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Dear Mr Davis,

Consultation Paper on global settlement and market reconciliation

The AEMO Rule Change seeks to establish a more equitable approach between Local Retailers (LR) and independent retailers and remove any deterrents to substantial smart metering deployments. We appreciate the opportunity to make this submission on the proposal to use a global settlement framework instead of the existing settlement framework of differencing from the Local Retailer's consumption.

AusNet Services supports, in principle, the adoption of global settlement framework for the wholesale National Electricity Market (NEM). We agree that there are potential net benefits from the proposed change and may be significant cost savings for AEMO in aligning this charge with the 1 July 2021 introduction of the 5 minute settlements rule.

However, the implementation of global settlement and market reconciliation has the potential to disrupt our existing billing arrangements for unmetered customers, and interfere with the implementation of the 5 minute settlements rule. The remainder of this submission discusses these issues.

Responsibility for Metering Coordinator assignment for transmission metering

The National Electricity Rules (NER) assign responsibility for transmission metering to the connection point's Financially Responsible Market Participant (FRMP). Under these obligations, the FRMP either must contract the Transmission Network Service Provider (TNSP) to act as Metering Coordinator (MC), or the FRMP must act as MC.

For the metering between the transmission network and distribution networks, it is the FRMP that is the LR of the DNSP area that is responsible for that metering. For example, AGL is the FRMP for connection points between the Victorian transmission network and Jemena's distribution network area, where the TNSP (AusNet Services) is contracted by AGL to perform the role of MC.

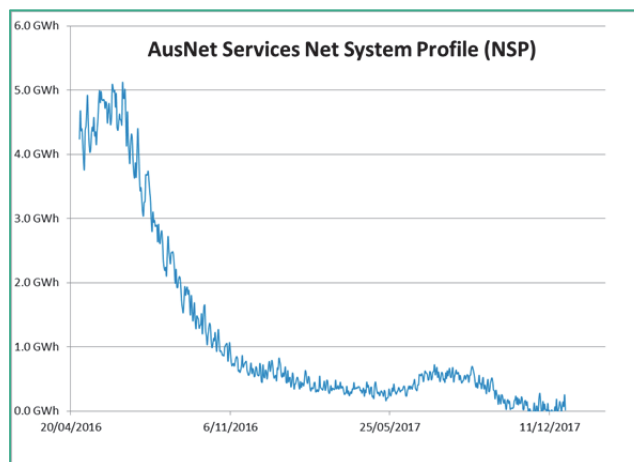
In the existing context of 'settlements by differencing' wholesale market settlements, the LR has a strong financial interest in the value of energy entering each DNSP area and so is incentivised to ensure metering accuracy. However, in the global settlements context the liability for transmission metering is shared by all retailers operating in the local network area.

The 5 minute settlement rule change outcomes are critically reliant on the transmission metering transferring to 5 minute metering on the same implementation date, 1 July 2021. The rule change request proposes this same date as the global settlement and market reconciliation rule change effective date. Any changes to responsibility for appointing TNSP metering could risk a successful implementation of 5 minute settlements, unless those changes are made well in advance of 1 July 2021. We recommend any such changes to the responsibility for appointing TNSP metering are made by 1 Dec 2019.

Disruption to the existing network billing arrangements for unmetered loads

AusNet Services has thousands of unmetered supplies including telecommunications infrastructure, security lighting, council sprinkler systems, and bus shelters currently classified as *franchise customers* consuming close to \$5 million in network revenue per year. Additionally in our network area, Type 7 unmetered connections supply a similar value of energy to councils. We charge the associated *distribution services* via the LR and take steps to ensure Distribution Loss Factors (DLFs) do not double count this energy. NATA approved testing is undertaken to verify the agreed consumption by unmetered connections.

Under the settlements by difference framework, this approach is successful in ensuring that unaccounted for energy in our local network area is not creating a disproportionate burden on independent retailers. After an effective AMI metering deployment we have less than 1% of energised sites with Type 6 metering. Our below net system load profile measured by AEMO is evidence of this.



However, the global settlement and market reconciliation rule change proposes to amend NER 6.20.1 provisions, which currently allows DNSPs to charge the LR for *distribution services* provided to *franchise customers*. *Franchise customers* do not have NEM compliant metering. Therefore, *distribution services* cannot be charged by the DNSP until NEM compliant metering is installed or assigned to Type 7 metering. Until AEMO coordinates a process to incorporate additional Type 7 metering arrangements with the Ministers of the MCE, and if this is not established in advance, then a resulting revenue shortfall to DNSPs would need to be funded by other customers. Our assessment is that this would increase network charges on all other existing customers by approximately 1% whilst delays persist.

The installation of NEM compliant metering would in many cases result in more street side equipment such as pillars, and would not be favoured by public road authorities. Alternatively, the process for changing jurisdictional metrology material in NER 7.16.4 to expand the scope of Type 7 is overly time-consuming. Potentially, an additional metering type could be introduced to allow for “small load” metering framework for use with “intelligent street lighting” and “smart city enablers”, but this would also need to be introduced in the implementation timeframe of 1 July 2021. Such a framework would prevent the requirement of a NEM compliant meter to be installed at each site and better account for previously unmetered load. It is important this matter is resolved in the Rule change to avoid any unnecessary price increases on our customers

If you have any queries on our submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely,

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