energy networks association

MULTIPLE TRADING RELATIONSHIPS

ENA submission on AEMC consultation paper

11 September 2015

CONTENTS

EXECUTIVE SUMMARY

ENA welcomes the opportunity to make a submission on the Australian Energy Market Commission's (AEMC) consultation paper on Multiple Trading Relationships (MTR).

ENA supports strongly supports the development of a regulatory and operating environment which enables new products and services to meet the needs of customers.

However, ENA does not support introduction of the AEMO proposed multiple trading relationships rule change primarily because its costs appears demonstrably likely to outweigh the benefits, if any to customers. It is apparent that the rule change could impose costs in excess of $200 million which would be borne by all customers regardless of their interest in multiple trading services.

The complexity of the proposed approach to establishing multiple trading relationships at individual small customer premises will have very significant IT and business process costs and demand significant resources to specify and introduce the changes across the electricity market, impacting on all participants and upon all customers.

The proposal as it stands will interact with policy and procedure changes underway via rule changes to expand competition in metering services and to facilitate efficient operation of embedded networks.

Further, the potential complexity from multiple operational models as proposed by AEMO would substantially worsen the impact of introducing multiple trading relationships by either:

- Effectively expanding the range of potential trading relationship models which needed to be supported by market participants, or
- Leaving decisions on how and what trading relationships should be supported to administrative processes under AEMO.

In the view of the ENA, introduction of the MTR proposal from AEMO would constitute a further example of providing minimal guidance on delivery of a policy objective within a rule change or legal framework, leaving critical detail and cost imposts to be considered later in procedure development

In summary, ENA considers that the complexities and costs inherent in resolving roles and responsibilities, metering configurations, safety and service to customers for de-energisation/ re-energisation and life support systems makes introduction of this AEMO proposed rule change unsupportable at this time. Related issues are still to be resolved within the metering contestability rule change and the MTR rule change proposed by AEMO should certainly not be progressed while these matters remain outstanding. However, even once these matters are finalised it appears that the AEMO's proposed rule change would still not be in the long-term interest of consumers.

ENA believes that any consideration of MTR in the future should be informed by a reasonable period of market observation of the current major rule changes with their associated procedural and systems changes and their ability to provide innovative service provision (without MTR).

ENA considers that the existing practice, where a second connection point is treated the same as a new connection point, is practical and cost reflective.

ENA has attached as Appendix 1 responses to AEMC questions on the MTR rule change.

RECOMMENDATIONS

ENA recommends that the multiple trading relationships framework proposed by AEMO should be rejected.

ENA recommends that multiple trading relationship options enabled by the current rules for a second connection remain, with additional consideration of service applications within the embedded network framework.

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 Multiple Trading Relationships (MTR). ENA also acknowledges the consultation undertaken by the Commission in meeting with network representatives early in the process.

BACKGROUND

ENA understands that the MTR proposal arose from a request by the COAG Energy Council for the Australian Energy Market Operator (AEMO) to develop a rule change request to expand the facility for innovation and competition at an individual premise by enabling service offers by more than one retailer or product provider.

The MTR model was significantly influenced by early thinking on enabling electric vehicle charging via a separate provider.

Early high level system design by AEMO was subjected to cost benefit analysis by Jacobs SKM, which identified significant costs for participants and AEMO, to the extent that it was considered not economically viable.

The present rule change option has been developed by AEMO at the request of the COAG Energy Council to 'provide alternative, more cost effective options while preserving the policy intent'[1].

AEMO'S PROPOSED SOLUTION

The current MTR rule change proposal is "intended to provide a general framework within which MTR can evolve and that it anticipates that matters related to "day to day operation" of MTR will be included in retail market procedures. These procedures would be developed by AEMO following completion of the MTR rule change process.

The key NER change proposed by AEMO is to separate out the point of physical connection to the electricity network from the point at which energy measurement and financial settlement occurs, by introducing the new NER term of "settlement point". The key proposed changes included the following:

- the market settles at the **settlement** point, not at the connection point;
- each settlement point is associated with a metering installation;
- there can be multiple settlement points and metering installations at a premises;, and
- the concept of connection point remains in the NER but refers solely to the point of physical connection to the electricity network.[2]

The AEMO proposal includes changes to the NER, including to Chapter 10 to introduce "settlement point" and other definitional changes; Chapter 2: to amend participant descriptions; Chapter 3: various changes related to loss factors, adjusted energy, and spot market transactions; Chapter 7 related to metering.

