

2 July 2015

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Sir

**re: Embedded Networks Rule Change Consultation Paper**

Thank-you for the opportunity to make a submission to the *National Electricity Amendment (Embedded Networks) Rule 2015 Consultation Paper* released by the Australian Energy Market Commission (**AEMC**) on 21 May 2015 (the **Consultation Paper**).

The rule change proposal was lodged by the Australian Energy Market Operator (**AEMO**) following a request from the then Standing Council on Energy and Resources. It was consequential to the final reports for the Power of Choice and the final advice on Energy Market Arrangements for Electric and Natural Gas Vehicles. Included with the rule change proposal as an attachment was the document *Benefits and Costs of Multiple Trading Relationships and Embedded Networks* prepared for AEMO by Jacobs SKM (the **cost-benefit analysis**).

The aim of the rule change request is to formalise the regulatory arrangements for embedded networks, including the clarification of various associated roles. The ultimate intention is to remove impediments to consumers within embedded networks accessing competitive retail offers. TasNetworks supports the concept of permitting all consumers to access the competitive retail market.

Both the original rule change request and the Consultation Paper state that consumers in embedded networks in Tasmania do not have access to the market. TasNetworks notes that, except in a few prescribed cases, power consumers do have access to the competitive retail market in Tasmania. This is due to interaction between the Electricity Supply Industry Act 1995 and the National Energy Retail Law (Tasmania) Act 2012.

The absence of parent-child metering in Tasmania means that:

1. Each consumer has their own NMI, issued by TasNetworks as the Local Network Service Provider.
2. The deemed supply arrangements under the National Energy Retail Law apply to the connection point of the distribution network with the embedded network.
3. Each retail customer pays Network Use of System charges.
4. The operation of the privately-owned “embedded network” between the connection point and the customer installation is considered to be a private contractual issue between the customer and the owner of the private network.

In essence, the arrangement existing in Tasmania is similar to the scenario “EN1” considered in the cost-benefit analysis.

TasNetworks observes that the creation of another role within the NEM, the “embedded network manager”, will impose an incremental cost upon the owners of embedded networks. While the attempt to introduce contestability into the provision of new services is commendable it does not alter the fact that these are new services with additional costs that are ultimately borne by the consumer.

The rule change in its current form will also require system changes to TasNetworks’ systems to accommodate amendments to AEMO’s procedures (for example, MSATS, metrology, etc.). TasNetworks notes that the cost-benefit analysis indicates that the implementation costs for the Embedded Networks rule change are high, and the on-going maintenance costs of these systems are of a similar magnitude. The cost of these system changes will be additional to that expected to arise from the Metering Contestability and Multiple Trading Relationships rule changes, both of which will require significant system alterations and expenditure.

TasNetworks considers that these outcomes are undesirable, especially given that the underlying reason for the proposed rule change – to allow customers in embedded networks to access competitive retail offerings – does not exist in Tasmania because customers already have this access under the current frameworks. As a result, TasNetworks suggests that the rule be implemented to allow a jurisdiction to “opt out”, and that AEMO should be required to develop its procedures to accommodate this option.

TasNetworks further suggests that it would be prudent to defer consideration of this rule change until after the related Metering Contestability and Multiple Trading Relationships rule changes have been completed. This would allow finalisation of complex changes to the existing market before extending the scope of the market to customers within embedded networks. This would also simplify consultation with affected customers, the development of any system changes, and the assessment of associated costs.

TasNetworks also supports the ENA’s submission to this consultation.

If you have any questions, please contact Kirstan Wilding on (03) 6271 6696 or via email [Kirstan.wilding@tasnetworks.com.au](mailto:Kirstan.wilding@tasnetworks.com.au).

Yours faithfully

A handwritten signature in black ink, appearing to read 'Bess Clark', written in a cursive style.

Bess Clark  
General Manager  
Strategy and Stakeholder Relations