

1 July 2015

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

Dear Mr Pierce

Embedded Networks Rule Change - ERC0179

Thank you for the opportunity for Newood Energy Pty Ltd (Newood) to provide feedback on the Australian Energy Market Commission's (AEMC) consultation paper regarding Embedded Networks. This paper also includes related amendments to the National Electricity Rules (NER) as proposed by the Australian Energy Market Operator (AEMO). Newood is a small proprietary company wholly owned by Forestry Tasmania a State Government statutory corporation.

Newood supports the thrust of the Australian Energy Market Operator's (AEMO) proposed Rule changes to recognise embedded network arrangements within the national regime.

Nevertheless, Newood wishes to submit the following observations so as to ensure that the basis for commercial arrangements between Newood and other parties are able to continue.

By way of background, Newood owns and operates an embedded 11 kV electricity network and associated transformation to reticulation voltage at the Huon wood centre site. The embedded network has a direct 11 kV transmission connection point with TasNetworks Pty Ltd, the Tasmanian transmission and distribution networks service provider. A dedicated 110kV spur line with a substation that steps the voltage down to 11kV to feed the Newood site is owned and operated by TasNetworks as an unregulated asset, with full cost recovery from Newood for its construction and operation.

Some "Large Corporate Entities" take supply from Newood's embedded network under commercial agreements between Newood and each of the entities. As such, Newood is not required to register with AEMO as a distribution network service provider under exemption Network Deemed Other - NDO6 - Large Corporate Entities.¹ This exemption applies even though Newood is a small proprietary company under the Corporations Act 2001.

We understand that under draft Rule 2.5.1(i) that Newood could be classified as an Exempt Embedded Network Service Provider as the deemed exemption should continue to apply.

But, we note, also, that Newood's electricity network could be included under the proposed definition of an embedded network; being:

A distribution network forming part of the national grid which is not a Network Service Provider's distribution network.

¹ AER's Electricity Network Service Provider Registration Exemption Guideline, 27 August 2013

This definition is consistent with the AER's definition of embedded network (private network) in their Electricity Network Service Provider Registration Exemption Guideline.

The proposed definition creates a potential difference in interpretation and should be compared with the definition of embedded networks under both AEMO's current Metrology Procedure Part A² and in the summary section of AEMO's Rule change request:

Metrology Procedure - Part A:

*An **embedded network** is a distribution network which has a connection point to another distribution network and does not have a connection point to a transmission network.*

Rule change request:

Embedded networks are private networks which are connected to a distribution system in the National Electricity Market (NEM) that have been exempted by the Australian Energy Regulator (AER) from the requirement to be registered with AEMO as a network service provider.

These definitions, would specifically exclude Newwood's network.

We also note that the AER's (Retail) Exempt Selling Guideline³ states:

Although the Retail Law has commenced in Tasmania, the Retail Law's exemptions framework does not apply in that jurisdiction.

Newwood has secured a retail exemption under Section 23 of the National Energy Retail Law (Tasmania) Act 2012.

The above discussion demonstrates that it is important that the changed Rules and the Guides required to be developed by AEMO under proposed Rule clause 7.16.7 are not constructed as to change Newwood's current exemption status.

Newwood also makes the following observations in respect to the proposal:

- What are the consequences if the embedded network owner is unable to engage a willing embedded network manager?
- How would the connection of an embedded generating unit to the embedded network impact on the arrangements?
- Newwood agrees with the AER's position that Chapters 6 and 6A should not apply to Exempt Embedded Network Service Providers. However; that should not preclude such providers from recovering costs associated with the provision of distribution system services and engaging the ENM.

If you have any questions in relation to our submission please contact myself on either 0412 291 450 or dct@bigpond.com .

Yours sincerely,



Dario Tomat
General Manager

² AEMO's Metrology Procedure Part A National Electricity Market - 15 May 2015

³ AER's (Retail) Exempt Selling Guideline Version 3 - April 2015