Notably, the proposal does NOT specify any metering configuration required to enable MTR (unlike the earlier high level design proposal which required capability to support a number of metering configurations). Given the extensive impacts on the settlement point and connection point configurations and the flow on impacts to billing arrangements this means that distributors and retailers will need to be capable of significant flexibility of variable configurations and billing arrangements.

In addition, changes will be required to the NERR. These are indicated below, with AEMO's preferred outcomes:

- **Customer classification**: Customer classification should continue to be determined according to premises level usage and consumption, regardless of the number of settlement points at a premise. AEMO also stated that any FRMP selling energy to a customer at a settlement point at a premise should have the capability to classify or reclassify that customer's premises as a business or residential customer.
- **Shared customers**: The current NERR triangular contractual relationship between DNSPs, FRMPs and consumers should be adjusted to reflect the possibility of multiple FRMPs at a premise.
- **De-energisation**: De-energisation should occur at the level of individual settlement point, wherever possible. However, DNSPs should also be able to de-energise all

[1] AEMC, *Multiple Trading Relationships Rule 2015: consultation Paper*, 30 July 2015, p.4

[2] Ibid, pp9-10

settlement points at a premise, while FRMPs should be able to request de-energisation of a settlement point without any liability for subsequent de-energisation of a related settlement point.

» **Life support:** Life support should be registered at the level of the settlement point. All settlement points at premises with life support equipment should be registered. Reciprocal notification obligations should exist between FRMPs and DNSPs at premises with life support equipment.

AEMO also identified a number of changes to jurisdictional instruments and AEMO procedures that may need to be made following completion of any rule change to implement MTR. Hence the proposal is complex and far-reaching.

KEY ISSUES

ENA supports development of new products and services to meet the needs of customers.

Innovative service development and delivery mechanisms may open many opportunities for customers to benefit from increased flexibility and efficiency in maintaining or expanding their energy related requirements, whether in connection of new products (such as PV or storage), maintaining predictable cost control by monitoring their consumption and usage or utilisation of demand response options to support peak demand management.

Most importantly the evolution of technology and new products and service can occur within the premises without the need all services to be on-market. Customers can use timers and controls for air-conditioning and other appliances today and decide when to turn appliances on/off for their benefit. Customers seeking ways to reduce or shift load and reduce their energy costs will result in reduced bills for customers and all aspects of the supply chain may benefit.

The following sections provide ENA's views on particular aspects of the proposed rule change

JUSTIFICATION FOR THE CHANGE

The complexity of the proposed approach to establishing multiple trading relationships at individual small customer premise will have very significant IT and business process costs and demand significant resources to specify and introduce the changes across the electricity market, impacting on all participants and upon all customers.

ENA members advise that there have been only limited instances of customers seeking to establish second connections and that these have not generally been associated with seeking to enable service delivery by a second supplier.

Some typical instances of installation of a separate connection would include:

1. Granny flat configuration where the occupant may be or become in future a different retail customer;
2. A factory with high loads with strict wiring safety requirements; or
3. Rural properties where buildings are separated by large distances (around 500 meters or more), due to safety requirements.

Networks have reported that small customers seeking a second connection to date have often been concerned to maintain energy consumption below a threshold associated with a beneficial tariff option.

Under the recent distribution network pricing arrangements, distribution businesses are required to introduce cost reflective distribution tariffs. The purpose of cost reflective tariffs is to provide efficient signals to customer to modify their usage to reduce network costs and therefore prices in the longer term. MTR may facilitate or incentivise the 'splitting' of energy services where this is not efficient to do so.

During the transition to cost-reflective pricing in Australian network tariffs, the proposed MTR regime appears likely to create opportunities for the selective 'cherry picking' by some customers of tariff options with the potential to increase the potential for cross-subsidies from, and cost-transfers to, other customers.

