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Via online submission

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ERC0181: Multiple Trading Relationships Rule 2015—Jemena response to Consultation Paper on Request for Rule Change

We welcome the opportunity to respond to the Australian Energy Market Commission's (AEMC) consultation paper on the Australian Energy Market Operator's (AEMO) request for a rule change to facilitate customers entering into multiple trading relationships (MTR) with different electricity retailers at a premises.

Jemena is an \$8.5 billion company that owns and manages some of Australia's most significant gas and electricity assets, including the Jemena electricity network (JEN) which delivers power to over 330,000 homes and businesses in north-west Melbourne.

Jemena is evolving its suite of cost reflective network tariffs to reflect the changes in technology and customer preferences in the marketplace. We are supportive of measures that enhance the products and services available to customers, including encouraging the uptake of new network tariffs (such as an EV or interruptible battery incentive tariff) that have the potential to lower our costs of providing network services.

For these reasons, we have a strong interest in this consultation.

Jemena has contributed to and supports positions outlined in the Energy Network Association's (ENA) submission. In particular, we note the following points made by the ENA:

- There is no burning platform for this change at this time.
- AEMO's proposed solution involves an unacceptably high degree of complexity and cost.
- The existing regulatory framework can accommodate MTR without significant changes, and equitably for customers.

Some additional observations from Jemena's perspective follow.

Good regulatory practice and market context do not support significant changes at this time.

Good regulatory practice dictates the importance of being sure when considering any potential changes to market or regulatory arrangements that:

- There is a material, clearly identifiable problem. This means understanding to what extent the current or evolving arrangements would prevent the desired new products or services from emerging.
- All available solutions to the problem are identified, and their costs and benefits are assessed and compared with a 'do nothing' option.
- Only the option with the greatest net benefits is selected.

These are early days for new products emerging in the market, and a new contestable metering landscape is emerging with new providers taking over existing responsibilities. In these circumstances, it may be prudent to wait to see how these arrangements evolve *before* making further costly changes to the market.

Reform outcomes should be efficient, fair, and not compromise safety.

Any measures to facilitate MTR should entail the least cost for customers, be equitable in that the user pays, not compromise safety or consumer protections, and be capable of efficient and timely implementation.

There is no clear net benefit with AEMO's proposed rule change.

Though Jemena acknowledges the potential benefits of MTR, our strong view is that the rule changes being considered would give rise to new issues relating to the regulatory framework detail, operational and implementation matters. Addressing these issues would introduce additional costs, operational complexity, safety issues, and regulatory uncertainty; these detriments far outweigh the expected MTR benefits.

Also, to the extent AEMO's proposed option involves physical changes to the connection point (ie. moving the settlement point from meter level to data stream level), it is constrained by the physical design of the meter itself, such that changes create the very problems that AEMO's rule change sought to avoid

The proposed rule change is not necessary. Existing capabilities in the NEM provide a workable, efficient solution.

MTR can be supported through current arrangements:

- Parallel supplies – Establishing a second connection point with a second NMI would enable current systems to manage without change. Distribution network service providers (DNSPs) would bill retailers the two NMIs separately, i.e. treating each as a different customer. This entails no billing changes, as each connection would be separately identified, separately connected/disconnected, and separately registered.
- In-series supplies – An alternative option is to utilise the current embedded network arrangements, with a parent (boundary) meter and child meters installed downstream of the parent meter. DNSPs would bill the parent meter and only bill the metering charges for the child meters.

Proposed rule changes would complicate and impede other important reforms. MTR has no clear synergies with other reforms under way.

We note:

- The objective of MTR is to facilitate the development of new products and services in a competitive market place.
- A suite of integrated systems—of which billing is but one—would need to change to accommodate AEMO’s proposed rule change.

Extensive national electricity market reforms that will promote competition and innovation are already under way¹. As the ENA submission observes, important operational, procedural and implementation issues remain to be resolved for the competitive metering rule changes. Resolving those matters should not be complicated by new MTR arrangements.

Jemena also considers it would be more appropriate to settle current rule and procedure changes and allow the market time to mature, rather than overlaying major system changes to facilitate possible new markets based on MTR.

The additional complexity simply is not justified at this time, particularly when there is no clear evidence of a significant demand.

Need to balance ability to evolve with certainty and cost implications.

As highlighted in the ENA submission, there are practical problems with the high level framework and evolution model proposed by AEMO. Its effectiveness depends on additional procedures and systems yet to be developed; also it envisages choices and trade-offs by entities whose interests are not necessarily aligned with the long term interests of all customers. These factors may lead to:

- Network businesses needing to make significant investments whilst there would be very few beneficiaries.
- Cost estimates increasing as the rule change becomes more certain, AEMO procedures are amended in response to the rule change, and consequential changes are made to jurisdictional instruments.

The customer who seeks MTR stands to benefit, and should pay. Network costs should not be smeared across all customers.

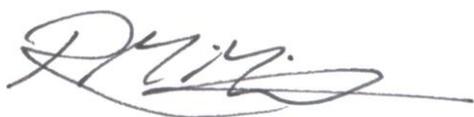
In our suggested model, the customer would pay the increased cost of establishing a second connection point, and ongoing cost reflective network charges for each connection (parallel supplies) or the market design is already in place and there are no incremental costs (in-series supplies). Jemena supports these as the least cost options, reducing upward pressure on electricity bills for all customers.

These solutions deliver a fairer outcome than an alternative model with multiple settlement points introduced behind a single connection point. Jemena believes that this alternative would require extensive and costly IT system changes, with costs smeared across all customers. On an equity basis, this should be rejected.

¹ In particular, changes relating to expanding competition in metering and related services (AEMC Ref. ERC0169) and embedded networks (AEMC Ref. ERC0179)

If you wish to discuss the submission please contact Matthew Serpell, Manager Asset Regulation & Strategy on (03) 9173 8231 or at matthew.serpell@jemena.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. McMillan', with a long horizontal flourish extending to the right.

Robert McMillan
General Manager Regulation
Jemena Limited