



22 October 2015

Mr John Pierce
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Electronic Lodgement – ERC0179

Dear Mr Pierce

RE: Draft Rule Determination – Embedded Networks Rule

United Energy (UE) appreciates the opportunity to respond on the Draft Rule Determination – National Electricity Amendment (Embedded Networks), Rule 2015.

UE is an electricity distribution network service provider to more than 650,000 customers across east and south-east Melbourne and the Mornington Peninsula over an area of 1,472 square kilometres.

UE have responded below on the following matters, life support, transitional arrangements, embedded network definition, and additional information requirements. In summary;

- UE support the AEMC position that the embedded network operator (ENO) remain responsible for notifications in relation to life support status as opposed to the embedded network manager (ENM) as there may not always be an ENM appointed;
- UE support continuation of the current standard industry practice where a customer advises their retailer of the life support status and their retailer advises the network, these same processes should apply within the embedded network (EN);
- In light of the AEMC adopting a position that there would be no deemed arrangements and that the LNSP could not continue to provide this service, then a condition precedent of commencing must be that there are ENM's accredited and all parent NMIs which need an ENM have an ENM registered in MSATS prior to the rule commencing on 1 Dec 2017;
- UE recommend that the AEMC in its Final Rule and Determination on metering competition, extend the Chapter 11 deeming and appointment arrangements to apply for these type 5 regulated LNSP metering situations in order to recognise the current arrangements and impacts in existing EN and in newly formed brownfield EN after 1 Dec 2017;
- UE support the ENA concerns and proposed changes in relation to the Draft Rule embedded network definition. The embedded network definition needs to include a reference to parent metering at the connection point; and
- UE recommend that the AEMC add a requirement for the AER to include in the update of the exempt network guideline an obligation on the ENO to also advise of all embedded generation capability (size, type etc) within the embedded network to the LNSP.

Life support

UE support the AEMC position that the ENO remain responsible for notifications in relation to life support status as opposed to the ENM as there may not always be an ENM appointed.

UE support continuation of the current standard industry practice where a customer advises their retailer of the life support status and their retailer advises the network. UE recognise that a customer could also advise their network rather than the retailer and then the network will need to advise the retailer.

It is better if the practice adopted in the embedded network is kept as close to the current practice as possible, particularly given that the retailer can arrange remote disconnection with the MC in future. The customer should advise their retailer (whether on market retailer or exempt seller), who must advise the local network (where the customer is a direct connection, the LNSP or the ENO where the customer is within an exempt network). The ENO needs to advise the parent retailer and the ENM (where relevant). The parent retailer needs to advise the LNSP. The LNSP needs to register the parent NMI as life support in MSATS and the ENM will need to register the child NMI as life support where the child is second tier and in MSATS.

Transition – Condition Precedent, ENM assigned

The Draft Determination recognises that there are benefits in coordinating the procedural and IT changes for the embedded network manager rule and the metering competition rule. The proposed timeframe develops the embedded network manager service level procedure in 7 months and then allows a 9 month period for the potential ENM's to develop systems and processes to meet the ENM requirements, develop acceptable paperwork to seek accreditation, participate in industry testing (B2B and B2M), gain accreditation and then be registered in MSATS against the required parent NMI's.

In light of the AEMC adopting a position that there would be no deemed arrangements and that the LNSP could not continue to provide this service, then a condition precedent of commencing must be that there are ENM's accredited and all parent NMIs which need an ENM have an ENM registered in MSATS prior to the rule commencing on 1 Dec 2017.

Transition – Existing EN and Brownfield EN

There would be benefit in the Final Determination clarifying the arrangements where the LNSP has provided the NMIs and metering for second tier children and how this will be transitioned. The CATS procedures contemplate that the local retailer of the embedded network (the parent FRMP) would create and maintain NMIs however the MSATS IT system to date has only allowed the LNSP this capability.

The LNSP has undertaken this role for the last decade and used its LNSP allocated NMIs to assign to embedded network children. The LNSP has created and maintained the embedded network NMI, including selecting the RP and other roles as part of the NMI creation to allow retailer of choice. The CATS procedures allow rights of objection as bad party or not responsible in relation to the RP role. The CATS procedures do not automatically allocate the RP to the retailer, unless the retailer chooses to offer the child type 4 metering. Where type 5 is provided as the standard regulated interval meter alternative, under the NER, the LNSP is responsible for this metering and AEMO has in the past taken a view that

these second tier children are deemed to be on the LNSPs network and treated like any other NEM connection.

The AEMO Embedded Network Guidelines that have been in operation since 2009 support this view;

*'6. Metering requirements and responsibilities for downstream NMIs registered in MSATS are the same as for all other market NMIs under the Rules and the Metrology Procedure. Including if child meters are eligible to be manually read this will be the responsibility of the LNSP associated with the parent connection point.'*¹

The AEMO Embedded Network Guideline also states:

*'The metering installation for any child metering points that are set to active must also be installed and maintained in accordance with the Rules and the Metrology Procedure. These connection points are regarded as NEM connection points for the purpose of metrology. The responsible person for the child metering installation is also determined in accordance with the Rules.'*²

*'The RP must be the FRMP or the LNSP in accordance with the Rules based on instructions from the FRMP.'*³

When establishing a second tier child connection the winning retailer would have requested the LNSP to create the NMI within the embedded network and would have outlined the NEM roles to be attached to that NMI and the required meter type. The LNSP manually read interval meters have been a cheaper option for these customers than a competitively provided remotely read interval meter.

