

22 October 2024

Ms Anna Collyer
Chair
Australian Energy Market Commission

By online submission

Dear Ms Collyer

Rule change requests – non-controversial changes to Chapter 7

The Australian Energy Market Operator (AEMO) requests that the Australian Energy Market Commission (AEMC) consider making two rule changes under section 91 of the National Electricity Law.

The rule change requests detail two proposals to amend Chapter 7 of the National Electricity Rules (NER) to improve efficiency, provide cost savings and facilitate a smoother and faster rollout of smart meters.

The first rule change request details AEMO's proposal to replace the existing Clauses 7.8.4(a), (b), and (c), which requires Metering Coordinators (MCs) to seek an exemption from AEMO when they are unable to establish a telecommunications connection to a metering installation, with provisions that introduce record-keeping obligations for MCs. In doing so, the proposed rule change request ensures that MCs retain accountability through detailed record-keeping whilst removing the unnecessary complexity and administrative burden that is currently associated with the exemption process.

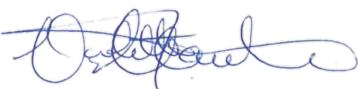
AEMO believes this rule change is necessary as technology changes have made the current rule redundant. AEMO considers that this change can also assist the acceleration of smart metering deployment by removing a process that might otherwise lead to failed attempts to install smart meters.

The second rule change request seeks to remove the consultation requirement specified in NER 7.16.3(b) for the Metrology Procedures. This clause requires the Metrology Procedure consultation process to include a minimum period of three-months between the publication of the final determination and procedure commencement. AEMO contends that this creates unnecessary delays, reduces flexibility and responsiveness to changes in the electricity market. In making this request, AEMO aims to align the Metrology Procedure consultation process with the requirements for other AEMO procedures authorised under NER Chapter 7.

AEMO considers these changes to be non-controversial and has received support from market participants who would be affected by the requested changes. Accordingly, AEMO requests that the AEMC consider applying an accelerated rule change process to these rule change requests.

Any queries concerning this letter should be directed to Lee Brown, Specialist Market Design and Development, at lee.brown@aemo.com.au.

Yours sincerely,



Violette Mouchaileh
Executive General Manager Reform Delivery

Attachments:

Rule change proposal: AEMO exemption requirements – no telecommunication networks

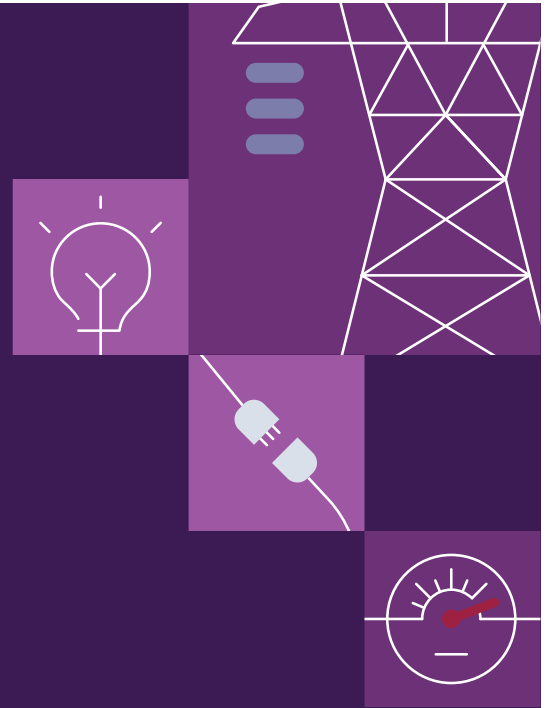
Rule change proposal: Metrology Procedures consultation process requirements

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Australian Energy Market Operator Ltd ABN 94 072 010 327





Electricity Rule Change Proposal

Metrology Procedures consultation process requirements

October 2024

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1. Summary

Chapter 7 of the National Electricity Rules (NER) sets out the consultation requirements that the Australian Energy Market Operator (AEMO) must follow when developing, amending, or replacing procedures.

Uniquely, the NER requirements for consultation of the Metrology Procedures require there to be a mandatory three-month period between the publication and commencement of any non-trivial amendments. AEMO requests the removal of this requirement, currently specified in NER 7.16.3(b).

The current three-month period between publication and commencement creates unnecessary delays in the implementation of essential changes, reducing flexibility and responsiveness to changes in the electricity market. AEMO's requested removal of NER 7.16.3(b) aims to align the Metrology Procedure consultation process with the consultation process for other AEMO procedures that are authorised under NER Chapter 7, enhancing consistency, agility, and efficiency in the National Electricity Market (NEM).

