

5 June 2024



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Ref: ERC0346

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Dear Genevieve,

Ausgrid response to AEMC's Consultation note on NMI creation and maintenance at secondary settlement points

Ausgrid thanks the Australian Energy Market Commission (**AEMC**) for the opportunity to make a submission in response to the Consultation note on national metering identifier (**NMI**) creation and maintenance at secondary settlement points (**the Consultation Note**), released on 20 May 2024 subsequent to its unlocking customer energy resources (**CER**) benefits through flexible trading rule Draft Determination (**Draft Determination**).

Based on the Consultation Note, we understand the AEMC is considering an amendment to its Draft Determination regarding who is responsible for NMI creation and maintenance at the proposed secondary settlement point (**SSP**). Our comments are based on assumptions made from the Australian Energy Market Operator's (**AEMO**) submission to the Draft Determination and from its High Level Implementation Design (**HLID**) workshop for the rule change.

In its Draft Determination, the AEMC proposed that DNSPs take on the role of establishing and maintaining NMIs at an SSP. The AEMC is now considering instead to create a new 'accredited NMI service provider role', which would be responsible for establishing and maintaining NMIs at SSPs for both small and large customers. This is based on feedback the AEMC received from DNSPs on the potential costs involved to implement the SSP into DNSP systems. The NMI service provider would be appointed by the financially responsible market participant (**FRMP**) for the connection point, this usually being the retailer.

Our submission assumes that DNSPs will have visibility of the SSP NMIs and SSP metering data to realise the potential benefits to DNSPs, consistent with the AEMC's Draft Determination. If the intent of the Consultation Note is that DNSPs will not have visibility of the SSP NMIs or have access to SSP metering data then we consider it a significant departure from the intent of the Rule Change. In this case, we do not support progressing with SSP NMI creation until further consultation occurs and greater consensus can be found across market participants.¹

Assuming DNSPs would have access to this data, we anticipate that the creation of the new accredited NMI service provider role will lead to even greater costs to DNSPs (and as a result consumers). This is because these providers will need to interface with DNSP systems, as well

¹ I.e. improved visibility of CER for DNSPs and AEMO, enabling more innovative offerings to customers to manage their CER, which in turn provides more value to customers for their investments.

as create systems of their own. We expect their costs will be passed on to FRMPs and then also on to consumers.

Attachment A outlines why Ausgrid does not support the proposed amendment to the Draft Determination. This includes:

- Loss of economies of scale and regulated costs through DNSPs;
- Lack of DNSP access to SSP metering data unless DNSPs incur the costs of integration;
- Lower consumer protections;
- Creating an unregulated monopoly function; and
- No single source of truth for NMI.

Ausgrid supports the CER Benefits Rule Change changes, where consistent with our submission to Draft Determination, except for the newly proposed SSP changes from the Consultation Note. As a result, Ausgrid recommends that the AEMC make the rules related to metrology effective from 11 July, to enable AEMO to commence testing trials for implementation ahead of full implementation. This provides the AEMC with earlier implementation for uncontroversial elements of the Rule Change while providing time to work through the more contested elements with industry.

We note the extensive learnings from the power of choice reforms, and consider the proposal in the Consultation Note to be inconsistent with broader positive regulatory reform. For example, the Accelerating smart meter deployment rule change (ERC0378) acknowledges the challenges of the current market structure where DNSPs had a minimal role in the smart meter roll out. DNSPs are now involved to a greater degree and will receive access to basic power quality data for NMIs in their network area.

Attachment B provides our breakdown cost estimates for Ausgrid to implement SSPs and hold this role. Our cost estimate of [REDACTED] is strongly caveated as being best estimates provided in a short timeframe and therefore highly uncertain. We made significant assumptions based on AEMO's HLID workshop, therefore the estimate is subject to change depending on the Final Rule and final implementation. We note this differs from our earlier estimate, which did not include business process change costs or customer communications. We are regrettably unable to provide the AEMC with a manual approach to the costs given the need for NMIs to be a single point of truth within the market.

