

28 January 2016

Mr Richard Khoe
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Dear Mr Khoe

RE: Draft Rule Determination – Meter Replacement Processes

We appreciate the opportunity to respond on the Draft Rule Determination – Meter Replacement Processes Rule change 2016.

In principle, we consider the Commission's proposed meter replacement processes outlined in the Draft Rule Determination will:

- facilitate an efficient appointment of metering parties (Metering Coordinator, Metering Data Provider, and Metering Providers); and
- ensure that the incumbent metering parties are obliged to accept the regulatory risk associated with having metering accountabilities with a meter owned and operated by another party.

In particular, we agree with the following four objectives that the AEMC is seeking to achieve.

1. Permit an Incoming Retailer to nominate the Metering Coordinator (MC), Metering Providers (MPs) and Metering Data Provider (MDP) to be appointed at a connection point where it is the Incoming Retailer;
2. Clarify that where the change in MC at a connection point is effected due to retail transfer, the new MC becomes responsible for the metering installation at the connection point on the day that the retail transfer is completed;
3. Facilitate alignment of meter churn with retailer churn at the request of the Incoming Retailer; and
4. Allow for commercial arrangements between incumbent and incoming metering parties to facilitate a change in meters during the retail transfer period¹.

However, we are concerned that Draft Rule wording does not set out the circumstances in which a MC is able to remove/alter a metering installation, as reproduced below. Therefore, we recommend the addition of clear obligations in the Rules to prevent the removal or alteration of a metering installation in contravention with these objectives described in the Draft Determination.

¹ Although there are some potential adverse implications of these commercial arrangements to Distribution Network Service Providers (DNSPs), but we consider on balance that the benefits of such arrangements outweigh these risks.

Omit clause 7.8.9(e) and substitute:

(e) The *Market Settlement and Transfer Solution Procedures* must:

- (1) permit an *Incoming Retailer* to nominate the *Metering Coordinator*, *Metering Provider* and *Metering Data Provider* to be appointed at a *connection point* in respect of which it is the *Incoming Retailer*, with such appointments to become effective on the day that the *market load* at the *connection point* transfers to the *Incoming Retailer* as the new *financially responsible Market Participant*; and
- (2) facilitate the transfer of a *market load* at a *connection point* on the same day that a new or replacement *metering installation* is installed at the *connection point*, where requested by an *Incoming Retailer*.

With these changes, it is unclear whether AEMO would consider it has an obligation under 7.8.0(e)(2) to redraft the Market Settlement and Transfer Solutions (MSATS) procedures to preclude the alteration or replacement of a metering installation, in accordance with the conditions outlined in 7.8.9(e)(1). Arguably, the MSATS Procedures already permit an Incoming Retailer to nominate the MC, MPs, and MDP.

However, if the MSATS Procedure drafting was simply revised to explicitly excluded appointments that are not permitted under clause 7.8.9(e)(1), then it would also exclude early meter replacements based on a commercial agreement between an Incoming Retailer's nominated MC and the incumbent MC. The Draft Rule does not stipulate that the early meter replacement can occur where the Incoming Retailer nominated MC and the incumbent MC agrees in commercial terms.

Accordingly, we consider the Rule as drafted may not result in the AEMC's desired outcomes and certainly not without disagreements during the MSATS Procedure consultation process or in the application of the meter replacement processes. To avoid this we recommend adding the following words, clause 7.8.9(g), to set out the circumstances in which a MC is able to remove or alter a metering installation. This addition could occur without removing the draft Rule substituting 7.8.9(e).

7.8.9 (g) A *Metering Coordinator* must not arrange the alteration or replacement of a *metering installation*, unless the *Metering Coordinator*:

- (1) is assigned in the *Market Settlement and Transfer Solution* as the *Metering Coordinator* at the *connection point*; or
- (2) has a commercial agreement with the *Metering Coordinator* assigned in the *Market Settlement and Transfer Solution* at the *connection point*; or
- (3) is nominated by the *Incoming Retailer* to be appointed at a *connection point*, with the appointment to become effective on the day that the *metering installation* is changed, being the same day that *market load* at the *connection point* transfers to the *Incoming Retailer* as the new *financially responsible Market Participant*.

Alternative option

The AEMC is seeking stakeholder views' on the merits and disadvantages on an alternative option to determine if the option should be developed in more detail. The alternative option would enable an Incoming Retailer to appoint a MC at a connection point for a limited time prior to retail transfer, and hence enable the MC to install new or replacement metering prior to the retail transfer.

In our assessment of this alternative option, we identified the following adverse issues with the AEMC's recommended process, the detail of our assessment is set out in Appendix A.

