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11 April 2024

Genevieve Schulz
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

Dear Genevieve

Re: Draft rule determination – Unlocking CER benefits through flexible trading (ERC0346)

TasNetworks appreciates the opportunity to provide comments to the Australian Energy Market Commission (**AEMC**) in response to its draft rule determination regarding unlocking consumer energy resources (**CER**) benefits through flexible trading. We note that Energy Networks Australia (**ENA**) has also prepared a submission to the AEMC in relation to this draft determination and TasNetworks endorses the comments made by the ENA.

TasNetworks recognises the importance of integrating CER into low voltage distribution networks in ways that enable all consumers to benefit from the opportunities the technology creates, not only those that invest in CER. TasNetworks is supportive of key elements of the Draft Determination, including:

- limiting small customers with secondary settlement points to a single Financially Responsible Market Participant;
- deploying additional metering to create secondary settlement points, rather than additional connections to low voltage distribution networks; and
- using metered secondary settlement points to enable customer take up of different product and service offers for CER, rather than the embedded network framework.

However, we have reservations about some elements of the draft rule determination, particularly in relation to the cost of implementing the proposed flexible trading arrangements.

DNSP responsibility for secondary NMI allocation

The draft rule determination proposes that distribution network service providers (**DNSPs**) be responsible for the creation and maintenance of National Metering Identifiers (**NMIs**) for secondary settlement points, largely on the basis that DNSPs are currently responsible for establishing and maintaining NMIs at 'primary' connection points. This is a departure from the Australian Energy Market Operator's rule change request, which proposed the creation of a NMI service provider role, an arrangement not unlike the approach taken to NMI creation for embedded networks.

The creation of NMIs for secondary settlement points by DNSPs is not a simple extension of existing NMI creation processes and there are potentially issues and costs associated with DNSP's being made responsible for this function. To illustrate, TasNetworks distribution market systems are currently configured to assume that all NMI's created are for a connection point with the distribution system. Transmission connection point creation and management is performed manually via the Market Settlement and Transfer Solutions (**MSATS**) low volume interface. While other parties, such as embedded network managers, are able to establish NMIs for 'child' meters, with its systems as they are currently configured, TasNetworks cannot.

Only once a detailed implementation design has been developed and the associated procedural changes are understood will we be able to fully assess the impact and costs associated with DNSPs performing the functions proposed by this Rule change. It is clear, however, that TasNetworks' systems and procedures will require significant modification in order to enable the business to create NMIs for secondary settlement points.

Further, whereas TasNetworks does not receive meter data or standing data relating to connection points within embedded networks, TasNetworks' systems will potentially require modification in order to exclude metering data for secondary settlement points from distribution billing processes, given that network tariffs will only be applied to primary settlement points.

The AEMC also expects that DNSPs will be responsible for linking NMIs at secondary settlement points to the NMIs at a customer's primary connection point. However, TasNetworks' market systems do not currently have the ability to connect multiple connection points on the same property, having been built to calculate network charges separately for each NMI without reference to the identity of the customer.

In its original rule change request that led to the AEMC's draft rule determination, AEMO envisaged that linking NMIs within the Australian Energy Market Operator's (**AEMO**) procedures would involve creating a new field within MSATS, to be populated by NMI service providers, an approach that AEMO considered would require no new or amended processes to be adopted by DNSPs. Making DNSPs responsible for issuing and maintaining NMIs for secondary settlement points will involve new or amended processes and potentially significant costs to upgrade systems. Further, if the schema for MSATS is changed in order to enable secondary settlement points to be linked with a primary settlement point, TasNetworks' systems will require modification in order to recognise the new fields, regardless of who populates those fields to create linkages between settlement points.

AEMO's original proposal involved creating a new role of 'NMI service provider', not unlike the embedded network manager role, which would be responsible for establishing secondary NMIs. TasNetworks encourages the Commission to reconsider its decision to involve DNSPs in the creation and administration of NMIs for secondary settlement points.

Implementation costs

Any new obligations imposed on DNSPs by the proposed rule change are likely to require potentially costly modifications to be made to DNSPs' systems, which in this case would be being made to cater for an arrangement that might be utilised by only a very small number of customers. The issue of how the cost of those changes to DNSPs will be funded is not addressed in the AEMC's draft decision, with the cost/benefit analysis of the draft rule change conducted by Energeia estimating net benefits to large customers and consumers more broadly and dismissing the costs to DNSPs as negligible.

