SA Power Networks

10 September 2015

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

**AEMC Reference - ERC0181**

**Subject: Multiple Trading Relationships rule change request**

SA Power Networks welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Multiple Trading Relationships (MTR) rule change consultation, issued on the 30th July 2015.

SA Power Networks has reviewed the material published by the AEMC and has previously participated in the working group that assisted the Australian Energy Market Operator (AEMO) in developing the high level design options for MTR that led to their rule change request.

SA Power Networks is strongly of the view that the concepts presented by AEMO will introduce unjustifiable complexity into the industry to support MTR. This is despite methods currently being available for customers to pursue MTR. Those current methods (i.e. establishing a second connection point at the one property or through application of embedded network arrangements), which align with the current industry model, support the MTR objectives, and provide customers with options to pursue MTR without imposing significant costs on industry for IT system and business process changes.

If the proposed AEMO concepts (which require more than a one-to-one relationship between connection points, Financially Responsible Market Participant (FRMPs), meters and National Metering Identifiers (NMIs)) as proposed are adopted the following SA Power Networks operational systems would require a significant overhaul:

- billing system;
- standing data system;
- meter data management system;
- meter management system;
- works management system (eg. SAP);
- faults management system;
- Supervisory Control and Data Acquisition (SCADA) system;
- reporting system (i.e. Customer Information System); and
- IT integration system – which facilitates communications across all the other systems.

These systems have been developed over many years and are highly integrated, which means that any changes to those systems to facilitate MTR must be made across multiple systems simultaneously. Consequently, the lead time for implementing the necessary changes to those systems would be significant (i.e. at least two but more likely three years from the time that AEMO published the detailed procedural requirements covering the day-to-day operation of the MTR).

The industry would need to implement and test IT systems changes prior to the first customer being able to utilise the arrangements contemplated in the rule change request. The earlier Consultation Paper highlighted that the costs to implement MTR would be $6M for AEMO, $13M for each retailer and $10M for each distributor. Our indicative estimate of the capital costs to implement any one of AEMO's MTR models is in the range of $10M to $20M ($2014). Consequently, we consider that the costs identified in the Consultation Paper are at the low end of costs that would be incurred by industry. In addition, SA Power Networks expects to incur incremental operating costs associated with:

- facilitating the introduction of new systems and processes;
- increased licensing costs (where licensing charges are levied on a per NMI basis);
- duplication of billing services;
- increased billing inquiries and customer services calls;
- developing new tariff structures; and
- reconsideration of how to measure reliability performance for the purposes of the AER's Service Target Performance Incentive Scheme.

Whilst we appreciate that providing customers with choice is important, the evidence presented to date indicates only marginal potential customer benefits, and with those benefits only to be received by the potentially low number of individual customers taking up MTR arrangements (noting that SA Power Networks is currently not aware of any customers wanting to adopt MTR-type arrangements). It is likely that the total costs for customers to adopt MTR using the current arrangements would be significantly lower than the costs associated with the AEMO proposed rule change.

It seems clear that the costs to provide what is expected to be a small number of customers with an alternative approach to current MTR arrangements will significantly outweigh the benefits. We therefore recommend that the AEMC does not proceed with the AEMO proposed rule change at this time. In addition, for the likely small numbers of customers who may want to adopt MTR arrangements, the current methods are suitable, provide the lowest cost option, and consequently better satisfy the National Electricity Objective (NEO)

Should the AEMC require further clarification of any of our comments, please contact David Woods, Business & Industry Development Manager, on (08) 8404 9482.

Yours sincerely

Sean Kelly

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