

22 October 2015

Mr John Pierce  
Chairman  
Australian Energy Market Commission,  
Level 6, 201 Elizabeth Street,  
SYDNEY NSW 2000

## **AEMC Draft Determination and Draft Rule on Embedded Networks**

Dear Mr Pierce

ENA welcomes the opportunity to provide input to the AEMC draft determination and draft rule to clarify the regulatory arrangements for embedded networks and reduce the barriers to embedded network customers accessing retail market offers. This follows from the consultation undertaken by AEMC in May/July 2015 via their consultation paper on embedded networks.

The objective of these reforms is to empower embedded network customers to participate in the electricity market by allowing them to obtain energy services from retailers in the energy market, rather than be restricted to service delivery off-market from their embedded network operator. Embedded networks are private networks which serve multiple premises and are located within, and connected to, a distribution or transmission system in the National Electricity Market (NEM). Common examples of embedded networks include shopping centres, retirement villages, caravan parks, apartment blocks and office buildings.

The draft determination follows the rule change request by the Australian Energy Market Operator (AEMO) that identified three sets of issues with the current regulation of embedded networks that pose a barrier to customers accessing retail market offers.

1. The NER does not make it clear who has the obligation to support NEM activities for customers within embedded networks that are on-market or are off-market and are seeking to become on-market. This includes:
  - a. Who assigns embedded network customers a national metering identifier (NMI) when they seek to go on-market?
  - b. Who has the obligation to set up and maintain the market settlement and transfer solutions (MSATS) standing data for an embedded network?
  - c. Who performs the NEM processes for the transfer of embedded network customers between retailers, particularly between the embedded network operator and an authorised retailer?
  - d. Who has access to embedded network customers' metering data?
2. The terms and conditions of the AER's exemption guidelines do not fully facilitate customers accessing retail market offers because:
  - a. The bills that embedded network operators provide off-market customers are not required to be separated into network and retail components, making it difficult for off-market customers to compare offers from retailers, which only include retail services, to

- offers from embedded network operators, which can include network and retail services;  
and
- b. The meter inspection, reading and testing standards for off-market embedded network customers are lower than for on-market customers, making it more likely off-market customers will need to purchase a new meter to go on-market.
3. Jurisdictional regulations create barriers to embedded network customers accessing retail market offers. Notably:
- a. Queensland, Tasmania and the ACT have not designed regulatory arrangements to facilitate the parent-child metering arrangements that are necessary for embedded network customers to access retail market offers; and
  - b. The regulatory arrangements which allow access to retail market offers in NSW, SA and Victoria are inconsistent.<sup>1</sup>

ENA agrees that there are adequate grounds for the rule change to be required. However ENA notes that the introduction of such changes into jurisdictions that do not currently enable parent child metering arrangements (such as Tasmania) will need to be carefully considered, to ensure that the cost of implementation is justified by the benefits delivered.

### **Key features of the rule change**

ENA notes that the key features of the draft rule are:

- » creation of a new accredited provider role – the embedded network manager – to perform the market interface functions for embedded network customers to facilitate embedded network customer access to retail market offers;
- » in exempting an embedded network operator under the network exemption guideline, embedded network operators will be required to appoint an embedded network manager **unless**:
  - all of the embedded network customers will not be able to gain access to a retail market offer even if an embedded network manager is appointed (eg in jurisdictions which do not allow embedded network customers access to retail market offers, such as Queensland, Tasmania and ACT)<sup>2</sup>; or
  - the AER considers that the costs of appointing an embedded network manager are likely to outweigh the benefits (eg embedded network with only two customers).
- » where the AER has determined that an embedded network operator is not required to appoint an embedded network manager, it will be required to do so if a customer within the network exercises its right to access a retail market offer. AER is expected to specify a timetable for appointment where a customer seeks access and an embedded network manager must be appointed<sup>3</sup>;
- » AEMC has accepted that the role of embedded network manager will be contestable and open to any party that meets relevant criteria established by AEMO.<sup>4</sup>

---

<sup>1</sup> *ibid*, p. 4-5

<sup>2</sup> *ibid*, p.41

<sup>3</sup> *ibid*, p.43

<sup>4</sup> *ibid*, pp.45, 60

- » AEMC has rejected proposals that a default embedded network manager be appointed or that parties such as retailers or DNSPs should be 'deemed' embedded network managers to expedite implementation. AEMC considers its implementation timeframe will allow substantive set up<sup>5</sup>;
- » AEMC has accepted the AEMO proposal that AER's network exemption guideline should include meter reading, testing and inspection standards for off-market embedded network customers that are equivalent to the NER.<sup>6</sup>
- » AEMC has recommended that AER amend its exemption guidelines to require the embedded network operator to inform both the child connection point retailer and the parent connection point LNSP of life support requirements relating to customers. AEMC makes this recommendation on the basis of changes recommended within the metering contestability rule change also being implemented.<sup>7</sup>
- » an implementation schedule that allows AEMO, DNSPs and retailers to implement systems and procedures changes from this rule change simultaneously with proposed changes resulting from the Competition in Metering rule change process. Any implementation timeframes for changes arising from the Meter Replacement Processes rule change process or Advice on Implementation on the Shared Market Protocol are also expected to be aligned with these schedules.

