

14 March 2019

Richard Owens  
Executive General Manager  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Submission via AEMC website portal

Dear Mr Owens,

### **Consultation on market review: Updating the regulatory frameworks for embedded networks**

Simply Energy welcomes the opportunity to provide feedback on the Australia Energy Market Commission's (AEMC) draft report focusing on strengthening protections for consumers in embedded network arrangements.

Simply Energy is a leading second-tier energy retailer with over 680,000 customer accounts across Victoria, New South Wales, South Australia, Queensland and Western Australia. As a consumer-centric organisation, Simply Energy strongly supports the intent of the proposed regime to provide embedded network customers with equivalent protections and market access as standard retail customers. Simply Energy considers that the proposed changes are a critical step in advancing customer choice and giving all customers access to the market. For this reason, Simply Energy considers that the proposed framework should be applied consistently across all embedded network customers, including those customers supplied under new as well as existing embedded network service arrangements.

In exploring the findings of the draft report, Simply Energy's submission evaluates:

- the adoption of customer protections for new and legacy embedded network customers;
- the development and standardisation of the regulatory framework for embedded networks;
- a transition and implementation plan;
- arrangements for appointing a retailer of last resort;
- other enhancements to the operation of the proposed requirements; and
- proposed next steps.

## The adoption of customer protections for new and legacy embedded network customers

Simply Energy supports the proposed regulatory framework that will apply to new embedded network service providers. In saying that, Simply Energy recommends that the AEMC should consider how it can expand the scope of the framework's application to benefit customers residing within existing embedded network sites.

- Simply Energy considers the proposed framework, especially the consumer protections, can be applied consistently across new and existing sites. In saying that, Simply Energy acknowledges that transitional arrangements may be required for migrating legacy embedded network data, which is outlined in further detail in the 'proposed transition and implementation plan' section below.
- As the reforms are intended to be strengthen consumer protections and engagement, there should be consistency in the application of jurisdictional energy ombudsmen schemes across the National Electricity Market (NEM). Embedded network customers should have equivalent access to the energy ombudsmen to resolve disputes and complaints with their energy provider, similar to in Victoria and New South Wales, where such protections are already in place.
- Furthermore, all small embedded network customers should be covered by the overarching consumer protection regime, including guaranteed service levels requirements. Customers should not be discriminated on the grounds of their energy supply arrangements.

## The development and standardisation of embedded networks framework

Simply Energy considers that the two new roles proposed by the AEMC namely, Embedded Network Service Provider and Off-Market Retailer, are appropriately aligned to enhance consumer protections. That said, Simply Energy considers that further refinement could improve the end-to-end efficiency of the AEMC's proposed framework.

- In order to minimise technical and procedural barriers for retailers to provide services to embedded network customers, standardised business-to-business (B2B) procedures, similar to those between retailers and distribution network service providers (DNSPs), need to be developed. The most common process used between retailers and DNSPs is in relation to customers moving in and out of premises. If similar procedures are not developed for embedded networks, there could be significant procedural gaps, which will add to the complexity of managing these sites. Furthermore, B2B processes provide reporting and tracking capabilities which are difficult to achieve without standardised functionality.
  - While there is a prescribed Information Exchange Committee (IEC) process for life support on-market child connection points, there is a lack of certainty across the industry regarding the timing as well as mode of communications for providing customer details to relevant parties. This poses greater risk to life support customers, as they may not receive adequate protection. That said, adopting a standard B2B methodology could mitigate this risk quite effectively.
- Simply Energy also recommends that in addition to fulfilling market interface functions, there should be standardised network billing data formats. Embedded network service providers should be required to implement network billing processes and transactions in line with the Australian Energy Market Operator's (AEMO) procedures. This includes adopting standard network-billing processes for on-market child meters. If the proposed regime allows embedded network service providers to direct their network bills to their relevant retailer, instead of the end-customer, it will be a significant step forward in avoiding the 'energy only' offer constraint that currently exists in the market. It will also ensure customers can receive a single bill from their retailer rather than separate bills for network and energy consumption.

