMMCO to reject the MDA nominated by the *Market Participant*. In practice, these processes enable NEMMCO to manage complex *boundary energy* calculation processes, which cover the full range of *metering installation* types 1 - 4. The possible inclusion in the *derogation* of high voltage connection points removes NEMMCO's *ability* to manage the provision of *metering data* from boundary point and other relevant *metering installations*.

² NEMMCO's understanding is based on instruments including the Minimum Functionality Specification (3.2(a)) that requires the meters have a minimum capability of type 4 meters.

2. The proposed *derogation* seeks to include *metering installations* other than type 1 or type 2 to assist in the AMI rollout. The Minimum AMI Functionality Specification published by the Victorian Government³ states that the AMI *meter*,
- (a) is to be a single or three phase low voltage *meter*,
 - (b) must meet the accuracy specification of both type 4 and type 6 *metering installations*; and
 - (c) must have a time synchronisation capability that can be maintained within 20 seconds of *Australian Eastern Standard Time*.

It should be noted that:

- Some type 3 and type 4 *metering installations* are high voltage; and
- *meters* conforming to the AMI specification cannot meet the time synchronisation requirements in the *Rules* for type 3 *metering installations*.

Hence, we suggest that the proposed *derogation* should not apply globally to any type 3 or 4 *high voltage metering installations*, even where they are below 160MWh.

NEMMCO therefore suggests that the *derogation* be amended to exclude *high voltage* sites which will address the above mentioned *metering installations*.

Suggested wording changes to *Rules*

9.9B.1 Application

(a) Subject to paragraph (b), this clause 9.9B applies to each *metering installation* for a *connection point* located in Victoria (other than a type 1 or a type 2 *metering installation*) in respect of which less than 160MWh per annum of *energy* is consumed by a customer and which:

- (i) is installed on or after the *start date*, unless the *Market Participant* is the *responsible person* for such *metering installation* at the *start date* and the installation occurs in accordance with the ordinary replacement cycle of that *Market Participant*; or
- (ii) was installed prior to the *start date*, unless the *Market Participant* is the *responsible person* for such *metering installation* at the *start date*,
(**relevant metering installation**).

(b) Relevant metering installations do not include metering installations located at High Voltage connection points.

(c) For the purpose of this clause 9.9B, volume consumption will be calculated in accordance with Schedule 2 of the *metrology procedure*.

(d) Clause 9.9B ceases to apply on 31 December 2013.

³ See

[http://www.dpi.vic.gov.au/dpi/dpinenergy_nsf/93a98744f6ec41bd4a256c8e00013aa9/ab09efd9d813f553ca2573b0000b136d/\\$FILE/ATTLH8V9/Minimum%20AMI%20Functionality%20Specification%20-%20Victoria.pdf](http://www.dpi.vic.gov.au/dpi/dpinenergy_nsf/93a98744f6ec41bd4a256c8e00013aa9/ab09efd9d813f553ca2573b0000b136d/$FILE/ATTLH8V9/Minimum%20AMI%20Functionality%20Specification%20-%20Victoria.pdf)

3. Collection of Metering Data

The existing *Rules* assign responsibilities to NEMMCO for *remote acquisition* of metering data for Type 1 to 4 *metering installations*. The framework for the management of *metering data* collection has been developed on the basis of the competitive provision of collection services for type 1 – 4 *metering installations*. NEMMCO uses Metering Data Agents (MDA) to carry out these tasks. Competition is currently facilitated in this area through NEMMCO's MDA Nomination Deed giving *Market Participants* the right to nominate an MDA. The proposed *derogation* cuts through this existing framework and in our view minor additional drafting is required to clarify this issue.

Suggested wording changes to the *Rules* are attached at the end of this section.

