



## Draft new arrangements for embedded networks

### Publication of draft rule and draft rule determination

**The AEMC has called for submissions on draft rules that reduce the barriers to embedded network customers accessing offers from electricity retailers in the competitive retail market. The draft rules respond to a rule change request proposed by the Australian Energy Market Operator stemming from recommendations in the AEMC's Power of Choice review. Submissions are due by 22 October 2015.**

#### What are embedded networks?

Embedded networks are private electricity networks which serve multiple premises and are located within, and connected to, a distribution or transmission system in the National Electricity Market. Common examples of embedded networks include shopping centres, retirement villages, caravan parks, apartment blocks and office buildings.

Within an embedded network, the embedded network operator (for example, a shopping centre owner) provides embedded network customers with network services. Currently embedded network operators also sell electricity to most embedded network customers (for example, a business leasing space in a shopping centre). The draft rule determination seeks to make it easier for embedded network customers to choose who they purchase electricity from, including from retailers in the competitive retail market, while remaining part of the embedded network.

#### Why is access to the competitive retail market important?

There are a number of likely benefits from allowing embedded network customers access to the competitive retail market. These benefits relate to price, quality and variety of services, and access to government schemes and consumer protections. Notably, access to retail market offers is likely to allow embedded network customers to:

- choose the price and price structure of their electricity service that suits them best, which may result in lower bills;
- choose from a wider variety of products and services; and
- gain easier access to government schemes and consumer protections.

Such access will not prevent embedded network operators from selling embedded network customers electricity. Instead, it will provide them with a greater incentive to compete with retailers which may increase the above benefits.

#### Why do the current rules need to be changed?

The current regulatory arrangements for embedded networks are unclear and result in barriers to embedded network customers purchasing electricity from retailers in the competitive retail market. Notably:

- the National Electricity Rules do not allocate responsibility for performing the market interface functions required to link embedded network customers to retailers in the National Electricity Market systems (for example, assigning customer a National Metering Identifier) to a specific party;
- the AER's exemption guidelines, which regulate embedded network operators, do not fully facilitate embedded network customers accessing retail market offers;
- jurisdictional regulations which govern embedded network customer access to retail market offers are inconsistent and prevent embedded network customers accessing retail market offers; and

- the National Energy Retail Rules do not provide clear obligations and relationships between authorised retailers, embedded network operators and embedded network customers.

### The AEMC's proposed regulatory framework for embedded networks

The changes to the National Electricity Rules set out in the draft rule will create a new accredited provider role – embedded network manager – to perform the market interface functions that link embedded network customers to the National Electricity Market systems. Changes to the National Electricity Rules will also trigger changes in the relevant AEMO procedures and the AER's network exemption guideline. Together, these amendments will:

- set out the detailed functions, responsibilities, and governance arrangements for embedded network managers; and
- specify which embedded network operators are required to appoint an embedded network manager.

The Commission has also recommended separate but supporting changes to the AER's network and retail exemption guidelines, state and territory legislation, and consideration of changes to the National Energy Retail Rules. If implemented, these recommendations will further decrease barriers to embedded network customers accessing retail market offers.

### Power of Choice

This rule change is part of a reform program identified by the 2012 AEMC Power of Choice Review. This review set out a market-wide reform program to give electricity consumers more opportunities to understand and take control their electricity use and costs.

The draft rule determination directly contributes to this priority by reducing the barriers to embedded network customers choosing the products, services and provider of retail services that suits them best.

### Implementation

The draft rule specifies that the new version of the National Electricity Rules would start on 1 December 2017. The final rule will take effect in Victoria, NSW and South Australia on this date. Its application in Queensland, Tasmania and the ACT is dependent upon those governments making relevant legal changes to recognise the metering and other arrangements regarding embedded networks.

The draft rule also specifies timeframes for AEMO and the AER to undertake changes to their procedures and guidelines prior to commencement of the new rule.

The Commission and AEMO have been working together to develop an implementation work plan for the Power of Choice recommendations. The timeframes for commencement and implementation have been specifically designed to be co-ordinated with any changes arising from the Expanding Competition in Metering and Related Services rule change, the Meter Replacement Processes rule change and the Implementation Advice on the Shared Market Protocol. The proposed implementation schedule is set out in the attached infographic.

### Submissions

Submissions are due by 22 October 2015

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