UE re-iterate its earlier position that there needs to be a grandfathering arrangement for the LNSPs type 5 meters (including AMI meters) currently on second tier children and does not concur with the AEMC view that 'LNSPs are therefore not the responsible person under the current version of the NER in the scenario described'.⁴ UE consider that the NER and the procedures and guidelines need to be read together.

UE suggest that the deeming and appointment arrangements in the proposed NER for metering competition deal with these legacy arrangements where type 5 meters (including AMI meters) were provided as a regulated or cheaper option for the second tier children so they could select their retailer of choice.

The Draft Rule for Metering Competition and Related Services below is limited to the LNSP being RP (and day 1 MC) only for direct connections onto the LNSP network and does not recognise these legacy arrangements, where in the case of Victoria, AMI meters have been installed as type 5.

11.78.7 Metering Coordinator for type 5 or 6 metering installation from effective date

(a) On and from the effective date, a *Local Network Service Provider* that was the *responsible person* for a type 5 or 6 *metering installation* connected to, or proposed to be connected to, the *Local Network Service Provider's network* under clause 7.2.3(a)(2) or clause 9.9C.3 immediately before the effective date must be appointed as the *Metering Coordinator* by the *financially responsible Market Participant*.

¹ AEMO Embedded Network Guidelines V1.0 Final, p4

² AEMO Embedded Network Guidelines V1.0 Final, p20

³ AEMO Embedded Network Guidelines V1.0 Final, p19

⁴ AEMC Draft Determination, page 65

This MC deeming arrangement needs to provide for continuity of the LNSP as the MC where regulated metering has been used on a second tier child in existing ENs at 1 Dec 2017, it also needs to cater for multi –occupant sites where customers are treated like they are directly connected to the LNSP network and have been provided regulated metering prior to 1 Dec 2017 and sometime after 1 Dec 2017 the multi-occupancy is established as an EN. The customers should not lose their ability to continue with the regulated metering because the ENO forces a change in arrangements.

UE recommend that the AEMC in its Final Rule and Determination on metering competition, extend the Chapter 11 deeming and appointment arrangements to apply for these type 5 regulated LNSP metering situations in order to recognise the current arrangements and impacts in existing EN and in newly formed brownfield EN after 1 Dec 2017.

If the AEMC does not provide any transitional arrangements for type 5 metering within the embedded network then the FRMP will need to select a type 4 meter and competitive arrangements to apply on 1 Dec 17 (or on the establishment of a new EN after 1 Dec 2017) with the corresponding changes to the customers retail contract.

Embedded Network Definition

UE support the ENA concerns and proposed changes in relation to the Draft Rule embedded network definition. The embedded network definition needs to include a reference to parent metering at the connection point. This will better recognise that the as drafted arrangements are unclear between multi-occupancy where customers are treated as direct connections to the LNSP in terms of NMI allocation and regulated metering selection and these new embedded network rules.

NERR Issues

The AEMC has sought stakeholders views on the issues outlined in Appendix F, their ramifications and the importance or significance of addressing them. The AEMC does not consider that these changes are necessary consequential changes and hence they consider that they are beyond the scope of this rule change. These issues have been around since the commencement of NECF and are not newly created by the creation of the Embedded Network Manager role. We agree with the AEMC view.

The AEMC should not be seeking to limit children's choices by increasing the bar between an authorised retailer offering in an embedded network and an exempt retailer offering. Nor should the NERR be applied to the authorised retailers offering to children with all the corresponding regulatory arrangements etc. How a retailer in this situation quotes a customer (energy only or full retail tariff), how the bill is presented to the customer and choices to differentiate the pricing etc should all be left to the retailer to determine the most acceptable approach for each embedded network situation.

AER exempt network service provider guidelines – information requirements

In this consultation and in the AER exempt network guidelines there is recognition that the embedded network owner/operator has a role to ensure that the LNSP is advised of any life support status for children (regardless of 1st or 2nd tier status). UE consider that there should be an obligation on the ENO to also advise of all embedded generation capability (size, type etc) within the embedded network to the LNSP.

UE under the Electricity Distribution Code has an obligation to keep a register of all embedded generation located in its area. Further for network planning purposes UE needs to understand all

available embedded generation (solar, wind, EV battery, battery etc) which impacts network forecasts and localised network asset management and planning.

Over the past year AEMC has undertaken a number of rule changes aimed at improving AEMO forecasting capability, it is important that the LNSPs have this data available to provide AEMO on request as these rule changes do not capture parties who are not registered participants. AEMO raised this as a concern at the AER exempt selling forum on 20 October 2015, it is unclear how they are able to access generation capability within the embedded network.

UE recommend that the AEMC add this as a requirement for the AER to include in the update of the exempt network guideline.

Should you have any comments in relation to this response please do not hesitate to contact me on (03) 8846 9856.

Yours sincerely

Verity Watson
Manager Regulatory Strategy