Customers will have an obvious incentive to limit exposure to cost reflective tariffs to load segments which would be financially favourable. For example, a customer may utilise MTR to permit it to be benefit from a demand-based tariff for most of its load, while keeping appliances which contribute to significantly to peak demand (such as an air-conditioner) on a flat tariff.

Similarly, a customer on an inclining block tariff could be incentivised to utilise MTR to spread its consumption across multiple settlement points to remain within the first block.

In these examples, a DNSP would not avoid any future network costs but would incur them to implement MTR and fund the operational inefficiencies it creates resulting in higher average prices. These costs imposed through the introduction of MTR would ultimately increase average network costs to customers and increase cross subsidies between customers.

Networks consider the market for separate service delivery to be immature at this time, with limited requests received even from large customers seeking access to multiple traders. To the extent there is an appetite for such arrangements, customers have the ability to achieve this outcome through installing multiple connection points or developing an embedded network. Cost effective service delivery may be achieved within the current market frameworks to extend service and product offerings to customers.

ENA considers that the rule change proponent has demonstrated neither that:

- There is evidence of a significant demand for new arrangements for multiple service providers; or
- That there is evidence that the existing arrangements to support those customers that do wish to have services from different traders are inadequate or less efficient than an expensive MTR regime proposed by AEMO.

SYSTEM STRUCTURE

As noted previously, the establishment of multiple trading relationships within the rule change proposal is predicated upon enabling one connection point with potentially multiple "settlement points" to identify more than one trading relationship at the single premise.

Current market systems are built upon the relationship of one connection point/settlement point, one NMI, one FRMP, one or more meters, resulting in one or more data streams per customer.

Accommodating AEMO's proposed MTR scenarios, which require more than a one-to-one relationship between connection points, FRMPs, meters and NMIs, would involve re-engineering the fundamental principles that the following operational systems adhere to:

» Billing system;
» Standing data system;
» Meter data management system;
» Meter management system;
» Works management system (SAP);
» Faults management system;
» Geographic information system;
» SCADA (supervisory control and data acquisition);
» Reporting (including operational, managerial and regulatory reporting); and
» IT integration system.

Business systems and processes are designed with internal automatic validations based upon one-on-one relationships. To identify multiple transactions against a single customer connection would require significant system changes plus validation checks on all or most transactions to verify whether multiple traders are present.

This universal validation will add immediate system modification costs, plus on-going transaction activity costs, which will be need to be charged across all network customers whether or not they are utilising multiple service offerings.

The Consultation Paper notes that AEMO is likely to incur $6m for MTR to implement and operate and retailers on average $13m each and distributors $10m each. However, ENA notes that Citipower/Powercor has separately estimated a capital cost of implementing IT changes at $19 million before considering the cost of a range of other factors, such as increased licensing costs, duplication of billing services, increased billing inquiries, developing and maintaining new tariff structures or new reliability performance systems. It is apparent that the rule change could impose costs in excess of $200 million which would be borne by all customers regardless of their interest in multiple trading services.

AEMO already settle the market based on data stream level data at the connection point, all financials transactions are simple and energy based. AEMO and all registered participants and service providers will need to understand the connection point to settlement point relationships; the tariff components and charges at each settlement point could be different and would involve different and variable charging arrangements that will need to be communicated.

The changes to the connection point and settlement point arrangements will need to be recognised in connection point and standing data management, meter data management and billing systems. There will be costs associated with changes to these systems and the B2B and B2M transactions regarding the roles and responsibilities at

connection points versus settlement points. Changes to these arrangements and the flow on impacts to billing are significant changes to large scale IT systems and will require significant regression testing.

Staged adaptation, ie waiting until there is a need and then changing systems, managing interval data billing manually and on a bespoke basis, is not viable and would serve to increase operating costs within a regulatory period with no option to amend the distribution business' regulatory allowance. Such an iterative approach may also lead to increased costs overall as project groups are reformed to deliver the next new model, undertake regression testing, etc.