Background to MDA framework

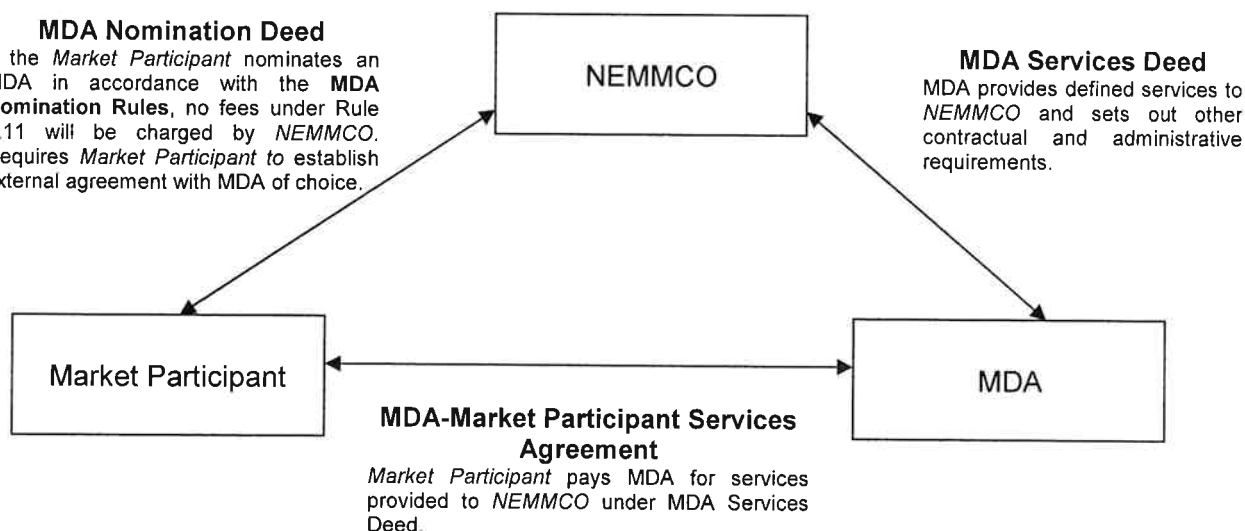
Rule 9.9B.6 of the proposed *derogation* aims to provide the LNSP with the right to select the person NEMMCO engages to provide *agency data collection systems*. NEMMCO's obligations under Chapter 7 include a requirement in Rule 7.3.3 to use *revenue metering data* as its primary source of data for billing purposes. *Revenue metering data* is derived from the collection and processing of *metering data* from a *revenue metering installation*. *Revenue metering data* must undergo validation and substitution before it can become *settlements ready data* suitable for inclusion in the *metering database* NEMMCO is required to maintain under Rule 7.9.1.

NEMMCO is permitted by Rule 7.9.1 to use *agency metering databases* to meet this obligation. *Agency metering databases* are maintained by MDAs in accordance with the terms of an MDA Services Deed, which is executed between NEMMCO and the MDA. At its core, the MDA Services Deed requires MDAs to perform NEMMCO's obligations under *Rules* 7.5 and 7.9 except for the obligation to develop data validation processes as contemplated by Rule 7.9.4.

To support the use of *agency metering databases*, and in accordance with NEMMCO's MDA Nomination Rules, NEMMCO requires *Market Participants'* to nominate which MDA will be engaged by the *Market Participant* to provide the required MDA services. The MDA is then engaged by the *Market Participant* pursuant to an MDA Nomination Deed through a process that is commercial and contractual and not currently provided for within the *Rules*.

Businesses wishing to be registered with NEMMCO as an MDA must pass a rigorous accreditation process to ensure that they have the systems and processes in place to process the *metering data* with the required accuracy and integrity. All businesses subsequently accredited sign an MDA Services Deed with NEMMCO that defines the services required and other contractual requirements.

These relationships can be pictured as follows:



This framework⁴ accords with the structure provided in the *Rules* while at the same time promoting competition for the provision of these services and ensuring redundancy if an MDA is unable to complete its obligations, or is non-compliant in meeting those obligations resulting in their deregistration.

