

4 July 2018

Mr John Pierce
Chair
Australian Energy Market Commission
PO BOX A2449
Sydney South NSW 1235

Via online submission

Dear Mr Pierce,

RE ERC0240 – National Electricity Amendment (Global Settlement and Market Reconciliation) Rule 2018

TasNetworks welcomes the opportunity to make a submission to the Australian Energy Market Commission (**AEMC**) on the National Electricity Amendment (Global Settlement and Market Reconciliation) Rule 2018 consultation paper.

As the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider (**DNSP**) and jurisdictional planner in Tasmania, TasNetworks is focused on delivering safe and reliable electricity network services while achieving the lowest sustainable prices for Tasmanian customers. This requires the prudent, safe and efficient management and development of the Tasmanian power system. In this regard, TasNetworks is supportive of AEMC's efforts to more accurately reconcile the wholesale electricity market and provide a level playing field for retailers.

TasNetworks supports global settlement in principle. However, given jurisdictional differences pertinent to the consultation, TasNetworks would like to make several comments with a particular focus on the Tasmanian context.

Unaccounted for energy

TasNetworks supports the intention behind the rule change to have unaccounted for energy (**UFE**) shared proportionally and on a more cost reflective basis than the current settlement by differencing arrangements. TasNetworks considers that allocating UFE to retailers based on the proportion of 'accounted-for' volume of electricity in the local area is the simplest, fairest and best method to facilitate global settlement of UFE.

With respect to the other allocation options proposed, TasNetworks considers that these would result in similar suboptimal outcomes to current arrangements. For example, having DNSPs assume responsibility for UFE would fail to achieve the stated goal of a settlement solution being cost-

reflective of individual retailers' customer loads. Moreover, and as highlighted in the consultation paper, this would also further weaken the incentive on retailers to reduce commercial losses.

Virtual transmission nodes

Tasmania currently has two virtual transmission nodes (**VTNs**). One each for all customers, excluding transmission connected customers, in Hobart and Launceston. These were established when Tasmania joined the NEM because it was recognised that due to the nature of the Tasmanian power system, and in contrast with other jurisdictions, the relevant transmission nodes for customers could and would change on a regular basis.

To illustrate, Hobart can currently be fed by seven transmission substations with Launceston capable of being fed by six. This is further complicated by the fact that, owing to the asset split when Transend was broken up, transmission injection points are in some cases set at levels typically associated with distribution networks on the mainland. As a result, any switching change resulting from changed hydro generation profile, planned outage or network fault can result in tens of thousands of customers' Transmission Node Identifier (**TNI**) changing.

In this manner, it is unclear how TasNetworks could remain compliant with the requirements to update the Market Settlement and Transfer Solution (**MSATS**) system when there is currently no automated bulk update MSATS feature appropriate to update the affected Hobart or Launceston National Meter Identifiers (**NMIs**). Implementing a technical solution to expedite this process is complicated by the fact that, due to the historical usage of VTNs, there are presently no links between TasNetworks systems that contain customer information and those that facilitate network control. This would likely involve a bespoke solution to remedy and entail significant up-front capital expenditure and ongoing operational expenditure to support.

Given this, and the fact Tasmania has effectively no independent retailers¹, TasNetworks preference is for a derogation to keep the existing VTN arrangements in place until such time as retail competition matures in Tasmania. If this is impractical, TasNetworks would, however, also support VTNs being retained and settlement performed at the local area level (option five in the consultation paper). Aside from obviating the costs above by retaining current VTN arrangements, this would require fewer changes to AEMO and DNSP systems and would be more cost reflective than the current settlement by differencing protocol. Alternatively, the AEMC might also consider whether the NER holds a set of principles for AEMO to follow which could allow for variants in VTN application and reporting. This would also provide flexibility to deal with other situations including short term extreme events such as acts of god and extraordinary technical issues.

Despite this preference, TasNetworks acknowledges that the reasons underlying this preference are idiosyncratic and are unlikely to hold for other jurisdictions. In this regard, TasNetworks supports the application of another VTN solution for those jurisdictions as required.

Unmetered loads

TasNetworks currently provides interval data for all unmetered connection points in Tasmania to AEMO. This is calculated based on specific load tables for lighting, or on the peak load as measured by the connection equipment for non-lighting loads. As such, there is no need to agree on the specific quantum of this energy for global settlement purposes in Tasmania.

¹ ERM has a minor presence in the small business segment.

Implementation timing

TasNetworks agrees that there would likely be synergies to global settlement if implemented in the same timeframe as the five minute market settlement rule changes, i.e., by 1 July 2021. However, as identified above, dependent upon the outcome of VTN changes, TasNetworks could face a substantially more costly and onerous path to compliance. In this case, TasNetworks suggests that further flexibility in timeframes to transition to the new arrangements would be appropriate.

TasNetworks welcomes the opportunity to discuss this submission further with you, particularly, those aspects relating to VTN considerations. Should you have any questions, I can be contacted via email (tim.astley@tasnetworks.com.au) or by phone on (03) 6271 6151.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tim Astley', with a horizontal line extending from the end of the signature.

Tim Astley

Team Leader NEM Strategy and Compliance