In addition, the complexity of this change is likely to take longer than nine months, that is, the LNSP could not delay delivering the capability given that the LNSP is limited to how far they can backbill the retailer. Similarly under NECF if the retailer has similar issues with being able to correctly bill consumers in this situation, then if the retailer does not get paid because of their inability to deal with bespoke billing arrangements on even a small volume of customers then the network may not get paid either. Under a revenue cap this means that any complex billing arrangements that are created and not billed are ultimately paid for by all other consumers. This further undermines the tariff reforms introduced by the AEMC and COAG Energy Council, to the extent that the cost of these arrangements or the lack of billing is smeared across all customers.

Many IT software systems and databases, software products used in providing network services, communications services and meter data management are based on meter numbers or customer/NMI numbers. An increase in the number of settlement points which increases meter or NMI numbers will serve to increase the licensing operating expenditure costs paid by network service providers.

By contrast, the current market and business system enables provision of separate connections to be made where customers seek this service, with costs allocated against that service delivery and paid by the customer receiving the service benefit. In the view of the ENA this is a far more equitable outcome.

PRESCRIPTIVE OR VOLUNTARY?

The earlier high level design option by AEMO required participants to modify their systems to enable multiple options for delivery of multiple trading relationships. The current proposal purports to reduce implementation costs for participants.

ENA notes the analysis by the AEMC of the perceived potential benefit of introducing a 'voluntary' MTR arrangement.

AEMC reports that AEMO identified that its new MTR framework is a "high level framework within which MTR can operate and evolve". In developing this high level approach, AEMO has sought not to "impose detailed prescriptive requirements" on participants. Details of the "day to day" operation of MTR will be included in retail market procedures, which AEMO intends to develop subsequent to any change to the NER and NERR frameworks. AEMC notes that this less prescriptive design of the proposed MTR framework may reduce the extent of adaptation costs faced by participants, *viz*:

- ***Scale of adaptation of systems:*** *AEMO's proposed MTR framework may require retailers and DNSPs to adapt IT systems, particularly to support metering configurations such as subtractive metering. However, the extent of this impact will be influenced by whether the NER and NERR frameworks explicitly require participants to adapt their systems to allow for all MTR arrangements and metering configurations, or whether this remains a voluntary, market driven process. For example, retailers could voluntarily choose to adapt their systems to support specific kinds of MTR, where they perceived an economic benefit in doing so. MTR arrangements could also be voluntarily supported by Metering Coordinators…* [3].

ENA does not agree that this approach would be likely to result in lower costs to networks. It is not clear that a network would have the right or ability to refuse to engage or facilitate any particular model of operation selected by a retailer or service provider. It appears that networks would still be required under the current AEMO proposal to enable a full range of potential MTR models. It does not appear, by corollary, that a network would have the right to select the most efficient operational model(s) for its purposes and to refuse to support connections using alternative models not supported by its business and IT systems.

This is due to the lack of policy clarity within the rule framework, reliance upon decisions by retailers and other parties on their preferred model(s) and the ability for AEMO to decide at a later date what should/should not be enabled under procedures. This means the details of the model and costs are not fully scoped until the procedures and build packs etc become clear.

[3] Ibid, p. 32-33

In the view of the ENA, introduction of the MTR proposal from AEMO would constitute a further[4] example of providing minimal clarity on operational and regulatory implications within a rule change or legal framework, leaving critical detail and cost outcomes to be considered later in procedure development[5]. With respect, it is not open to the AEMC to conclude that such a Rule Change meets the National Electricity Objective with such fundamental issues outstanding.

ENA believes that **if** AEMC concludes that multiple trading relationships are to be encouraged at this time, the framework needs to be established within the rules. It is important that the complexity created in the market with some transactions and costs based on connection point and some based on energy only at settlement points is clear. This is a significant change to the market, in which integrity has been previously ensured by having wholesale market settlement, network billing and retail billing being on the same basis ie using the same base data and taken at the same point, the connection point.

ENA does not support introduction of MTR at this time. ENA endorses continuation of current operational practice utilising a second connection point and maintaining current one-one-one relationships within the current business and operational systems.

METERING FORMATS

In the report by KPMG relating to new energy services and multiple trading relationships, KPMG were asked to consider whether any of these new energy service models were sensitive to, or reliant upon, a particular metering configuration.

