AEMC EMBEDDED NETWORKS RULE: CONSULTATION PAPER

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EXECUTIVE SUMMARY

ENA supports the intent of this rule change in clarifying the responsibilities relating to service delivery to customers within an embedded network and specifically facilitating access to competitive retail offers by customers within an embedded network where they choose to seek access to market services.

The rule change needs to also make clear the roles and responsibilities in supporting embedded network customers to ensure that customers can obtain access to services they are seeking from the designated responsible party.

However, there are several key issues which ENA considers require clarification within this process.

1. Clarification of LNSP responsibilities
2. Roles and responsibilities of ENM
3. Timing of introduction of the changes

Clarification of LNSP responsibilities

The rule change should ensure, in both the policy intent and in detailed drafting, that the obligations placed upon the LNSP relating to embedded networks are limited to provision of the parent connection point to the NEM. The LNSP must not be left as the default service provider or service facilitator for customers within an embedded network as the LNSP has no visibility, contractual or other connection with these customers.

Roles and responsibilities of ENM

The ENA considers that the rule change should make it clear that the ENM will have responsibility for 'network' responsibilities within the embedded network.

Clarification and promotion of these responsibilities as responsibilities of the ERM would assist customers to understand who is responsible for service delivery to them and should improve that service delivery as the ERM is aware and responsible for their performance.

Timing of introduction of the changes

ENA supports incorporation of changes required to introduce the role of embedded network manager and clarify roles and responsibilities of other parties to be aligned with the significant change processes to be undertaken with introduction of metering contestability changes.

RECOMMENDATIONS

ENA recommends that:

1. The role of ENM is introduced in the NEM; and
2. The obligation for the LNSP to provide services and support to embedded networks is limited to the embedded network parent connection point.
3. The responsibility of ENM for network related responsibilities including safety within the embedded network is made clear in drafting, especially relating to:
   a) safe management of de-energisation and re-energisation, meter installations exchanges and fault/outage issues in line with national and jurisdictional requirements for safe operation and service delivery;
   b) responsibilities relating to maintaining and managing registers of life support customers; and
   c) managing access to data and protecting the security and privacy of customer data in line with regulatory requirements.
4. Changes required to introduce the role of embedded network manager and clarify roles and responsibilities of other parties should be aligned with changes to systems and procedures underway to introduce competition in metering and related services.

INTRODUCTION

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over $100 billion in energy network infrastructure.

ENA welcomes the opportunity to make a submission on the Australian Energy Market Commission's (AEMC) consultation paper on embedded networks.

BACKGOUND

Australian Energy Market Operator (AEMO) submitted a rule change request to the Australian Energy Market Commission (AEMC) proposing amendments to the regulation of embedded networks within the National Electricity Market (NEM).

The AEMC rule change proposes introduction of a new service provider, an Embedded Network Manager (ENM), to facilitate access to external retail service providers by customers within an embedded network. The requirement to establish an ENM will apply to embedded networks big enough to have to register with the Australian Energy Regulator (AER). Very small embedded networks (classified by AER as 'deemed networks' generally with less than ten customers) will not be affected.

The AEMC consultation paper identifies a major gap in regulatory arrangements for customers within embedded networks to seek access to retail market offers in the NEM or to facilitate change between NEM retailers on the market. AEMC notes that embedded networks customers lack the customer protections and access to NEM system supports which enable NEM customers to access their energy data and facilitates choice and transfer between NEM retailers.[1]

AEMC notes that jurisdictional arrangements to support access to retail market offers in embedded networks are either inconsistent between jurisdictions (NSW, South Australia, Victoria) or not in place (Queensland, Tasmania, ACT).[2]

Enabling customer choice within embedded networks also requires the metering framework to accommodate 'on-market' activity within embedded networks. This requires parent to child metering relationships to be established to

[1] ibid, pp. 4-5
[2] Ibid, p. 10-11

facilitate subtractive metering within the embedded network to identify individual customer loads.

ENA supports the intent of this rule change in clarifying the responsibilities relating to service delivery to customers within an embedded network and specifically facilitating access to competitive retail offers by customers within an embedded network where they choose to seek access to market services.

This submission concentrates upon key issues identified by the ENA and provides brief responses to specific questions raised by the AEMC in Appendix A.

KEY ISSUES

ENA supports the intent of enabling competitive retail service for customers within registered embedded networks.

However, there are several key issues which ENA considers require clarification within this process.

1. Clarification of limits of LNSP responsibilities
2. Roles and responsibilities of ENM
3. Timing of introduction of the changes

LNSP RESPONSIBILITIES

ENA supports establishing the role of an ENM to facilitate access by embedded network customers to competitive retail service offers.

However the rule change also needs to make clear the responsibilities of other parties. The current lack of regulatory clarity can result in Local Network Service Provider (LNSP) being contacted by customers of embedded networks for supply failure or power quality issues, where they have no knowledge, responsibility or ability to alleviate the issue.

