



Mr Ben Davis
Australian Energy Market Commission
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Dear Mr Davis,

RE: Reference ERC0240 Global Settlement Consultation Paper

Ausgrid welcomes the opportunity to provide this response to the global settlement consultation paper published by the Australian Energy Market Commission.

Ausgrid is generally supportive of the intent of the proposal from the Australian Energy Market Operator (AEMO) to introduce a Global Settlements regime, but we believe further development of the proposed solutions is required to minimise any negative impacts on market participants. There are two areas in particular which we view need further consideration of the impacts of a change in process.

Un-metered Loads

The treatment of existing legacy non-market unmetered supplies (not Type 7) has potential impacts on the market, including the accuracy and data cleansing requirements to make this unaccounted for load of adequate quality for market settlement. This could result in significant on-going costs if integrated more fully into the market. Further details on the impacts are captured in the attached stakeholder feedback form.

Virtual Transmission Nodes

Ausgrid also believes that consideration should also be given to maintaining Virtual Transmission Nodes (VTN) under a Global Settlement regime, as it is an efficient mechanism for managing the high volumes of unmetered loads. There are potentially significant costs and impacts to the market if these are abolished, which would be exacerbated if non-market unmetered supplies are also introduced into the market as part of this rule change. Further details on the impacts of abolishing VTNs is captured in the attached stakeholder feedback form.

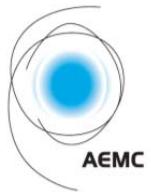
We have attached the AEMC's stakeholder feedback form with comments for your consideration.

If you have any questions or would like to discuss this matter, please do not hesitate to call Wayne Turner, Metering Compliance & Regulation Manager on (02) 4399 8133 or wturner@ausgrid.com.au

Yours Sincerely

A handwritten signature in black ink, appearing to read "S. Sofi".

Sam Sofi
General Manager Asset Management & Operations
6/7/2018



Stakeholder feedback template

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in this paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

Organisation: Ausgrid

Contact name: Wayne Turner

Contact details (email / phone): wturner@ausgrid.com.au; (02) 4399 8133.

Questions	Feedback
Chapter 5 – Section 5.1.1 – Allocating volumes of unaccounted for energy	
1. To what extent is the full allocation of UFE to local retailers an issue?	No comment
2. What are the UFE costs and volumes for local retailers?	No comment
3. What are your views on AEMO's high level design for global settlement, generally and in relation to allocation of UFE?	No comment
4. What other UFE allocation methods could be suitable and why?	No comment. Refer to response to Q11 for discussion on unmetered loads.
Chapter 5 – Section 5.1.2 – Effect on pricing of unaccounted for energy costs	
5. How will local and independent retailers respond to change in the financial responsibility for UFE? In what way and to what extent?	No comment
6. Do you consider that a move to global settlement would affect retailer competition, and if so, how? How could these effects be addressed?	No comment

Questions	Feedback
Chapter 5 – Section 5.1.3 – Secondary price effects	
7. What are your views on the levels of any secondary price effects from global settlement?	No comment
8. How would UFE be treated under the LRET, the SRES and jurisdictional environmental schemes?	No comment
9. Under the proposed global settlement design, what information would be needed on settlement statements to support liability calculations for the LRET, the SRES and jurisdictional environmental schemes?	No comment
Chapter 5 – Section 5.1.4 – Calculating unaccounted for energy - unmetered loads	
10. What are your views on the proposed method for calculating total UFE for a local area?	In AEMO's proposal, where the local retailer and DNSP agree the quantum of energy being traded, does this energy get converted to interval data for settlement and will market NMIs be allocated for these loads, or will the current off market NMI method be retained? Does the customer for these NMIs have a choice of retailer? Ausgrid's MDP will be required to deliver to AEMO all LR=FRMP data now withheld.
11. How should unmetered loads be managed?	As AEMO have identified, the process of approving new Type 7 market loads is quite tedious and would not provide an efficient or cost effective outcome for existing non Type 7 unmetered loads. Once jurisdictional minister approval has occurred, the customer would need to submit NATA test certificates for each of the proposed loads. Not only would that be expensive for the customer, many of these loads are older legacy load using equipment which is no longer manufactured, therefore they would need to remove the equipment to get it tested. An alternate solution would be the creation of a new meter Type (eg. Type 7A). Using this meter Type, the MC (LNSP) and the customer can agree on the proposed load of each

Questions	Feedback
	<p>unmetered device currently connected or proposed to be connected to the LNSP network, which is the current process for non-Type 7 unmetered supplies. The same methodology can be used for a Type 7A where a NMI is allocated per TNI for the customer, the MC will approve the device load (instead of AEMO) and the MC and customer will agree on an inventory table for the NMI (current process for Type 7 and non Type 7 unmetered loads). The Type 7A inventory table can then be processed by our MDP and Type 7A interval data can be delivered for market settlement using the same requirements under the AEMO Metrology Procedure for calculation of Type 7 interval data.</p> <p>No matter what solution is decided, the accuracy of existing legacy unmetered loads and inventory tables would need to be considered as a part of the proposal. It would be impractical and inefficient to attempt to retrospectively apply the requirements of existing Type 7 metering installations to these loads, noting Ausgrid has over 170,000 non-market unmetered supplies.</p>
12. What other categories of loads need to be considered in the UFE calculation?	No comment
Chapter 5 – Section 5.2 – Treatment of virtual transmission nodes under global settlement	
13. Are VTNs still an appropriate mechanism for the NEM?	Ausgrid has 3 VTNs which are used for Type 7 NMIs. We believe these are an efficient and effective method for managing aggregated Type 7 NMIs where more precise allocation to specific TNIs is difficult to achieve a suitable level of accuracy, or would result in additional expense for customers.
14. Which classes of customers would be affected if VTNs were removed?	In Ausgrid network area, Type 7 and non market unmetered NMIs would be affected.
15. What price effects would occur if VTNs were removed?	If VTNs were removed, Type 7 customers who have connection spanning the entire Ausgrid network, such as traffic

