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Jemena Electricity
Networks (Vic) Ltd
ABN 82 064 651 083

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Level 16, 567 Collins Street
Melbourne, VIC 3000
PO Box 16182
Melbourne, VIC 3000
T +61 3 9173 7000
F +61 3 9173 7516
www.jemena.com.au

Global settlement and market reconciliation – Consultation paper, 7 June 2018 [ERC0240]

Jemena Electricity Networks (**JEN**) thanks the Australian Energy Market Commission (**AEMC**) for providing the opportunity to comment on the rule change request from AEMO to use a global settlement framework instead of the existing settlement by differencing of the wholesale electricity market.

Key messages

We support the global settlement rule change as it prevents local retailers from being fully exposed to unaccounted electricity including commercial losses¹ and estimation errors related to profiling of accumulation metering. This would lead to a level playing field for all retailers to operate and benefit customers through greater accountability for electricity usage.

We also support aligning the development activities for the global settlement with the activities of the five minute settlement. We believe the costs to change the data formats to support global settlement will be incremental to the costs for the implementation of five-minute settlements and would be kept to a minimum if both the projects are undertaken at the same time.

JEN supports Option B

AEMO has suggested two options for managing unmetered loads²:

- A. The Minister of the participating jurisdiction may submit changes to jurisdictional metrology material that require AEMO to update the Metrology Procedure with new categories of unmetered loads that can be treated as contestable type 7 metering installations. Once established as a type 7 unmetered load, calculations would need to be determined to facilitate the treatment of the load in AEMO's Market Settlement and Transfer Solution (MSATS) for settlement.
- B. The retailer and DNSP agree the quantum of energy being traded for the unmetered loads within the local area and declare that total load to AEMO for use in settlement.

Specifically, JEN does not support option A because significant complexity will be added to calculate electricity for consumed by unmetered loads such as sprinkler systems,

¹ Defined in page 7 of the consultation paper.

² Options reproduced from page 21 of the consultation paper.

barbeques, cable TV amplifiers, NBN nodes for treatment as contestable type 7 metering installations. These unmetered loads have extremely low and unpredictable usage.

Hence, JEN considers that any perceived benefit of adopting option A could not, in all reasonable estimations, exceed the regulatory and administrative burden.

The concept of retailer and DNSP agreeing on the quantum of energy in option B is akin to the current process. Currently JEN and the local retailer agree on the inventory and energy consumed by unmetered loads within the distribution area. We charge the local retailer network charges for these services based on the agreed energy and the AER approved unmetered network tariff. The local retailer bundles the energy and network charges and then bills their customers through off-market agreements for unmetered loads.

We therefore support option B as it is the most cost effective and a practical solution for managing unmetered loads.

AEMO has proposed amendments to clause 6.20.1 of the NER which sets out how a DNSP must bill distribution network users for distribution services. Specifically, AEMO has proposed deletion³ of clause 6.20.1 (f)(3), which would prevent DNSPs applying unmetered network tariffs to *franchise customers* for distribution services. JEN does not support this amendment because it will actually increase the network charges to all other retail customers to cover the DNSP's revenue shortfall.

If you have questions in relation to the submission, please contact Siva Moorthy on (03) 9173 8774 or at siva.moorthy@jemen.com.au.

Yours sincerely

[signed]

Matthew Serpell

Manager Asset Regulation and Strategy

³ AEMO *Rule Change Request – Global Settlement and Market Reconciliation*, p 26.