The rule change should ensure, both in intent and in detailed drafting, that the obligations placed upon the LNSP relating to embedded networks are limited to provision of the parent connection point to the NEM.

The LNSP must not be left as the default service provider or service facilitator for customers within an embedded network as the LNSP has no visibility, contractual or other connection with these customers. The rule should make it clear that the LNSP is not responsible for operation of supply and related issues to an on-market or off-market child connection point within an embedded network.

However, the LNSP should be able to nominate to operate as an ENM if it decides to engage in this market as a service provider.

ENA recommendation

ENA recommends that:

a) The role of ENM is introduced in the NEM; and
b) The obligation for the LNSP to provide services and support relating to embedded networks is limited to the embedded network parent connection point.

ROLES AND RESPONSIBILITIES OF ENM

The AEMC consultation paper notes that the NER does not make it clear who has the obligation to support NEM activities for customers within embedded networks in relation to retail market offers. That is:

» Who has the obligation to set up and maintain the AEMO Market Settlement and Transfer Solutions (MSATS) standing data for an embedded network?

» Who is responsible for ensuring that data on life support customers within embedded networks is maintained?

» Who performs the NEM processes for the transfer of embedded networks customers between retailers particularly between the embedded network operator and a registered retailer?

» How are distribution loss factors set for customers within an embedded network?

» Who has access to embedded network customers' metering data?

» Who is responsible for metering the embedded network customers who have selected their own retailer?[3]

In addition, the consultation paper notes that AEMO identified a range of functions to be performed by the ENM, including:

» Allocating an identifying embedded network code to the parent national metering identifier (NMI);

» Fulfilling the LNSP role provided in MSATS and B2B procedures for the on-market embedded network child connection points (including allocation of NMIs for child connection points, maintaining all standing data and managing MSATS and B2B interfaces for the embedded network connection points); and

» Maintaining and communicating information regarding embedded network customers to market participants and accredited service providers[4].

The ENA supports establishment of the role of ENM to undertake these tasks. In addition, the ENA considers that the rule change should make it clear that the ENM will have responsibility for 'network' responsibilities within the embedded network including:

» safe management of de-energisation and re-energisation, meter installations exchanges and fault/outage issues in line with national and jurisdictional requirements for safe operation and service delivery;

» responsibilities relating to maintaining and managing registers of life support customers; and

» managing access to data and protecting the security and privacy of customer data in line with regulatory requirements.

Clarification and promotion of these responsibilities as responsibilities of the ENM would assist customers to understand who is responsible for service delivery to them and should improve that service delivery as the ENM is aware and responsible for their performance.

ENA recommendation

The responsibility of ENM for network related responsibilities including safety within the embedded network is made clear in drafting, especially relating to:

a) safe management of de-energisation and re-energisation, meter installations exchanges and fault/outage issues in line with national and jurisdictional requirements for safe operation and service delivery;

b) responsibilities relating to maintaining and managing registers of life support customers; and

c) managing access to data and protecting the security and privacy of customer data in line with regulatory requirements.

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[3] AEMC, *National Electricity Amendment (Embedded networks) Rule 2015: consultation paper*, 21 May 2015, pp. 10-11

[4] Ibid, pp. 15-16

TIMING OF INTRODUCTION

ENA notes the range of reviews and rule changes currently underway that will involve changes to AEMO procedures and to business processes and IT systems within AMO and market participants.

ENA agrees that there is value in minimising disruption and cost from multiple system changes in so far as this is possible.

ENA notes that it is anticipated that the timing of system and procedure changes relating to the introduction of expanded competition in metering and related services is likely to be delayed.

ENA supports incorporation of changes required to introduce the role of embedded network manager and clarify roles and responsibilities of other parties to be aligned with the significant change processes to be undertaken with introduction of metering contestability changes.

ENA recommendation

Changes required to introduce the role of embedded network manager and clarify roles and responsibilities of other parties should be aligned with changes to systems and procedures underway to introduce competition in metering and related services.