AEMO contends that the requested change can be applied at no material cost and without impact to market participants. The proposal seeks to streamline procedures and align them with existing practices across the regulatory framework, reducing administrative burden and improving market efficiency without imposing new obligations or significant impacts on stakeholders.

AEMO has consulted with parties who are subject to the Metrology Procedure consultation process and feedback has been supportive. AEMO requests that the AEMC consider progressing this request under the accelerated rule change process.

2. Relevant background

2.1. Current framework

The NER sets out the consultation requirements that AEMO must follow when developing, amending, or replacing procedures. These procedures are vital for the operation of the NEM as they ensure the policies, processes, systems, and other mechanisms necessary to make effect to the NER are established and operate effectively.

General Consultation Process

In brief, for AEMO procedures authorised under NER Chapter 7, the following consultation steps are required:

1. **Consultation Paper:** AEMO releases a consultation paper outlining the proposed changes or new procedures, inviting stakeholder feedback.
2. **Stakeholder Submissions:** Stakeholders are given an opportunity to submit their comments, concerns, and suggestions within a designated period.
3. **Draft Determination:** After reviewing the submissions, AEMO publishes a draft determination, including draft procedures, if applicable.
4. **Further Feedback:** AEMO may seek additional feedback on the draft determination before finalising the procedures.

5. **Final Determination:** AEMO issues a final determination that includes the finalised procedures, including the timing for the changed procedures to come into effect.

These steps ensure that the consultation process is transparent and that stakeholders have adequate input into the development of procedures affecting the NEM.

Specific Metrology Procedures requirement (NER 7.16.3(b))

The Metrology Procedures, have a unique consultation requirement under clause 7.16.3(b) of the NER. Unlike other AEMO procedures that are authorised under NER Chapter 7, the Metrology Procedure consultation process must include a minimum period of three-months between the publication of the final determination and the commencement of the procedures¹.

AEMO understands that the mandatory three-month period between publication and commencement of Metrology Procedures was initially developed to ensure that market participants had sufficient time to prepare for changes. The policy intent being to safeguard market operations by allowing a transition period for participants to adapt to new requirements.

2.2. Narrative of issue and proposed changes

The current requirement for the delay of procedure change commencement affects AEMO and market participants by delaying the implementation of necessary changes, reducing market responsiveness, and creating inconsistencies with other AEMO procedures that do not have such extended commencement lead times.

Flexibility in the implementation of procedural changes is increasingly demanded to address emerging challenges and to implement progressive changes to the NER. AEMO's robust stakeholder engagement process already allows for thorough consultation and input into implementation timing for process and system changes, and to prepare for new procedures more generally, making the three-month period an unnecessary encumbrance.

To support the development of recent rule changes² AEMO has developed high level implementation assessments (HLIAs), where interested parties are involved in the commencement of planning for implementation of rule changes at the earliest possible opportunity, typically once a draft rule and determination are published by the AEMC. This planning includes the timing for procedure consultation and publication, system design and testing, readiness activities and commencement.

The three-month commencement delay for the Metrology Procedures is a feature that AEMO must take into account when providing advice to interested parties in the development of HLIA's and it can affect the overall commencement timing of rule changes. Consequently, it can delay the commencement of a necessary change where no delay is warranted.

AEMO observes that this delay is not a feature that applies to changes the AEMC might determine to make in the NER, including matters in Chapter 7 and in particular, Schedule 7 which covers content similar to that in the Metrology Procedures. In practice, this allows non-administrative changes, such as the changes to NER 7.8.2 that have been made effective in Chapter 7 as part of the Unlocking CER

¹ Other than where the *minor rules consultation procedure* applies.

² Including Unlocking CER Benefits (FTA), Accelerating Smart Meter Deployment and Integrating Price Responsive Resources (IPRR).

Benefits in the NEM final rule, to occur without delay subject to prior consultation. AEMO considers that it is reasonable for the Metrology Procedures to be treated in this way also.

In summary, it does not offer value in safeguarding market operations as might have originally been envisaged, rather it is now an anachronism that AEMO must observe.

3. Statement of issue

3.1. Current Rules

NER 7.16.3(b) requires a mandatory three-month period between the publication and commencement of Metrology Procedures. NER clauses 7.16.3(a) and (b) are presented below:

7.16.3 Requirements of the metrology procedure

- (a) *AEMO* must establish, maintain and *publish* the *metrology procedure* that will apply to *metering installations* in accordance with this clause 7.16.3 and this Chapter 7.
- (b) If *AEMO* amends the *metrology procedure*, there must be a minimum period of 3 months between the date *AEMO publishes* the amended *metrology procedure* and the date it commences, unless the change is made using the *minor rules consultation procedure* in which case the effective date may be the date of *publication*.