### ENA's view

ENA supports the draft determination and draft rule proposed by the AEMC. In particular, ENA endorses the following changes made by the AEMC to the AEMO proposed rule:

- » The draft rule is consistent with the key features of AEMO's proposal but provides more flexibility to the AER to examine whether the benefits of an embedded network manager being appointed for each individual kind of exemption outweigh the costs of appointment. The draft rule provides guidance for AER's discretion over which embedded network operators are required to appoint an embedded network manager instead of requiring **all** embedded network operators with registrable or individual exemptions to appoint an embedded network manager. ENA considers that providing this discretion to consider cost/benefits is appropriate.
- » AEMC rejected the AEMO proposal that the AER network exemption guideline should require all embedded network operators to unbundle retail bills into network and energy charges, as this would then be applied even in situations where embedded customers could not seek retail access (due to jurisdictional barriers) and/or where no customer was seeking to go on-market. AEMC recommends that the AER guideline require the embedded network operators provide information on unbundled charges when requested to do so.<sup>8</sup> ENA supports this variation.
- » AEMC considers that the proposed implementation schedule removes the need for AEMO's proposed deeming and grandfathering provisions by providing adequate time for interested parties to be accredited as embedded network managers and embedded network operators to appoint an embedded network manager prior to commencement of the proposed rule on 1 December 2017.<sup>9</sup> ENA supports aligning commencement of changes from the embedded network rule change to changes in the metering contestability rule change and agrees that this timescale should allow introduction without the grandfathering and deeming provisions. However, ENA

---

<sup>5</sup> *ibid*, p.60

<sup>6</sup> *ibid*, p.49

<sup>7</sup> *ibid*, p.51

<sup>8</sup> *ibid*, pp. 47-48

<sup>9</sup> *ibid*, pp.29-30

notes that a transition/transfer process will need to be developed for LNSP NMI and LNSP meters for *on-market child connection points* issued prior to the commencement of the new regulatory framework on 1 December 2017. For example, new NMIs may need to be issued by AEMO under the new Rules, to recognise new responsibilities and operational procedures envisaged under this rule change and the metering contestability rule change. This should be considered by AEMC and AEMO for inclusion in the final determination. ENA will work cooperatively in assisting development of appropriate provisions.

ENA notes that the AEMC did not accept the view of the networks that disconnection/reconnection responsibilities should be placed upon the embedded network manager. The AEMC has noted that an embedded network manager may not necessarily be appointed for all embedded networks. In view of this, ENA accepts the AEMC's conclusion that these disconnection/reconnection responsibilities rest appropriately with the embedded network operator, particularly given the criticality of functions including life support notifications for all embedded networks.<sup>10</sup>

### **Application of the NERR**

ENA notes that the AEMC is seeking guidance on potential changes to the NERR, although AEMC identifies these as out of scope/power for the current rule change, which is limited to the NER. AEMC is seeking advice which may possibly influence a further potential rule change relating to the NERR.

ENA notes that most questions mainly relate to retail matters and the ENA has not addressed retail issues. However, ENA does wish to comment on the aspects relating to de-energisation/re-energisation and life support equipment, which are covered at questions 15 -18.

***Qu 15: What arrangements need to be in place for the de-energisation and re-energisation of premises of customers in embedded networks who are on market?***

***Qu 16: Is there a gap in existing arrangements (including various conditions to exemptions that may be in place) for customers on an embedded network seeking to go on the market?***

***Qu 17: What arrangements need to be in place for life support equipment for customers in embedded networks who are on-market?***

***Qu 18: Is there a gap in existing arrangements (including various conditions to exemptions that may be in place)?***

#### **ENA response:**

De-energisation and re-energisation processes are under review within the metering contestability rule change which is yet to be finalised. ENA has raised issues within that rule change process on the need to ensure clarity on roles and responsibilities in this space, but has not seen the AEMC's response on issues raised.

---

<sup>10</sup> *ibid*, pp 35-37

ENA remains committed to seeking to ensure clarity and safety for all parties in processes relating to de-energisation and re-energisation and related life support responsibilities.

The ENA submission to the draft determination on expanding competition in metering and related services includes the following summary, with extensive detail on the issues included in the body of the submission<sup>11</sup>:

**Network ability to meet obligations**

*Significant risks related to the proposed change include:*

- » *Regulatory exposure and legal risk: The draft rule creates the risk that the Network Service Provider's ability to perform its regulatory obligations is directly and solely consequential upon their ability to reach commercial agreements with Metering Coordinators.*
- » *Safety risk: The draft rule potentially exposes customers to significant safety risks when Metering Coordinators and/or retailers undertake disconnection/reconnection activities. This relates both to potential for disconnection of customers on life support equipment and to issues relating to wiring integrity and safety, including fire and injury risks associated with the remote re-energisation of sites.*
- » *Liability for actions of others: The draft rule exposes networks to unacceptable exposure to risk and liability by making them responsible for notification and performance of disconnection related to new and replacement metering installations when the agents undertaking these tasks have no contractual relationship with the networks<sup>12</sup>.*

Until clarity is provided on these key issues through the metering contestability rule change, it is difficult for the ENA to provide definitive feedback on the related and even more complex implications relating to embedded networks, beyond repeating recommendations that decisions on processes relating to de-energisation and re-energisation and life support equipment must be informed by the principles that responsibilities of all parties are clear and safety of all customers and other parties is paramount.

