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Unlocking CER Benefits - NMI creation and maintenance at a secondary settlement point

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

EnergyAustralia appreciates the opportunity to comment on the changes regarding NMI creation, to the AEMC's draft determination on Unlocking CER benefits through flexible trading.

We understand that the AEMC's change in position is due to DNSP feedback that requiring them to perform the role of establishing a NMI would require costly system changes, and that third parties (provided by a competitive market) can perform the same function at a significantly lower cost. We question how this is possible and we expect that the AEMC is not comparing like-for-like. That is, the third-party function is based on existing embedded network processes that are significantly smaller in scope and heavily manual, while the DNSPs have estimated costs on much larger changes that include entire system changes to link the Secondary Settlement Point (SSP) to the primary NMI.

We believe that the DNSPs feedback suggests the cost of updating their systems to recognise and see the SSP outweigh the benefit of having visibility over the SSP and access to SSP data. This feedback is highly important and relevant to the AEMC's final determination. The AEMC should confirm with DNSPs (or at least with a sample of DNSPs) whether they will make the required system changes to see and link the SSP to the primary NMI. If DNSPs are not proceeding with this change, then the cost benefit analysis which relies heavily on the DNSP benefiting from the SSP to enable network support services, is severely undermined, and likely does not support proceeding with this rule change.

EnergyAustralia does not support the AEMC's new direction to allocate the NMI creation role to a third party (similar to Embedded Network Managers) for the following reasons:

- Retailers will have to establish and manage a relationship with this new third party, separate to their existing relationships. There are therefore new transaction costs in doing so i.e. entering into contracts, managing the relationships etc. In contrast, where DNSPs hold this role, there would be efficiencies in leveraging existing relationships. We note that retailers not operating in embedded networks do not engage embedded network managers today. We also note that even where Retailers do not sell products using the SSP, they will need to appoint this third party where a customer churns to them with the SSP configuration.
- The main part of the existing embedded network process appears to be manual. i.e. NMI creation requests are sent to embedded network managers via email and not a portal or via a market transaction process. This has been confirmed by several Embedded Network managers, and this is inferred in the AER's process document for all embedded network managers, separately sent to the AER. We believe that this solution will not be appropriate in the long term should the SSP be adopted on a wide scale.
- We question whether an adequate number of third parties will enter to provide these services at a competitive price. This function is basic, implying there is limited point in it being serviced by a competitive market, i.e. limited scope for competition to drive cost efficiencies or innovation. Instead, the nature of this function is that it would benefit from economies of scale that the networks can deliver, this is a strong reason for the function to stay with the DNSPs.
- The DNSPs raise a valid concern around their costs not being recoverable in their network charges. We would support the DNSPs being able to revisit their network tariff determinations accordingly. We are concerned that the AEMC will adopt a sub-optimal alternative mainly on the basis of this concern and emphasise that the AEMC should be adopting an approach which leverages existing relationships and is efficient overall.

If you have any questions in relation to this submission, please contact Selena.liu@energyaustralia.com.au or 03 9060 0761.

Regards,
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