

1 October 2010

Mr John Pierce
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

Via website: www.aemc.gov.au

Attention: Mr Marc Tutaan

Dear John,

Consultation Paper on Specific Issues – National Electricity Amendment (Provision of Metering Data Services and Clarification of Existing Metrology Requirements) Rule 2010 (Project: “ERC0092”)

Grid Australia welcomes the opportunity to comment on the AEMC’s Consultation Paper on Specific Issues (16 September 2010) on the aforementioned Rule change proposal, submitted by the Australian Energy Market Operator (AEMO) (formerly NEMMCO).

Grid Australia makes this submission on behalf of National Electricity Market (NEM) electricity transmission network owners ElectraNet (South Australia), Powerlink Queensland (Queensland), SP AusNet (Victoria), Transend (Tasmania), and TransGrid (New South Wales).

Grid Australia essentially supports the AEMC’s current policy positions outlined in the Consultation Paper as they relate to ‘wholesale’ metering i.e. Type 1 – 4 meters at transmission connection points and on interconnectors¹. The AEMC has taken a ‘proportionate’ and responsible overall stance in response to AEMO’s original 18 June 2009 proposal, and subsequent 1 July 2010 submission proposals, based upon an objective assessment of all stakeholder arguments, against the National Electricity Objective (NEO)².

Overall, Grid Australia continues its support for having local TNSPs as the ‘default’ Responsible Person (and generally metering provider), as distinct from being responsible for metering data provision. In most instances, the local TNSP is in the best position to offer a workable and

¹ Also see Grid Australia’s earlier submissions as part of this consultation, of 16 October 2009, and 1 July 2010.

² 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.’

rigorous offering for the relevant metering installation using their in house or contracted meter service providers. Furthermore, the existing situation with regard to metering of transmission connection points continues to warrant a different treatment to distribution/ retail connection points ('the split responsibility model for the provision of metering and data services').

Grid Australia provides the following comments in response to the questions posed in the AEMC's latest Consultation Paper on this matter.

Question 1: In your view, and on balance, do the benefits of these proposed arrangements regarding the responsibility for metering data services outweigh the detriments when assessed against the National Electricity Objective? Do you have any comments on the proposed drafting of these arrangements in the attached draft Rule?

Grid Australia considers that the latest arrangements proposed by the AEMC (which would allocate responsibility for metering data service to AEMO for those metering installations where the TNSP is the Responsible Person) best contribute to the efficiency objectives of the NEO.

Grid Australia strongly concurs with the AEMC's views in the Consultation Paper, where:

"The AEMC ... recognises that the national electricity market has generally (but not completely) matured to a point where the residual risks of removing AEMO's responsibility for metering data collection is at a level that is acceptable to the efficient functioning of the market ... The limited retention of AEMO as being responsible for the functions comprising of the collection, processing and delivery of metering installations where the TNSP is the Responsible Person recognises that the TNSP is generally not in the business of managing or performing these functions themselves " (p.2).

*"The AEMC's policy position recognises that efficiencies can be gained in a mature market through a single source of responsibility, **whilst acknowledging that exceptions to this trend need to be accommodated**" (emphasis added). (p.5)*

Grid Australia considers that allocating the responsibility for metering data services to AEMO (for those metering installations where the TNSP is the Responsible Person) will maintain lower overall NEM cost outcomes than would be incurred if this role was allocated to TNSPs. This leaves the existing arrangements unchanged and acknowledges the mature and well understood processes which have been in place since market commencement in December 1998.

The AEMC's latest position will obviate the need for individual TNSPs to establish internal *MDP* service groups, develop software systems and become accredited, or need to engage and manage third party *MDPs*.

Under the original AEMO proposal, TNSPs would also be likely to incur significant increased legal and commercial liabilities as a consequence of becoming responsible for metering data errors arising through *MDP* processes. Section 119 of the National Electricity Law expressly caps AEMO's liability in carrying out its functions in a way that does not apply to TNSPs. As a result TNSPs potentially face a significant risk premium in managing these liabilities. Metering data provision errors associated with transmission connection points and interconnectors that go undetected for an extended period of time, can result in liabilities exceeding hundreds of millions of dollars. Consequently, AEMO's costs in discharging this centralised responsibility will be far less

than the costs required to duplicate these processes for each TNSP and to insure against possible legal and commercial liabilities.

Whilst Grid Australia recognises that this will continue different processes between wholesale market metering and retail metering installations (as argued in Grid Australia's 16 October 2009 submission and in the meeting with the AEMC and AEMO on 4 August 2010), there are clear and significant differences between the essential metering needs of the wholesale market (transmission connection points and interconnectors) and the metering needs of the retail market. Furthermore, any associated costs will be minimal given the relatively low volume of connection points in the wholesale sector, and significantly less than the costs to TNSPs in establishing new contractual arrangements and requisite supporting processes.

Therefore, the proposed policy position and Rule as drafted (allocating the responsibility to AEMO) will maintain lower overall NEM cost outcomes than would be the case if this role was allocated to individual TNSPs, and best contributes to the efficiency objectives of the NEO.

Question 2: In your view, and on balance, do the benefits of these proposed arrangements regarding complex connection points outweigh the detriments when assessed against the National Electricity Objective? Do you have any comments on the proposed drafting of these arrangements in the attached draft Rule?

Grid Australia concurs with the AEMC's policy position to create a transparent process, whereby AEMO is to publish in a document the specific site and technology related conditions for complex connection points as determined by AEMO.

Consistent with the principles outlined in Question 1 above, AEMO should retain responsibility for metering data services for complex connection points. Grid Australia also supports United Energy Distribution comments that the TNSP should be retained as the metering provider³ at Transmission Network sites due to network security and access to metering installation issues.

Grid Australia also supports:

1. the principle where only one Metering Data Provider is responsible for all data services associated with each complex connection point or interrelated complex connection points;
2. AEMO being the Responsible Person for interconnectors and the Financially Responsible Market Participant for the purposes of selecting the Metering Data Provider for interconnectors;

and considers that these arrangements outweigh any perceived detriments and positively contribute to the efficiency objective of the NEO.

In relation to the proposed drafting of these arrangements for the proposed Rules Change, Grid Australia considers that the drafting, regarding the metering data provider roles for sites where the TNSP is the Responsible Person, reflects the AEMC's stated intentions.

³ Refer to page 3 of the United Energy Distribution Submission Second Round (2 July 2010).

Grid Australia would welcome the opportunity to clarify any aspect of this submission. Should you require any further information, please contact Mr David Craig, TransGrid's Protection and Metering Manager on (02) 4967 8734 in the first instance.

Yours sincerely,



Rainer Korte
Chairman
Grid Australia Regulatory Managers Group