However, in the interest of clarity, ENA considers that there should be an obligation on embedded network operator to notify the LNSP and the retailer of a child customer having life support equipment so that they can advise the embedded network operator of planned supply outages. It will then be the responsibility of embedded network operator to manage all notification and management processes within their network.

ENA looks forward to providing more definitive responses to the proposed embedded networks rule change relating to the NERR after receiving advice on the outcome of the metering contestability rule change.

---

<sup>11</sup> ENA, Submission to AEMC draft determination on competition on metering and related services, May 2015, pp. 12-15

<sup>12</sup> *ibid*, p. 1

## Definition of Embedded Network

ENA has some concern with the definition of an embedded network in the draft rule<sup>[1]</sup>.

*Embedded network - A distribution system, connected to either a distribution system or transmission system that forms part of the national grid and which is **owned, controlled or operated by a person who is not a Network Service Provider** [Emphasis added].*

This definition is very broad and implies that any series of connection points to an LNSP is an embedded network, to which the rules or exemption requirements apply. For example, this would capture all/most multiple occupancy sites and strata titles.

However, the framework of embedded network manager only functions where there is a parent connection point. Without a parent connection point, the LNSP would have no knowledge of or contact details for the embedded network. That is, a single customer is supplied electricity at this parent connection point, and through their embedded network that single 'parent' customer supplies multiple customers through individual connection points through the embedded network.

There are situations where the LNSP owns, controls, and operates transformers within multiple occupancy sites and provides each customer with a connection point to the LNSP's network. The role of the body corporate in supplying electricity is incidental and each customer maintains a direct relationship with the LNSP. With the AEMC's proposed definition, the body corporate that only provides the wires from the consumer's mains at the group metering panel to the customer's individual premise would be deemed an embedded network. The Rules and the AER's *Electricity Network Service Provider Registration Exemption Guideline* would impose embedded network obligations on such body corporate organisations that would otherwise not be involved in the day to day supply of electricity and would also affect the customers' direct relationship with the LNSP.

ENA noted previously that AEMC has accepted the need for AER discretion on appointment of an embedded network manager within the proposed rule to ensure appropriate cost/benefit review. ENA believes that further consideration should be given to the definition of embedded network within the rule and/or the application of the AER *Electricity Network Service Provider Registration Exemption Guideline* to ensure that the cost and benefit of proposed applications of the rules and guidelines is appropriate in all cases.

The ENA suggests that the embedded network definition include a reference to metered parent connection points to provide delineation between embedded networks and multiple occupancies where the customers are treated as LNSP customers.

## Implementation

AEMC has proposed an implementation schedule that allows AEMO, DNSPs and retailers to implement systems and procedures changes from this rule change simultaneously with proposed changes resulting from the Competition in Metering rule change process. Any implementation timeframes for changes arising from the Meter Replacement Processes rule change process or Advice on Implementation on the Shared Market Protocol are also expected to be aligned with these schedules.

---

<sup>[1]</sup> AEMC, Draft National Electricity Amendment (Embedded networks) Rule 2015, Chapter 10, p. 17

ENA supports in principle the proposed implementation schedule and notes the decision by the AEMC to extend the time to make the embedded networks final determination on 17 December 2015 to enable it to take into account the metering contestability final determination.

However, ENA feels that the project timelines, as outlined in Figures 8.1 and 8.2 in the draft rule determination, will be very challenging to achieve.

ENA has noted within our submission to the additional consultation on metering contestability that the scale and complexity of processes underway needs to be considered realistically in the implementation scheduling. For example, the proposal to release a final rule in the metering contestability rule change without prior consultation on the complete rule and its drafting, in order to meet an artificial deadline, is likely to result in unforeseen consequences which may undermine the outcomes for consumers.

The ENA considers that the AEMC must provide sufficient time for informed stakeholder engagement and feedback. Without such providing for such consultation, the Commission will not have undertaken a robust evaluation of the extent to which the proposed Final Rule meets the National Electricity Objective.

ENA recommends that the AEMC adopt a realistic and prudent approach to estimating the implementation timetable such that stakeholder engagement on complex interrelated issues is not unnecessarily compromised.

For further information on this submission, please contact Susan Streeter at [sstreeter@ena.asn.au](mailto:sstreeter@ena.asn.au) or on phone 0439 177 032.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Bradley', with a long, sweeping horizontal stroke extending to the right.

John Bradley  
**Chief Executive Officer**

