



## 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.

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| Questions   |   | Feedback   |
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| <b>Chapter 5 – Section 5.1.1 – Allocating volumes of unaccounted for energy</b> |   |  |
| 1.  | To what extent is the full allocation of UFE to local retailers an issue? | <p>Full allocation to the local retailer is not an issue to ERM Power Retail Pty Ltd and suggest that any proposed change be analysed from a cost / benefit perspective given the large system changes required and unquantified benefits in the rule change proposal. The current differencing model incentivises loss to be identified and rectified through a small number of parties (usually the LR and another retailer).</p> <p>We question the suggestion that global settlements will provide greater incentives to identify sources of commercial losses. It is likely that socialising the loss to all retailers operating in the network with have an opposite effect to the proposed rule objective and will weaken signals and incentives, given the source of the loss will be unknown and spread to all retailers.</p> <p>We suspect that a move to global settlement will not solve the issues surrounding unaccounted for loss of energy, and if anything make it less likely to be identified and rectified. Currently, distributors would be best placed to monitor of</p> |

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|  |   | losses within their network and most likely will have the capability to identify the source of the loss.   |
| 2.   | What are the UFE costs and volumes for local retailers?   | N/A  |
| 3.   | What are your views on AEMO's high level design for global settlement, generally and in relation to allocation of UFE?                    | If it is determined that global settlements needs to be implemented, our preference would be to allocate UFE based on the proportion of 'accounted-for' volume of electricity allocated to each retailer in the local area. Note we believe that any losses due to errors in the calculation of the NSLP or unmetered data should be monitored and methodologies reviewed by AEMO and the DB, given the weakened signals from spreading the loss across all retailers. |
| 4.   | What other UFE allocation methods could be suitable and why?  | N/A  |
| <b>Chapter 5 – Section 5.1.2 – Effect on pricing of unaccounted for energy costs</b> |   |  |
| 5.   | How will local and independent retailers respond to change in the financial responsibility for UFE? In what way and to what extent?       | Wholesale acquisition costs (whether positive or negative) are potentially passed through by retailers to customers as part of the retail costs of electricity supply.   |
| 6.   | Do you consider that a move to global settlement would affect retailer competition, and if so, how? How could these effects be addressed? | The impact on competition is unknown as the predicted level of UFE has not been provided. It is likely that only local retailers would be privy to current estimates of this.  |
| <b>Chapter 5 – Section 5.1.3 – Secondary price effects</b>                           |   |  |
| 7.   | What are your views on the levels of any secondary price effects from global settlement?  | Any calculation that considers or uses market acquisition amounts will be impacted.  |
| 8.   | How would UFE be treated under the LRET, the SRES and jurisdictional environmental schemes?   | As per above, any scheme calculation that looks to market acquisition amounts will be impacted as market acquisitions would include an amount for UFE. This may have an impact on costs of these schemes.  |

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| 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? | Total acquisition to the TNI would still need to be provided. Currently schemes such as ESS, VEET LRET and SRES allocate liability to the point of the TNI. UFE would need to be calculated to this point. Note, provided for separately to the TNI so as not to double count DLF.   |
| <b>Chapter 5 – Section 5.1.4 – Calculating unaccounted for energy - unmetered loads</b>          |   |  |
| 10.  | What are your views on the proposed method for calculating total UFE for a local area?  | We understand that any errors in estimating loads, factors, unmetered loads and profiled amounts (NSLP) would end up as part of the UFE. This is largely out of the control of those retailers that would be financial responsible under a global settlement arrangement. Greater care and oversight in estimation calculations would be required. |
| 11.  | How should unmetered loads be managed?  | If not metered, any error in estimation calculations would be placed on all participants as a composite to UFE. We therefore suggest that careful consideration be placed on the methodology and that the methodology be reviewed and tested.  |
| 12.  | What other categories of loads need to be considered in the UFE calculation?  |  |
| <b>Chapter 5 – Section 5.2 – Treatment of virtual transmission nodes under global settlement</b> |   |  |
| 13.  | Are VTNs still an appropriate mechanism for the NEM?  |  |
| 14.  | Which classes of customers would be affected if VTNs were removed?  |  |
| 15.  | What price effects would occur if VTNs were removed?  |  |
| 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).                                       |  |

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| 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? |  |
| <b>Chapter 5 – Section 5.3 – Global settlement coverage</b>         |  |  |
| 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?   |  |
| <b>Chapter 5 – Section 5.4.1 – Implementation timing</b>            |  |  |
| 19.   | What are your views on a start date for global settlement?   | Align with 5 minute settlement.  |
| 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?   | We reject this proposal as it would be costly and complex to implement.                                      |
| 21.   | What are your views on aligning the IT system development for global settlement with that of five minute settlement?   | Agree that this would be the most sensible approach  |
| 22.   | What timeframes would be required for AEMO, retailers, DNSPs and MDPs to upgrade internal processes, procedures and IT systems for global settlement?  |  |
| <b>Chapter 5 – Section 5.4.2 – Implementation costs and savings</b> |  |  |
| 23.   | What are the costs, synergies and risks involved in upgrading IT systems to accommodate global settlement?   | Any alteration to the timeframe of 5 minute settlement would change the financial impost for system changes. |
| 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?   |  |
| 25.   | What level of savings would there be from MDPs no longer needing to support and deliver an AEMO specific data file?  |  |

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| 26.  | What level of savings could be expected by retailers from reduction in settlement statement reconciliation?                 | No savings  |
| 27.  | Are there any other costs that market participants may incur if there is a move to global settlement? If so, what are they? | Costs stemming from changes in contracts with customers, change of billing format (unbundled bills), changes to settlement reconciliation systems, changes to green scheme calculation methods and reporting systems.   |
| 28.  | What contract issues need considering?  | Some retailer contracts may not have the ability to pass this change in retailer costs through. This may place some retailers at a disadvantage to local retailers who may currently have provision for this.   |
| <b>Chapter 5 – Section 5.4.3 – Implementation – consideration of non-market generators</b> |   |   |
| 29.  | How should non-market generators be accommodated under a global settlement framework?                                       |   |
| <b>Other comments on the rule change request or consultation paper</b>                     |   |   |
| 30.  | Do you have any other comments on the rule change request, high level design or the consultation paper?                     | We understand that AEMO has a revision policy whereby a percentage threshold exists for a special revision (5%). We note that it will be less likely to be triggered under a global settlements approach. However, we believe the rule should be changed to allow for a request of special revision if any individual retailer's acquisition would be impacted by greater than 5 %. |