



EnergyAustralia

LIGHT THE WAY

25 October 2018

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Dear Commissioners,

ERCO2040 AEMC – Global Settlement and Market Reconciliation – Draft Determination

EnergyAustralia is one of Australia's largest energy companies with over 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market (NEM). In the retail market we operate as a first-tier retailer in Ausnet and Ausgrid distribution zones and as a second-tier in other mainland network zones.

We welcome the opportunity to comment on the AEMC's draft determination on the *Global Settlement and Market Reconciliation* rule change proposal submitted by the Australian Energy Market Operator (AEMO). We broadly support the Commission's Draft Determination as it will benefit the market by reducing complexity in settlements and minimising cross subsidies between consumers. However, we consider that there are some elements of the detailed design that are unclear or could be improved. We discuss these along with the AEMC's cost-benefit analysis in the rest of our submission.

Maximising benefits from the change

We appreciate that the AEMC has considered our response to the Consultation Paper and provided more detail on the likely costs and benefits of the rule change. We agree that the implementation costs for retail market participants are likely to be small in comparison to the costs of implementing the 5 Minute Settlement changes. It is assumed that retailers will continue to receive the same data in a similar format from AEMO and Meter Data Providers, resulting in minimal mandatory changes to systems and processes. We do anticipate that there will be additional costs incurred to process data relating to unaccounted for energy (UFE) allocations, but we anticipate these to be small.

However, we think it is worth noting that the benefits of this rule change will not be immediately realised without further costs being incurred by AEMO and industry participants. For example, the benefits of identifying metering or load profiling errors are

indisputable, but each instance of error is likely to require investigation, and possibly disputes or negotiation to resolve the issue and reconcile historical charges. While, this should not detract from the anticipated positive benefits, it should be noted that further work will be required by AEMO and market participants for the full benefits of this change to be realised.

We support the implementation of Global Settlements in conjunction with the 5 Minute Settlements rule change on the basis that this will serve to reduce costs for AEMO. There are also likely to be cost savings for participants in reducing the length of time an implementation project team is required to be in place.

To ensure industry maximises benefits from this change efficiently, AEMO should be obligated to investigate UFE levels exceeding a certain threshold. The Draft Determination indicates that participants will be able to request a review if UFE exceeds a predetermined threshold. Instead we think there should be two thresholds set. AEMO should be obligated to instigate a review if UFE exceeds the higher threshold, while participants may request a review if UFE exceeds the lower threshold. These thresholds should be developed by AEMO in consultation with industry participants.

Data available prior rule start data

The AEMC have indicated that during the implementation timeframe, AEMO will calculate and publish UFE data for 12 months in advance of the rule commencing. We seek clarification on whether the intent is for disaggregated UFE data to be available 12 months prior to implementation, or whether data will be available prior to implementation that is based on 12 months of historical data.

In general, we request that data is made available to industry as early as practicable to allow industry to assess the likely impact on their business once the change comes into effect. Further, the indicative data should be based on as much historical data as practicable to ensure the data can be relied upon for analysis.

Data provided to retailers for UFE reconciliation

The rule as drafted does not clearly allow retailers the ability to reconcile their UFE charges. As drafted, all retailers will be able to reconcile their wholesale metered consumption charges from AEMO against data provided by Meter Data Providers. However, they will not be able to reconcile the value of UFE they are also charged for. We suggest that AEMO publish the total volume of consumption at each Transmission Node Identifier (TNI), or UFE aggregation point, in addition to the calculated volume of UFE for that point. This would allow retailers to validate their proportion contribution to the total load, and to subsequently validate their allocated portion of UFE volumes.

Non-contestable unmetered supply (UMS)

We support AEMO's proposal to expand the methodology to account for non-contestable UMS. However, we consider that the UMS with varied consumption and larger loads should be metered. Using the values of unmetered load in South Australia as a proxy for the remainder of the NEM (Table 4.1 in the Draft Determination), our proposed treatment for the different types of UMS is:

- The vast majority of UMS consumption comes from **street and traffic lights** (83.4%). These are sites with consistent and predictable usage that can be profiled and estimated and should continue to be treated as Type 7 metered sites as per Option 1.
- **Floodlights, Cable TV and NBN Cabinets** (14.4%) have varied consumption and account for most non-contestable UMS consumption. These sites should be considered for physical or alternative metering. This may be reasonably straightforward for Cable TV and NBN Cabinets which may already have infrastructure installed with the capacity to accurately record load. If this is not possible, further consideration should be given to the LNSP's capability to install other forms of basic metering to record UMS consumption.
- In aggregate, the **remaining sites** contribute a small portion of UMS (2.2%). For these sites Option 2 would be suitable as the risk associated with over or under-estimation is small.

Conclusion

In conclusion we are broadly supportive of the Draft rule change proposed by the AEMC, subject to inclusion of the above modifications.

If you would like to discuss this submission, please contact Georgina Snelling on 03 8628 1126 or Georgina.Snelling@energyaustralia.com.au.

Regards

Carmel Forbes

Acting Industry Regulation Leader