3.2. Issues with the current Rule

AEMO considers that the issues resulting from the current rule are:

- **Inflexibility:** The Rule mandates a rigid three-month period, preventing timely implementation of necessary changes even when stakeholders are prepared for, or require, immediate adoption.
- **Inconsistency:** This Rule creates inconsistency with other AEMO procedures authorised under NER Chapter 7 that do not require such a lead time, leading to confusion and administrative inefficiency.
- **Market Impact:** The delay in implementing changes affects market efficiency and the ability to respond swiftly to evolving market conditions.

These limitations have been exposed in a recent AEMO consultation in response to a request by the Energy Ministers Sub-Group (EMSG), from the Federal Minister for Climate Change to remove specific clauses from the jurisdictional metrology material in the Metrology Procedures. The three-month delay required in the NER prevented AEMO from completing the task in the timeframes requested by the Minister. AEMO and affected participants were required to identify and introduce workarounds because of the three-month delay, creating inefficiencies.

The evolving market conditions and technologies are likely to require ongoing change and adaptation of the Metrology Procedures, at least to the extent seen over recent years. As a result, the impact of the current Rule is material, as it can hinder the timely adoption of necessary changes, thereby reducing the overall efficiency of the NEM and creating administrative burdens for both AEMO and market participants.

4. How the Proposal will address the issues

4.1. How the proposal will address the issues

AEMO proposes that the mandatory three-month period between publication and commencement of Metrology Procedures, as specified in NER 7.16.3(b), is removed.

This change will harmonise the Metrology Procedures with other AEMO procedures, and enable quicker implementation of changes, where appropriate. It will also allow AEMO and market participants to implement changes more swiftly when this is required, improving market responsiveness, and reducing administrative burdens. More broadly, the removal of the three-month period will facilitate a more agile and consistent regulatory framework.

4.2. AEMO Procedure changes

AEMO has not identified any material change to procedures and guidelines that would result from a removal of NER 7.16.3(b). The proposed change is expected to have a positive impact on market participants, with no significant negative consequences anticipated. The removal of the three-month period will streamline processes, benefiting both AEMO and stakeholders.

4.3. Stakeholder engagement

AEMO has engaged with stakeholders identified as being directly interested in matters included in the Metrology Procedures, through one-on-one discussions and communications, consultations, and forums, receiving broad support for the proposed change. No significant controversies have arisen, with feedback focussing on the ongoing need for commencement timing to be a key element of AEMO procedure consultation processes.

5. Proposed Rule

5.1. Description of the proposed Rule

The proposed rule change is the removal of the mandatory three-month period between publication and commencement of Metrology Procedures under NER 7.16.3(b). AEMO proposes the clause is removed in its entirety.

5.2. How the Proposed Rule Contributes to the national electricity objective (NEO)

Before the AEMC can make a change to the NER it must apply the rule making test set out in the NEL, which requires it to assess whether the proposed rule will or is likely to contribute to the National Electricity Objective (NEO). Section 7 of the NEL states the NEO is:

... to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to –

- (a) price, quality, reliability and security of supply of electricity; and*
- (b) the reliability, safety and security of the national electricity system.*

AEMO considers that the proposed deletion of NER 7.16.3(b) would contribute to the NEO as follows:

- **Increased agility and efficiency** - The removal of the three-month period will allow for more agile changes to the Metrology Procedures, enabling faster responses to emerging issues, enabling technologies and new ways of working in the electricity market and will remove inessential delays in the implementation of necessary changes.
- **Increased transparency** - By aligning Metrology Procedures with other AEMO procedures, the change will increase transparency and reduce regulatory complexity, making it easier for stakeholders to understand procedure change processes and comply with the rules.

5.3. Expected benefits and costs of the proposed Rule

The proposed change is expected to have a positive impact on all market participants, with no significant negative consequences anticipated. The removal of the three-month period will streamline processes, benefiting both AEMO and stakeholders.

The expected benefits of the proposed rule are:

- **Market Efficiency:** Faster implementation of changes will improve market efficiency, benefiting all stakeholders.
- **Cost Savings:** Reducing administrative burdens and delays will lead to cost savings for AEMO and market participants.

Conversely, AEMO believes that failing to remove the mandatory three-month period will continue to hinder the timely adoption of necessary changes, reducing market efficiency and responsiveness.

The costs of implementing this change are minimal, as it involves the removal of an existing requirement without imposing new obligations.

5.4. Transitional matters

No transitional provisions are required, as the proposed change simply removes the mandatory lead time without imposing new obligations or altering existing arrangements, including standard procedure consultation processes that would include the Metrology Procedures.