## Proposed transition and implementation plan

In terms of implementing the draft proposal, Simply Energy recommends that regulatory implementation should allow for an adequate transitional period to resolve technical implementation issues. Simply Energy proposes the following transition path to address some of the major technical barriers to imposing the proposed new requirements on existing embedded network customers

- Customers are sometimes not aware that they reside in an embedded network which may or may not be contestable. As such, when these customers contact their preferred retailer, they expect their services to be transferred across to their retailer of choice. However, if a retailer's agent is unable to find premises details in AEMO's transfer solution system (MSATS), the agent will not be able to check the customer's details, which are necessary to provide a retail product. For this reason, Simply Energy strongly supports all embedded network sites being made visible in MSATS, as this would enhance overall customer service standards.
- Embedded networks operators have, however, expressed concerns because it is onerous to migrate all the data in to AEMO's systems, considering there are thousands of embedded networks sites across the NEM. Having said that, Simply Energy considers that there could be transitional arrangements put in place to allow sufficient time for the embedded network operators to collect the required data from their managed sites.
  - Simply Energy's understanding is that majority of the sites established post 2012 have compliant metering and there is sufficient data available in the market to be able to enter in MSATS. As such, the Commissions should confirm this assumption with the embedded network operators and prioritise the data from these sites to be entered in MSATS, followed by a transitional period of 1-2 years in implementing the new framework requirements to this sites.
  - Simply Energy also recommends the use of Bulk Change Tool (BCT) which is managed by AEMO, for the data migration of these sites in to MSATS. AEMO utilises BCT during Retailer of Last Resort (RoLR) events, where high volume of data needs to be amended in MSATS using a specific batch program.

## Proposed changes to the RoLR default appointment

In terms of RoLR events, the draft report suggests that the Financially Responsible Market Participant of the parent meter will be the default RoLR for all on-market child meters. Simply Energy understands that, currently, the retailer of parent meter is the local retailer for all on-market child meters. That said, this arrangement cannot be replicated for RoLR for the reasons outlined below.

- Generally, parent meters are 'large' or aggregated loads and Retailers manage these sites via commercial and industrial (C&I) contracts that are bespoke. Child meters, on the other hand, are generally 'small' market customers and managed separately, as there are various consumer protections that a retailer needs to provide these customers. By defaulting the parent as RoLR for child meters may lead to complications, especially for those retailers that only offer 'large' market contracts.
- To avoid these complexities altogether, Simply Energy suggests that a standard RoLR application process should be conducted for the on-market child meters, where retailers express their interest to be the RoLR, as they generally do for standard supply customers.

## Other enhancements to the operation of the proposed framework

Simply Energy would finally like to address other considerations that could enhance the operation of the proposed regime.

### *Expanding the framework to gas and hot water customers*

Simply Energy does not have any qualitative data (customer complaints) to support the adoption of the framework to gas customers. However, Simply Energy reasonably believes that a national framework should allow for scalability to include other energy services. Nevertheless, electricity should be the AEMC's number one priority at this stage.

### *Jurisdictional safety requirements*

Simply Energy considers that the current safety standards (AS3000) are adequate and as long as they are consistently applied across the NEM, the safety regulations for a standard supply NEM customer should not be any different to embedded network customers.

## Proposed next steps

Simply Energy considers that there is a strong need for industry-wide collaboration and cooperation to meet the best interests of end consumers. In view of this, Simply Energy advocates for a greater consistency across the NEM to meet the longer-term objectives of embedded network customers as part of this market review.

Simply Energy would welcome the opportunity to engage with the AEMC, as well as other key stakeholders such as AEMO and IEC to further explore any gaps in the current process that can be identified and hence worked on.

Simply Energy looks forward to engaging with you on these matters. If you have any questions or would like to engage in discussions with Simply Energy, please contact Aakash Sembey, Industry Regulations Manager, on (03) 8807 1132 or [Aakash.Sembey@simplyenergy.com.au](mailto:Aakash.Sembey@simplyenergy.com.au).

Yours sincerely



James Barton  
General Manager, Regulation