Questions	Feedback
	<p>signals would require anew NMI for each set of traffic signal per TNI.</p> <p>We would expect that these unmetered loads would be aggregated per NMI per TNI and not a new NMI for each unmetered connection point.</p> <p>Ausgrid currently has approximate 57 TNIs through the network, this would mean customers who have Type 7 and Non Type 7 loads across the network would go from 3 NMIs to potentially 57 NMIs if the unmetered loads are aggregated per TNI, increasing their costs as fixed network charges are levied per NMI.</p>
16. What are the possible options for treatment of VTNs should the proposed rule be made? Describe any other suitable options (or variations of the options presented).	Ausgrid would prefer that the Virtual TNIs for unmetered loads remain in place as it is an administratively efficient mechanism to manage these types of loads where benefits for more accurate allocation are minimal.
17. Depending on how VTNs are treated under global settlement, DNSPs may incur a once-off cost associated with mapping existing VTN customer meters to a physical TNI. What costs, effort, benefits or synergies would be associated with this activity?	Mapping of the new NMIs to each TNI would be a labour intensive process, which could in some cases involve site inspections to verify the location of the unmetered connection. Retailers would need to notify and negotiate with their unmetered supply customers outlining the changes to their NMIs and increase in costs.
Chapter 5 – Section 5.3 – Global settlement coverage	
18. Do you agree with AEMO's proposed coverage of global settlement? Are there other situations, perhaps legacy arrangements or future scenarios, where settlement by differencing should be maintained or used?	No comment
Chapter 5 – Section 5.4.1 – Implementation timing	
19. What are your views on a start date for global settlement?	Ausgrid supports Global Settlements being introduced in line with the complete transition of the market to 5 minute settlements.

Questions	Feedback
20. What are your views on a staged commencement of global settlement, for example, by jurisdiction or distribution area? How would a staged commencement best be implemented?	No comment
21. What are your views on aligning the IT system development for global settlement with that of five minute settlement?	Ausgrid would support this proposal.
22. What timeframes would be required for AEMO, retailers, DNSPs and MDPs to upgrade internal processes, procedures and IT systems for global settlement?	Depending on the decision regarding VTNs, Ausgrid's service provider will have changes to implement in unmetered application and consumption data delivery rules. Implementation of Global Settlements would be a Large project for Ausgrid. We would require approximately a 12 months lead time for set up depending on the complexity of the NMI arrangements.
Chapter 5 – Section 5.4.2 – Implementation costs and savings	
23. What are the costs, synergies and risks involved in upgrading IT systems to accommodate global settlement?	There would be significant costs to implement for Ausgrid via our MDP service provider. Ausgrid will be required to cover the MDP costs to implement a number of ICT changes to facilitate global settlement. Indicative costs are in the order of \$500K depending on the complexity of the changes. Further impacts will depend on whether AEMO intend to be using the Meter Data Central to fulfil all Customer Access to Data Requirements of the market.
24. A move to global settlement would increase data handling because MDPs would need to send additional data to AEMO. What would the incremental cost of this activity be?	Our MDP Service Provider has advised that there will be a significant increase in data handling and therefore an increase in the cost to Ausgrid as a result of forwarding all consumption data to AEMO. This would result in an increase in data sent to AEMO however the incremental costs of this are difficult to estimate at this stage.
25. What level of savings would there be from MDPs no longer needing to support and deliver an AEMO specific data file?	No comment.

Questions	Feedback
26. What level of savings could be expected by retailers from reduction in settlement statement reconciliation?	No comment
27. Are there any other costs that market participants may incur if there is a move to global settlement? If so, what are they?	Potentially significant costs for Ausgrid's Service Provider if changes to the Type 7 process, the introduction of current non-market loads into the market, or the abolition of VTNs occur
28. What contract issues need considering?	No comment
Chapter 5 – Section 5.4.3 – Implementation – consideration of non-market generators	
29. How should non-market generators be accommodated under a global settlement framework?	No comment
Other comments on the rule change request or consultation paper	
30. Do you have any other comments on the rule change request, high level design or the consultation paper?	<p>Whilst the following issue would be addressed in the AEMO review of the Metrology Procedures, it is of relevance to the functioning of global market settlements and UFE.</p> <p>The issue of Sample meters and load profiling for Type 6 metering installations warrants further exploration as these are jurisdictional requirements which may only be modified by request from the jurisdictional minister. A consistent national framework for Sample metering and Type 6 load profiling would be of benefit to achieving a better outcome for AEMO's global settlement proposal.</p> <p>Currently the LNSP manages approximately 200 NMIs which are settled in the market as Type 6 (BASIC) but have interval capable meters installed onsite with communication connected and read weekly. This interval data for the 200 NMIs is then provided to AEMO to calculate the "Net System Load Profile" for each LNSP which is used for interval data settlement of Type 6 NMIs.</p>

Questions	Feedback
	<p>As more advanced meters are installed, a number of these Sample NMIs are being replaced with advanced meters and the management of these NMIs is becoming more difficult and inefficient. A more robust solution to providing AEMO this data for Type 6 settlement calculation is required and should be defined in the appropriate metrology procedures. With more advanced meters providing accurate interval data at sites where Type 6 metering was installed, samples of smart meter data could be used by AEMO for this calculation.</p>