- The alternative option proposed is very complex, and it would require a MC change nomination separate from the Incoming Retailer's transfer nomination to become the financially responsible Market Participant (FRMP).
- This separate nomination of the MC and other metering parties (MPs, and the MDP) would be retrospective, as discussed in Appendix A. If retrospective it would, at least for a few days during the objection period, directly contravene the maintenance of clear roles and responsibilities within the regulatory framework.
- Terminating the appointment of a MC if the retail transfer is not completed would be problematic in terms of reappointing the previous MC and reappointing the previous MC's meter, in particular if:
 - the previous MC was a regulated DNSP deemed as MC; and
 - a replaced accumulation meter needed to be reinstated.

These issues weaken the case for developing the alternative option, especially in comparison to the option established in the Draft Determination. As such, we do not support progressing the alternative option.

Implementation Timeframe

Figure 6.1 in the Draft Determination indicates a Final Determination on this Meter Replacement Processes Rule is due in March 2016. The Australian Energy Market Operator (AEMO) indicates that the first round of consultation on all Metering Contestability related procedures is required by around 22 April, in order to allow a second consultation round and a final decision on procedures by Information Exchange Committee (IEC) on 1 August 2016 and AEMO on 1 September 2016.

Unless only minor alterations are required to the retail market procedures (MSATS procedures, meter churn procedures and service level procedures), it would be unlikely that they would be incorporated into the 1 September 2016 set of retail market procedures. However, if the AEMC added our suggested additional obligations 7.8.9(g) it would reduce the number of changes to the MSATS procedures and other procedures required. It would also reduce the level of debate and deliberations involved in the consultation process. Hence, this would reduce the implementation timeframe. Whilst if the AEMC opted to progress the more complicated alternative option outlined in the Draft Determination it would be almost impossible to meet the 1 September 2016 timeframe.

If the AEMC does not clarify the highlighted uncertainties in the Rule obligations, we would recommend a delay to the commencement date in the proposed Rule to the next appropriate date. This could maintain some synergies of combining system developments, similarly to aligning with those system changes required to meet the Metering Contestability and Embedded Networks rule changes in 1 December 2017.

In Summary

- i. We agree that AEMC's proposed meter replacement processes outlined in the Draft Rule Determination is the right process, however, the wording in the Draft Rule is missing obligations to set out the circumstances in which a MC is able to remove or alter a metering installation.
- ii. Therefore, we recommend adding our suggested additional clause 7.8.9(g) to prevent the removal or alteration of a metering installation in contravention of the objectives of the Draft Determination. This would shorten the implementation timeframe to meet the 1 September 2016 timeframe.
- iii. We consider the adverse implications that would arise with the AEMC's alternative option would outweigh its merits, including the impact to the implementation timeframe. Hence, we do not see value in further development of the alternative option.

AusNet Services is a member of Energy Networks Australia (ENA) and supports the ENA submission.

We welcome the opportunity to participate further in this Rule change development and look forward to your Final Rule Determination. Should you have any queries in relation to this response please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Sincerely,



Kelvin Gebert
Regulatory Frameworks Manager

Appendix A: Detailed assessment of the alternative option

Based on the description of the alternation option in the Draft Determination the key feature of the option is enabling an Incoming Retailer to appoint a MC at a connection point for a limited time prior to retail transfer, through a separate Change Request in MSATS. This then enables the MC to install new or replacement metering prior to the retail transfer. In our assessment of this option, we have sort describe how this option would work and highlight the differences to the AEMC’s recommended option.

The alternative option documented in Figure 1 may seem to enable an earlier change of metering at point “B”, although this would not be supported by MSATS until the Incoming Retailer can raise a new Change Request (CR) and passed an objection period at point “C”. In comparison to the recommended option in Figure 2 it extends the time the period where the physical arrangement does not align with the MSATS dates.

