

27 May 2013

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

National Electricity Amendment (Publication of zone substation data) Rule 2013 (ERC0156)

Dear Mr Pierce

We are pleased to make a submission on behalf of the distribution network business members of the Energy Network Association (ENA), in response to the Australian Energy Market Commission's (AEMC) Consultation Paper on the above zone substation data rule change proposal (rule change proposal) put forward by the National Generators Forum (NGF).

Distribution network businesses support competition in wholesale and retail energy markets and have no in principle objection to providing currently available data that is useful to the market and improves efficiency and transparency.

However, this position is subject to a number of important caveats:

1. The source, form and limitations of data which are released must be explicitly recognised;
2. Privacy concerns for individual customers will need to be adequately addressed;
3. Extant information provided by distribution businesses should be available to users on an 'as provided' basis, and user's accept the use of the data at their own risk without recourse.

If the rule change is to be evaluated by the AEMC, a cost-benefit analysis should be undertaken. It is not possible given the information provided to assess the current gaps in market information available, or to meaningfully assess the potential costs and benefits of the rule change proposal. It is unclear whether the data currently held by distribution businesses is in the form, or of the quality, that is fit for NGF's purpose. Any rule change that relied on data refinement cleansing or explanation to third parties will impose costs on networks businesses. Without an understanding of the specific purpose of requiring half-hourly zone substation data and how it will be used, the benefits or making the information available is unknown.

Further, it would be appropriate for the AEMC to consider the incremental net public benefits of the zone substation rule change proposal compared with the Australian Energy Market Operator's intended release of half hourly connection point data on an ongoing basis. Where additional

direct or indirect costs to distribution businesses are to be incurred as part of the rule change proposal, these should be made transparent in the assessment and, should the rule change proceed, be fully recovered from the beneficiaries.

The attached submission sets out ENA's high level views on the appropriate assessment framework and the challenges surrounding data availability. Individual company submissions will comment in detail on some of the potential complexities and practical difficulties involved and specific issues that need to be clarified.

ENA looks forward to working with you, and the NGF to clarify the intent of the proposal, should it proceed to further evaluation, and to develop the most efficient solution from a market perspective.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John Bradley', with a stylized, cursive script.

John Bradley
Chief Executive Officer

Submission to the AEMC zone substation data rule change proposal

The Energy Networks Association (ENA) is the peak national body representing gas distribution and electricity transmission and distribution businesses throughout Australia. In this submission ENA highlights the issues concerning the rule change proposal assessment framework and data availability.

Rule change assessment framework

In relation to the assessment framework, the AEMC has stated that to assess the rule change proposal it will:

"...need to consider the costs of extracting and publishing the data, as well as issues of confidentiality. If the Commission considers that these costs and issues are significant, then it will need to consider if there are material benefits arising from the proposed rule change."¹

ENA understands this to mean that the AEMC will undertake a thorough assessment of the net public benefits of the proposed rule change, including an assessment of the counterfactual. ENA suggests that the AEMC could also examine alternative options for maximising the benefits and minimising the burden on distribution businesses of complying with the rule change.

The ENA notes that in the current climate of rapid growth in electricity prices, any additional requirements on distribution businesses that could impact in the future on consumers or on shareholders (private and public) will be subject to intense scrutiny. To take one example, if as a consequence of the rule change it became a requirement that all zone substations must be metered, the additional investment could be substantial and may have no direct material benefit to distribution business customers.

In ENA's view the AEMC should consider whether the rule change is an appropriate and proportionate response to address the problem, as part of its assessment of the net public benefits.

Need for published data

The NGF has stated that a lack of sufficient detail in existing published data creates a problem – namely an inability to “undertake valid empirical assessment of the key factors that are driving changes in electricity demand.”

NGF claims that the benefits of improving the published data would be more efficient decision making by generators, both in relation to new projects and for existing plant, and that there would be increased contestability in independent energy and demand forecasting at the sub regional level.

Currently, NGF has proposed two solutions to address the problem it refers to.

1. A rule change being considered by the AEMC (the topic of this submission); and

¹ AEMC Consultation Paper, p 8

2. A proposal to AEMO (August 2012) that ENA understands is under active consideration as part of AEMO's development work on sub-regional forecasts.

The earlier NGF proposal is that AEMO should publish half-hourly connection point demand data, while the zone substation rule change proposal would require distribution businesses to be required to publish annually half-hourly load data, for all zone substations. In December 2012, AEMO announced that it intended to proceed to publish monthly data for load type connection points on an ongoing basis, subject to a final assessment of the potential costs.

As each of the proposals put forward by the NGF appear to have the same purpose, then it may be sensible for the AEMC to firstly evaluate the benefits of the proposal to AEMO and then assess the incremental benefits of the zone substation rule change proposal.

At this stage of the AEMC process the ENA is not in a position to quantify the public benefits of the NGF proposals, nor is it able to estimate the aggregate costs across all distribution businesses. However, as a general principle ENA considers that the direct beneficiaries of the rule change should bear the costs.

In considering the likely scale of the costs of the rule change proposal, ENA notes that there is a significant difference in the volume of data to be released under the two proposals as there are significantly more zone substations within the distribution business networks than connection points between transmission and distribution networks.

Data availability

ENA considers that there are different levels of data availability associated with the two NGF proposals, and considers the second proposal is the more feasible for implementation.

Unlike connection point data, zone substation data is unlikely to be comprehensive and not complete as far back as the ten years proposed in the rule change. Reasons for this include the fact that not all zone substations are metered, there are changes in the zone substation population over time as new zone substations opened and others are retired, and a number of zone substations are also privately owned and therefore will not be caught by the proposed rule change. Further, with zone substations spanning a wide range of capacity and load demands, there may need to be a threshold level set rather than requiring data from all substations.

We also note that the zone substation data, unlike the AEMO data, is bulk supply data and is not disaggregated by customer category.

In ENA's view there are material differences in costs between the two NGF proposals.

AEMO is proposing to capture the connection point data set from their market management system (MMS) at relatively low cost.

Under the rule change proposal the raw zone substation data set will need to be assembled from the component data sets from each distribution business, whose records may not currently be in a standardised format from one distribution business to another. Further, the zone substation data will not have been corrected for data spikes, abnormal switching, outliers and weather dependant variables, which may be part of the forecasting and planning processes specific to each distribution business.

Therefore, ENA foresees that there would be considerable costs in creating a consistent half hourly time series from all zone substations from the raw data, suitable for publication by each distribution business. It is possible that distribution and transmission businesses may be called on to assist potential data users to correctly interpret, reconcile and analyse the published zone substation data.

On the other hand, AEMO has estimated that the costs for the initial upload of historic connection point data would be relatively small, while AEMO is in the process of assessing the ongoing data production costs as part of a business case.