TasNetworks disagrees with Energia's assessment regarding the likely costs for DNSPs associated with the proposed rule change. The introduction of secondary settlement points for both large and small customers represents a major change to the electricity market that will impact not only on market systems, but on many business-to-business (BSB) transactions and a range of business-as-usual processes. It is also unclear at this time what impacts and responsibilities there may be for DNSPs as a consequence of the proposed Central Management System.

It will only be after a full analysis of B2B procedures has been undertaken that the impacts of this rule change on DNSPs, and market systems in general, will be able to be understood, along with the scope of the system changes that need to be made. Nonetheless, based on TasNetworks preliminary interactions with other DNSPs and AEMO in relation to the implementation of this rule change, it may not be unreasonable to suggest that the system and procedural changes involved with the introduction of secondary settlement points could be similar in scale and complexity to the changes involved with the implementation of five-minute settlement.

One of the stated objectives of the draft rules is to minimise implementation costs for market participants and market system costs by utilising existing system arrangements. TasNetworks is concerned, however, that the costs of catering for secondary settlement points are going to be significant for DNSPs and that for many networks, TasNetworks included, that cost has not been provided for in the regulatory determinations applying to the period in which this rule change is set to be implemented.

Third party access to regulated network assets

Making the metering roles contestable in relation to presently unmetered loads like streetlighting will necessarily involve third parties working on assets owned by DNSPs. Whilst TasNetworks is not opposed to the application of contestability, it does introduce a range of issues that need to be managed in order to prevent the activities of those third parties impinging on the delivery of safe, reliable and efficient network services.

For example, in Tasmania only Authorised Service Providers are permitted to work on TasNetworks' overhead assets, and while a small number of third parties already have infrastructure mounted on TasNetworks' assets, this generally requires either a Facilities Access Agreement or a Negotiated Access Agreement to be negotiated and put in place. These agreements perform an important role in preserving TasNetworks' operational control over the assets involved and protecting the interests of the customers that pay for the shared

distribution network, and compliment any commercial arrangements relating to the use of TasNetworks' assets by third parties.

Frequently, the installation of third-party infrastructure on TasNetworks-owned assets will also require standardised designs to be prepared by the proponent and approved by TasNetworks, and applications for the fitment of third-party infrastructure to any given pole to be lodged with TasNetworks for assessment and approval. Proponents may also be liable for the costs of asset replacement or network augmentation needed to support or supply third party infrastructure and we envisage that in the future this is likely to be a key issue when it comes to the installation of pole mounted devices like electric vehicle charging stations or batteries.

In making its final determination on flexible trading TasNetworks encourages the AEMC to be mindful of the obligations that the rule change potentially introduces for DNSPs.

Supply service obligations and network performance measurement

TasNetworks would appreciate greater clarity in the AEMC's final determination about DNSPs' obligations in relation to secondary settlement points.

Given that in the cases of both large and small customers with secondary settlement points there can be only one customer at the connection point, and in the case of small customers, there will still only be one financially responsible market participant (**FRMP**) for premises with multiple settlement points, we consider that DNSPs should not be required to transact with FRMPs relating to secondary settlement points (other than in the event that DNSPs are made responsible for creating and administrating NMIs f secondary settlement points). This means that things like notifications regarding planned outages should not be issued in relation to secondary settlement points. Similarly, DNSPs should only be required to accept requests for services such as de-energisation from the primary retailer or FRMP.

We are also seeking assurance that secondary settlement points are not intended to be taken into account when assessing network reliability under the Service Target Performance Incentive Scheme, or in relation breach notices issued under the National Energy Customer Framework.

Implementation

Given the apparent scale and complexity of the system and procedural changes associated with the proposed rule change, TasNetworks encourages the AEMC to reconsider the proposed 2 February 2026 commencement date. Further, with the rule change for *Accelerating smart meter deployment* proposed to commence from 1 July 2025, concurrently planning, developing, building, testing and deploying the system changes required by the flexible trading rule change is likely to present resourcing issues for many of the market participants involved, and potentially AEMO.

Noting AEMO's biennial release strategy for system updates, which sees updates released in May and November each year, TasNetworks considers that November 2026 represents the

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earliest feasible opportunity to introduce the system and procedural changes needed to implement flexible trading for CER.

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Once again, thank you for the opportunity to comment on the AEMC's draft determination regarding flexible trading arrangements for CER. To discuss the views expressed in this letter please contact Scott Lancaster, Senior Regulatory Analyst, [redacted] at Scott.Lancaster@TasNetworks.com.au.

Yours sincerely

Chantal Hopwood
Head of Regulation