



EnergyAustralia

22 October 2015

John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged electronically: www.aemc.gov.au

Reference EMC 0179

EnergyAustralia Pty Ltd

ABN 99 086 014 968
Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Dear Mr Pierce

AEMC – Embedded Networks Draft Rule Determination

1. Introduction

EnergyAustralia (EA) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Rule Determination titled National Electricity Amendment (Embedded Networks) Rule 2015. We are one of Australia's largest energy companies, providing electricity and gas to over 2.5 million household and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

2. Overview

The objective of this rule change to enable embedded network customers to participate in the broader electricity market and ensure they can take advantage of the products and services generally available to all on-market customers, is fully supported by EA. This rule change proposes to create a new market entity, the Embedded Network Manager (ENM) that will perform some of the electricity market responsibilities and assist the customer with sourcing offers from authorised retailers and obtaining a suitable meter.

Specifically this rule change seeks to address the following key issues related to embedded networks:

1. The National Electricity Rules (NER) are not clear on National Electricity Market (NEM) obligations for embedded network customers moving on and off market;
 - o Who assigns the National Metering Identifier (NMI)?

- Who sets up and maintains market settlement data in the Market Settlement and Transfer Solution (MSATS)?
 - Who undertakes NEM transfer processes for the transfer of embedded network customers between retailers, particularly between the embedded network operator and an authorised retailer?
2. The terms and conditions of the AER exemption guidelines do not fully facilitate customers accessing retail on-market offers;
- Bills provided by embedded network operators to off-market customers are not separated into network and retail components making it difficult to compare offers with retailers which only offer retail services;
 - Meter inspection, reading and testing standards for off market embedded network customers are lower than on-market standards causing meter replacements for customers going on-market;
3. Differences in jurisdictional regulations create barriers for customers;
- QLD, TAS and ACT do not have regulatory arrangements to facilitate parent child metering arrangements for on-market customers; and
 - NSW, SA and VIC that facilitate access to retail market offers are inconsistent.

EA agrees with AEMC's recommendations except where we provide the following specific comments below.

3. Proposed Regulatory Framework and Changes to the NERR

The rule change proponent, the Australian Energy Market Operator (AEMO), has proposed a regulatory framework requiring all embedded network operators with an obligation to appoint an embedded network manager (ENM). This would apply to embedded network operators with both registrable and individual network exemptions. However, EA agrees with the amended framework proposed by the AEMC which allows the AER with discretion as to where an ENM needs to be appointed, (subject to a new guideline). This will avoid the imposition of additional ongoing costs of an ENM to small embedded networks.

The AEMC amendment also included an additional stream in the regulatory framework which seeks to review several aspects of the National Energy Retail Rules (NERR) particularly where an authorised retailer provides services to an embedded network customer. In this situation EA agrees that clarity is required regarding the obligations of embedded network operators and retailers related to contracts, bill contents, tariffs, charges and de-energisation and re-energisation.

EA is concerned with the application and responsibility of standing contracts, under the NERR, in the situation where an embedded network customer has gone on-market via a retail market contract. Should this customer move premises or their contract expires, the site would be supplied via a standing contract from the current retailer. We do not believe that a retailer should continue to have an obligation to supply (under a standing contract) as the Financially Responsible Market Participant (FRMP) for an embedded network site that had formerly been serviced under a market retail contract. We believe this obligation should revert to the embedded network operator instead. It would be inefficient and very onerous to impose an obligation for retailers to manage standing prices and contracts for customers within embedded networks.

We urge the AEMC to address this issue in the proposed amendments of the NERR.

4. Metering

The draft rule determination discusses two barriers related to metering that could inhibit customers choosing an on-market offer from a retailer. The first is that many existing meters in embedded networks do not meet the minimum metering specification, meter reading, testing and inspection standards of on-market metering. The second perceived barrier is that there is no incentive for embedded network operators to sell the meter to an authorised retailer when a customer chooses to go on-market. Our comments on these possible barriers are:

Barrier 1 - EA supports the AEMC's proposal to ensure that all customers have accurate metering supported by appropriate testing and inspection standards and that these same standards should apply to both on and off market customers. This will allow an easier transition for customers seeking on-market offers as a meter change may not be required. The AER should also consider some grandfathering arrangements when amending their networks exemption guideline to facilitate this alignment of metering standards and to minimise the costs for existing embedded network customers.

Barrier 2 - EA is also of the view that no regulated incentives are required to entice embedded network operators to sell or lease their meter to an authorised retailer to minimise meter churn (where the existing meter is compliant with the market). Competitive market forces will ensure that meter churn is minimised in a similar way as expected for the competition in metering arrangements proposed from December 2017 for the national market. Embedded network operators have the incentive of lost revenue if their meter is removed and authorised retailers can avoid the cost to change a meter if a commercial arrangement is negotiated with the embedded network operator.

5. Customer Billing

EA supports the proposal by the AEMC to recommend that the AER amend its network exemption guideline to include a requirement for embedded network operators to provide information (network tariff charges) on request to either a customer or a retailer (from the current or future retailer that the customer is seeking an offer from). This will avoid the cost to embedded network operators of unbundling all offers for all embedded networks and will also allow a customer to perform a suitable comparison of both on-and off-market offers when required. It will also avoid any changes and possible confusion for existing customers that are familiar to their current billing arrangements.

6. Differences in Jurisdictional Regulations

EA also agrees with the recommendation to harmonise embedded network jurisdictional regulations in Victoria, SA and NSW as well as the removal of regulations in Queensland, TAS and ACT that prevent embedded network customers from accessing retail market offers. These regulations should be aligned to the commencement of this embedded network rule change currently scheduled for 1 December 2017.

A nationally consistent approach will remove complexity and deliver efficiencies that will benefit all embedded network customers.

7. Summary

This embedded network rule change will improve and clarify roles and responsibilities for this segment of the electricity market. The industry is dealing with a raft of Power of Choice (POC) initiatives with many scheduled for commencement in 2016 or December 2017. Most of these changes have significant impacts on retailer systems and EA is of the view that industry will need to prioritise some of these initiatives in order to meet the aggressive timelines. While we are aware that there may be some system synergies with the implementation of both the competition in metering rule change and this embedded network rule change we are concerned the expectations on retailers to deliver all of the POC initiatives is unachievable.

Should prioritisation be required by the industry we believe that this rule change could be delayed as this segment has operated adequately, in the past, under the current regulatory arrangements. However we believe that changes to metering standards for embedded networks could apply as soon as practical as this will facilitate an easier path for customers, seeking to move on-market, without imposing significant changes to market participants' systems.

Should you require further information regarding this submission please call me on 03 8628 1437.

Yours sincerely

[Signed]

Randall Brown
Regulatory Manager