APPENDIX A: ENA RESPONSES TO AEMC QUESTIONS IN THE EMBEDDED NETWORKS CONSULTATION PAPER

No.	Question	ENA response
1	**Requirements to facilitate competition**	
1a	Are there any additional changes to the NER or the AER's network guideline that are necessary to allow embedded network customers access to retail market offers?	ENA considers that the NER should clarify that the LNSP obligations relating to embedded networks are limited to provision of the parent embedded network connection point and that the new ENM will be responsible for issues including management of internal faults and outages, and safe energization, de-energisation and re-energisation of embedded network customers.
1b	Are there any additional changes to the NER or the network guideline that are necessary to clarify the roles and responsibilities for the management of embedded network customers?	ENA supports making it clear in the National Electricity Rules (NER) that, while the Local Network Service Provider (LNSP) or DNSP is responsible for electricity supply to the parent connection point of an embedded network, it is not responsible for supply to an on-market or off-market child connection point within an embedded network. The LNSP or DNSP has no operational responsibility for an embedded network. It will be the (proposed) ENM who has the obligation to support NEM activities for customers within embedded networks.
1c	Are any of the proposed changes to the NER or the network guideline proposed by AEMO not appropriate?	ENA has not identified any provisions proposed by AEMO as inappropriate.
2	**Who should perform these functions?**	
2a	Should a new accredited service provider role (the ENM) be created to perform all or some of these functions as proposed by AEMO?	Yes. ENA supports establishment of the ENM role, including responsibilities as identified above at 1a).

No.	Question	ENA response
2b	What, if any, functions should be performed by an existing party? And if so, which party? What would the advantages be of using an existing party performing some of these functions?	ENA does not support allocation of proposed responsibilities for the ENM to and existing role. Specifically, the LNSP of the parent NMI should have no further on-going role with regard to child NMIs within the embedded network. .
2c	Alternatively, if a new ENM role is not created, who should perform the functions identified by AEMO? What would the advantages be of other parties performing the functions?	See above.
3	**When is an ENM required?**	
3a	Should all registrable and individual embedded networks be required to appoint an ENM? What are the advantages of such a requirement?	ENA supports appointment of ENM for all registrable embedded networks in order to facilitate access to services by customers and provide clear identification of responsibility for service delivery within embedded networks.
3b	Should deemed embedded networks be required to appoint an ENM?	ENA does not see clear benefit in allocation of ENM to deemed embedded networks unless or until a customer within the embedded network was seeking access to a retail offer.
3c	Is another threshold appropriate?	It seems reasonable to utilise the current threshold mechanism, rather than create a new trigger.
3d	Should the threshold for appointing an ENM be a matter for the AER under the network guideline? Should the NER provide factors for the AER to consider when setting the threshold?	If the threshold is appropriate to identify deemed versus registerable embedded networks, it should be appropriate for appointment of the ENM

No.	Question	ENA response
4	**Accreditation and governance of an ENM**	
4a	Are the proposed requirements appropriate?	Yes
4b	Are any other requirements needed for the accreditation and governance of ENMs?	No
4c	Are any of the requirements proposed by AEMO not necessary for the accreditation and governance of ERMs?	No
4d	Should the requirement to have ENM services provided by an accredited ENM be classified as a civil penalty provision?	Yes, as there is a competitive advantage to an embedded network operator in NOT assisting their customers to access an alternative energy seller.
5	**Who can be an ENM**	
5a	Should any party be prevented from becoming an ENM?	No
5b	Should the AER be able to determine the ring-fencing arrangements for ENM services?	This may be appropriate, although it needs to ensure: » If ring-fencing is applied, it is applied equally to all parties that may find a potential advantage in offering an internal service (ie retailer and/or LNSP) » The ring fencing requirements are proportionate to the issue, reflecting best practice regulation.
6	**Grandfathering**	
6a	Taking into account potential implementation timing, how long should ENOs with current registrable or individual network	Two years seems adequate, especially with 'deemed' ENM available. However, as noted above, the LNSP should only become a 'deemed' ENM if they volunteer to undertake this role. The LNSP should not be required to provide a 'default' ENM role.

No.	Question	ENA response
	exemptions be provided to appoint an ENM?	
6b	Should the transition period be set in the AER's network guideline or within the NER?	AER guideline
7	**Transitional provisions**	
7a	Are the proposed transitional provisions appropriate?	Yes
7b	Are any other transitional arrangements necessary to facilitate the implementation of the proposed rule?	No
8	**Implementation timing**	
8a	Are there potential synergies available form implementing the proposed rule in coordination with the expanding competition in metering and related services rule change, the meter replacement process rule change and/or the advice on the shared market protocol?	If this rule change is progressed, it should be amalgamated into changes under consideration in the metering contestability rule change.
9	**Competition in the ENM market**	
9a	Will AEMO's proposed six month deeming of ENMs assist embedded network operators in finding an ENM or aid in the development of ENMs?	Possibly, depending on the willingness of existing market participants to undertake the role.

No.	Question	ENA response
9b	Are any other regulatory arrangements necessary to facilitate competition in the provision of ENM services?	
9c	Are retailers, NSPs, embedded network operators or other parties likely to seek to provide ENM services?	Unclear at this time, but it seems safe to assume some parties will be prepared to provide such a service.
10	**Consequential or corresponding changes in the NERR**	
10a	How should the potential corresponding issues in the NERR be addressed?	If this rule change progresses, it should be incorporated into changes being considered under the metering contestability rule change.
10b	Are there any other necessary, consequential or corresponding changes to the NERR that may be relevant to the making of the proposed rule?	No.