The MDA Framework in the context of the Derogation

A number of consequential issues have been identified in the proposed *derogation* with the Rule 9.9B.6 of the *derogation* as follows;

a. The MDA Contractual Framework

The proposed *derogation* does not acknowledge or preserve the contractual framework by which MDAs perform *NEMMCO*'s obligations under *Rules* 7.5 and 7.9 (other than Rule 7.9.4). *NEMMCO* notes that Rule 7.9.1(b1) requires "persons engaged by *NEMMCO* to provide *agency data collection systems* and *agency metering databases* must meet and comply with the service level requirements and any other criteria that *NEMMCO* establishes from time-to-time in relation to those functions, including accreditation requirements". In engaging agencies to perform this function *NEMMCO* has addressed in the MDA contractual framework a number of commercial issues, including:

- Compliance. The requirement that the nominating party (currently the *Market Participant*) comply with the MDA Nomination Rules;

⁴ Proforma copies of the MDA Nomination Deed, MDA Nomination Rules, MDA Services Deed can be made available upon request

- **Payment.** Although the services are performed for *NEMMCO*, the *Market Participant* pays the fees owing to the MDA and *NEMMCO* effectively guarantees payments if the *Market Participant* fails to do so within a specified period of time. The trade-off is that a *Market Participant* who pays the MDA is not charged for these services through *Participant fees*;
- **Liability.** There is a need for *NEMMCO*'s liability to the *Market Participant* and the MDA to be limited as this is not a liability that is covered by the limitation contained in the *National Electricity Law*;
- **Right of Access.** There is a need for access to the MDA premises and systems to audit the MDAs' performance, which occurs annually;
- **Risk Management.** MDAs are required to carry appropriate insurances;
- **Intellectual Property.** Because of the nature of the services being performed, it is necessary that ownership of intellectual property rights be clearly articulated;
- **Deed Termination.** The ability to terminate the services for specified reasons, such as default.

These commercial arrangements are the subject of legal deeds rather than service level requirements as indicated in the *Rules* and, indeed, it may not be appropriate for some of these to be included as service level requirements.

b. Arrangements in case of MDA Failure

The Rule Change Proposal states that the "Victorian Government is of the view that the efficiency of the AMI rollout will be compromised unless distributors have the right to act as Metering Data Agents or to select the Metering Data Agents..."⁵. The proposed *derogation* confirms this by giving LNSPs the exclusive right to "select the person to be engaged by *NEMMCO* to provide *agency data collection systems* and *agency metering databases*..."⁶. This framework is consistent with that currently applied to type 5 and 6 *metering installations* where the LNSP has exclusivity as the *responsible person* and the impact of these arrangements on *market processes*, in the event of process failure, can generally be accommodated due to the manual nature of *metering data* collection.

The Victorian Government Proposal and *derogation* do not address the risk of failure or redundancy in scenarios where the LNSP's preferred MDA is unable to fulfil its obligations, or is deregistered by *NEMMCO*. In this scenario and as drafted, another MDA may be required to collect *metering data* on *NEMMCO*'s behalf requiring appropriate access to the AMI system.

⁵ See section 3.7(b), page 14, of Rule Change Proposal.

⁶ Rule 9.9B.6 of the *derogation*.

The risk of an MDA being unable to fulfil its obligations was highlighted to NEMMCO in 2007 when qualified audit reports were received on two MDAs. As the *Rules* place the responsibility on NEMMCO for the collection of *metering data*⁷ the risk of MDA failure or deregistration is a risk that NEMMCO seeks to ensure is mitigated through an appropriate outcome in the *derogation* whereby this responsibility lies with the LNSP as intended.

In order to resolve the issues identified in a) and b) above NEMMCO suggests greater clarity be added around the responsibility for *remote acquisition* in association with the *derogation*. Our understanding of the proposed *derogation* is the responsibility for *remote acquisition* for an AMI metering system is intended to be the LNSP. The following is suggested wording that would clarify this obligation.

Suggested wording changes to *Rules*

9.9B.7 Remote acquisition of data

Notwithstanding clause 7.9.2 (a) the *Local Network Service Provider* is responsible for the *remote acquisition* of the *metering data* from the *relevant metering installations* and NEMMCO is responsible for storing this *data* as *settlements ready data* in the *metering database*. Such data may be used:

- (1) by NEMMCO for *settlements* purposes in accordance with clause 7.9.1; or
- (2) by *Distribution Network Service Providers* for the purpose of determining *distribution service charges* in accordance with clause 6.20.1.

⁷ See Rule 7.9.2.