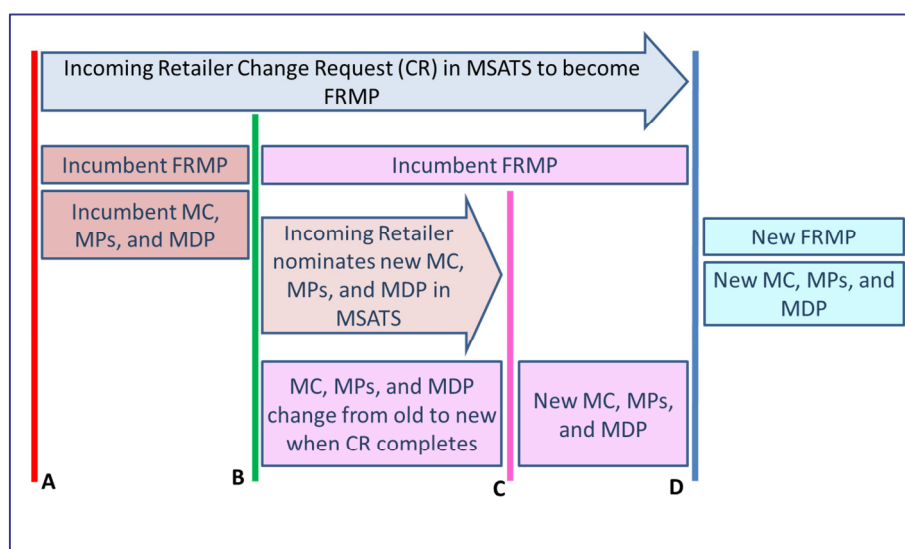


Figure 1: Diagram of the alternative process

Then between points “C” and “D” the Incoming Retailer then has the risk that the retail transfer may not complete as intended. Terminating the appointment of a MC if the retail transfer is not completed would be problematic in terms of reappointing the previous MC and reappointing the previous MC’s meter if:

- the previous MC was a regulated DNSP deemed as MC; and
- a replaced accumulation meter needed to be reinstated.

The Rules do not allow a DNSP deemed MC to alter or replace a metering installation once a new MC is appointed, even if to reinstate an incorrectly replaced metering installation. In Victoria, the exchange of the meter by a different Metering Coordinator will trigger an exit fee to the Incoming Retailer, even if the transfer does not complete. As such, the regulatory framework generally does not support a change of Metering Coordinator by an Incoming Retailer prior to the Incoming Retailer’s Change Request completing.

It is difficult to ascertain the circumstances whereby the retailers would take advantage of this without adding undue regulatory risk of a terminated retail transfer. Finally, the process is certainly more complicated with a second Change Request (CR) in MSATS being required to effect each change.

Whilst in comparison to the Commission's proposed meter replacement processes outlined in the Draft Rule Determination is less complex. It only requires one CR in MSATS, as shown in Figure 2 below. The Incoming Retailer raises the CR at point "A". This CR completes (Point "C") after the meter is physically replaced (Point "B"), when the necessary information is provided to MSATS. The meter installation date becomes the effective date of the CR. Retail market procedures require the metering parties to provide this information within two business days.

The most significant advantage with this is that it maintains clear roles and responsibilities throughout the process, and does not result in the need to reappoint the previous Metering Coordinator.

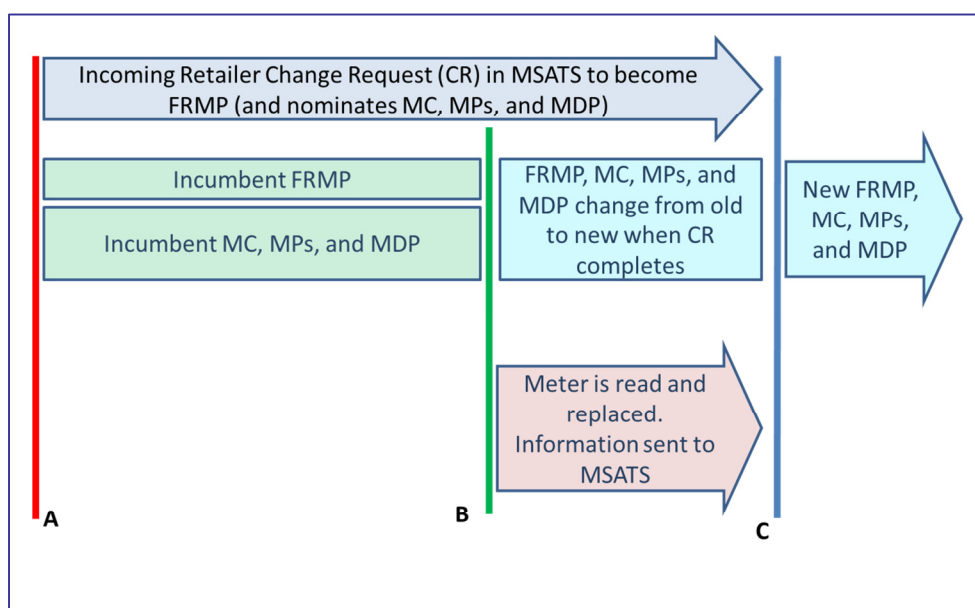


Figure 2: Diagram of the recommended process