We welcome the opportunity to discuss this submission with the AEMC. Please contact Naomi Wynn, Net Zero Partnerships and Regulatory Manager at 0447 044 481 or naomi.wynn@ausgrid.com.au.

Regards,

Fiona McAnally
Head of Regulation

Attachment A: Reasons why Ausgrid does not support the Consultation Notes' proposed amendments

- **Loss of economies of scale and regulated costs:** We recommend embedding the function within DNPSs so that customers have access to a regulated and transparent price for the SSP NMIs. This will:
 - minimise the costs to customers as DNPSs are able to leverage off the existing economies of scale from the DNPSs' other related functions and operations; and
 - enable the AER to regulate the prices that are passed through to customers.

The overall costs for SSP NMIs will be higher if the new role is assigned to a third party, as DNPSs will *still* need to make system changes in addition to any establishment costs for the NMI service provider. Thus, transaction costs will increase across all parties and these additional costs are expected to ultimately be borne by customers.

- **Access to SSP metering data:** In its Draft Determination, the AEMC considered, for both large and small customers, that "DNPS access to metering data [from secondary NMIs] would enhance their visibility of CER and offer potential benefits including:
 - "Improved network operation and forecasting
 - "easier procurement of network support services from CER, and
 - "enabling the development of targeted network tariffs for flexible trading customers."²

Ausgrid supports this view, however we consider that for DNPSs to realise the, DNPSs will *still* need to make system changes in addition to any establishment costs for the NMI service provider. As noted, above, if the intent is that DNPSs would no longer have access to this data it represents a serious departure from the Rule Change's original intent and would warrant further and more in-depth consultation.

- **Lower consumer protections:** The AER's current review of embedded networks³ highlights that recent reviews and inquiries into embedded networks have identified a range of concerns, including:
 - the risk of monopoly pricing;
 - limited consumer protections (e.g. National Energy Consumer Framework (**NECF**) protections including for life support and vulnerable customers) and lack of access to ombudsmen schemes; and
 - limited ability for the AER to monitor compliance and take enforcement action. The AER would need to be adequately funded and further regulatory changes would be needed to provide the AER with the power to capture and enforce compliance for this new role within the NECF.

Additional regulatory reforms will need to be included in this Rule Change in order to address these concerns and ensure that there are sufficient consumer protections in place under a NMI service provider model. This is particularly important given the sensitivity of NMI data for verification of a customer/premises within AEMO's Market Settlement and Transfer Solutions (**MSATS**), cyber security and privacy concerns. In contrast, effective consumer protections

² AEMC, *Unlocking CER benefits through flexible trading, Draft rule determination*, 29 February 2024, p.21, p.33.

³ Australian Energy Regulator, *Review of the AER exemptions framework for embedded networks*, Issues Paper, November 2023.

and security controls are already in place for services provided by a DNSP, including application of applicable ombudsmen schemes across the NEM.

- **Creating an unregulated monopoly function:** Notwithstanding that the appointment of the proposed NMI service provider role for a new SSP may be subject to competitive processes, the appointment of the NMI service provider will effectively create an unregulated monopoly for that service provider for the life of the secondary NMI determined by the FRMP's existing contracting partner. This may result in limited transparency on pricing and make it difficult for customers to meaningfully compare service providers. We assume this will be similar to metering provider appointment practices, whereby retailers have a contract with a preferred provider, which becomes the default option for their customers and which customers cannot transparently negotiate away from.
- **No single source of truth for NMIs:** Under the Draft Decision model there will be a single source of truth for NMI information, with a single entity – the DNSP – responsible for managing NMIs within their respective distribution areas. In contrast, under the proposed NMI service provider model, this responsibility will potentially be spread across a range of providers. This may create challenges similar to those currently seen with embedded networks, for example a lack of visibility on meters and energy flows within embedded networks.

Attachment B: Ausgrid confidential breakdown system/process estimated costs

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