

Consultation note - NMI creation and maintenance at secondary settlement points Unlocking CER benefits through flexible trading- ERC0346

The project team is seeking views on a potential change to the draft rule determination for Unlocking CER benefits through flexible trading. This change relates to the arrangements for the responsibility for NMI creation and maintenance at the proposed second settlement point.

We are seeking stakeholder feedback on this consultation note until **Friday 31 May 2024**. We are happy to receive feedback by email, through a meeting at your request, or through other consultation processes for this rule change. Please direct all enquiries to genevieve.schulz@aemc.gov.au.

Position in the draft determination

The draft rule determination provided that the role of establishing and maintaining NMIs at secondary settlement points should sit with the local Distribution Network Service Provider (DNSP). The Commission considered that assigning this role to DNSPs was preferable because:

- it would be consistent with current arrangements for establishing and maintaining NMIs at the primary connection point.
- would eliminate the need for creating a new role and relying on new businesses to enter the market to provide this service,
- aligned with feedback from stakeholders that DNSPs could create NMIs beyond their connection points, and
- aligned with the Commission's decision to provide DNSPs with visibility of secondary NMIs and access to secondary NMI data.

In forming this view, the Commission considered other options, including the role being assigned to other participants such as FRMPs or metering parties, or creating a new NMI service provider role.

Submission feedback

In submissions to the draft determination and at a subsequent workshop, DNSPs noted that performing the proposed new role would require costly system changes to establish a hierarchy in the system to manage data from NMIs behind the connection point and make flow on changes to billing, market, customer management, and analytics and reporting systems.

SA Power Networks submitted that upgrades would cost \$28.3m (+ or – 40%) and Ausnet estimated costs of \$30m to \$70m. Other DNSPs provided cost estimates of between \$7m and \$50m (dependent on the size of the DNSP and whether or not the DNSP could incorporate these changes as part of planned upgrades). DNSPs also raised concerns about their ability to recover such costs through AER revenue determinations.

Proposed change

Based on this feedback, the Commission is considering an alternative option: **the role of creating and maintaining NMIs at secondary settlement points would be performed by a new accredited NMI service provider role**. This proposal was included in AEMO's rule change request¹. This appears to be a less costly and simpler means of achieving the desired policy outcomes.

Key elements of the proposal are:

- This arrangement would apply at both small and large customer premises.
- The FRMP for the SSP would be required to appoint a NMI service provider for the SSP.
- The FRMP would be required to ensure that there is always an accredited NMI service provider in operation for the SSP.
- The NMI service provider role would emulate functions performed by Embedded Network Managers (ENMs) for child points in embedded networks. The NMI service provider would be responsible for allocating the NMI to a secondary settlement point (SSP) in MSATS, linking the SSP NMI to the NMI for the connection point for the premises in MSATS, and maintaining the standing data for the SSP NMI in MSATS.

Who would perform this role?

Any entity could apply to become a NMI service provider, subject to satisfying AEMO accreditation and eligibility criteria. In practice, we expect that existing parties such as ENMs would perform this role, as it is a relatively discrete and technical function. There would be low barriers to taking on this role, as upfront (e.g. accreditation) and ongoing costs associated with performing the activities are likely to be moderate – the role merely requires a party to register to access the MSATS portal and input data.

What would happen if a customer changes retailer?

If the FRMP (and therefore metering coordinator) churns, the new FRMP would not be required to retain the existing NMI service provider, but it would be obliged to ensure that a NMI service provider is always assigned to the SSP.

Why is this approach preferable?

- It would mimic activities that ENMs already perform to manage the market interface for NMIs at child points.
- The proposed role could be performed by existing providers (e.g. ENMs) if they obtain accreditation for the role.
- This option would have a lower cost impact, as costs would be incurred when a customer requests a secondary settlement point. If DNSPs performed this role, costs are more likely to be levied on the general customer base to recover costs of upfront system upgrades and ongoing data management.
- It would not affect DNSPs ability to access data from the secondary settlement point (DNSPs would have a right to access this data if they choose to).
- It would reduce implementation timing compared to the option requiring DNSPs to upgrade their systems.

¹ Electricity Rule Change Proposal, Flexible trading arrangements and metering of minor energy flows in the NEM, AEMO, May 2022, p.9, pp. 19-20.

Proposed changes to the NER

The NER would be amended to establish the obligation to appoint a NMI service provider for SSPs and to require NMI service providers to obtain NMIs from AEMO and provide the NMI creation and maintenance services.

Other changes would be made to place obligations on AEMO to create the service level procedures and guides to support accreditation.

It is also proposed to streamline the accreditation arrangements under chapter 7 applicable to NMI creation and maintenance activities so that for these services, the same accreditation process could be used for NMI service providers and ENMs. This could be achieved by requiring all ENMs to be accredited as NMI service providers and removing NMI services from the ENM accreditation process. Transitional rules would be used so that current ENMs are automatically taken to have NMI service provider accreditation. Alternatively, ENMs could be permitted to appoint a NMI service provider for their embedded network rather than obtain that accreditation themselves.

Implementation considerations

This approach would require changes to AEMO procedures. AEMO has conducted a preliminary assessment of changes required. Likely changes include:

- **NMI discovery:** The NMI standing data would need to provide for a linking feature (similar to the Embedded Network Code) to denote the relationship between the distribution network connection point NMI and any associated SSP NMI(s). This would enable a prospective retailer to identify any SSPs related to the distribution connection point NMI when using the NMI Discovery facility.
- **Reconciliation of data at the connection point:** AEMO would need to consider whether there are any amendments needed to its systems and procedures to manage and reconcile data and information provided by the respective NMI allocation party at the different settlement points related to a single connection point.