While KPMG identified that different metering configurations may have cost implications for customers or participants, none of the identified energy services were found by KPMG to have a specific reliance on any metering configuration[6].

KPMG considered the three metering configurations identified by the AEMO rule change proposal (parallel metering, subtractive metering and net metering), noting:

> *The metering configuration will influence the development of the services through impacting upon the costs and also the complexity of the contractual arrangements between the retailers at the same premises. For example, subtractive metering is likely to require more significant changes to retailers' billing and data systems.*
>
> *In terms of whether the design of the service is particularly dependent on a specific configuration, we do not consider this to be the case for the services identified. The exception to this, is that the net metering arrangement is only suitable for services which includes distributed generation or storage exporting back to the grid.*
>
> *The two main services which are most dependent upon MTR … can be facilitated under either the parallel or subtractive metering arrangement.*[7]

ENA considers that the key issues relating to metering and multiple trading relationships are:

- Connections and safety,
- Metering contestability implications.

Connections and safety

AEMC notes that issues relating to connections and disconnections may be made more complex where multiple trading relationships are established, especially where the metering configurations are inter-dependent and disconnection of one meter may result in disconnection of other services. This has significant implications for customer safety as well as customer convenience and reliability of service delivery for different trading parties.

ENA considers that only two metering configurations meet the need to ensure clarity and customer safety in this context from the viewpoint of networks. These configurations would be:

1. The current second connection with fully separate connection/disconnection and registration requirements; or
2. Embedded network with single connection to the distribution system and full responsibility for managing all dependent relationships by the proposed Embedded Network Operator.

While noting that the final operational details including disconnection and reconnection responsibilities remain to be finalised under the current metering contestability and embedded networks rule changes, ENA believes that these models will make responsibilities, accountabilities and penalties clear, which will result in greater safety and security for the customer obtaining services from multiple parties.

[4] In addition to the approach adopted in the Competition in Metering rule change process to date)
[5] Ibid, p.32
[6] AEMC, op.cit., p. 23; KPMG, op.cit. p. 23
[7] KPMG, ibid, p.23

Metering contestability implications

The current rule change seeking to expand competition in metering services has yet to be concluded and has identified many significant and complex operational issues.

This includes introduction of the new role of Metering Coordinator, whose role and responsibilities are still under review to ensure clarity of service delivery opportunities and related responsibilities.

Clarification on how the new Metering Coordinator role may facilitate and coordinate safe and effective service delivery to customers even just in the context of potential connection and disconnection obligations and/or requests by retailers and distribution businesses have not been finalised.

ENA considers that insertion of a proposal to expand service delivery especially to small customers by establishment of complex metering and trading relationships should not be undertaken before the finalisation and implementation of metering contestability rule change and its associated processes and procedures.

NETWORK TARIFF IMPLICATIONS

In November 2014 the AEMC finalised the Distribution Network Pricing Arrangements rule change. The objective of that rule change is to ensure that customers are provided a cost reflective price signal to enable efficient recovery of residual network costs and promote the efficient use of electricity, alleviating network investment needs and therefore avoidable costs.

The AEMC suggest that, if MTR were implemented, a DNSP would address this from a pricing perspective in their Tariff Structure Statement (TSS):

In this scenario, the relevant DNSP will allocate DUOS charges between the meters in accordance with its approved tariff structure statement (as required by the NER).[8]

Currently, where a customer "splits" an existing service across two connection points, the same tariff would be applied at each connection point.

The intent of the MTR rule change, amongst others, is to avoid the additional fixed charges that would currently apply to the customer for second connection point.

However, DNSPs are obligated to service each connection point in accordance with the Rules (noting also the safety implications addressed above in this submission). Treating the second connection point (or settlement point) differently from a new connection point will result in inequity as the remaining customer base will have higher fixed charges than they otherwise would have under the existing treatment of a second connection point.

The suggestion that a *DNSP **will** allocate DUOS charges between the meters* is inappropriate as it presupposes the outcomes of a TSS, which is based upon substantial consultation processes and requirements.

The application of fixed charges to an additional settlement point (or connection point under existing arrangements) may be an efficient price signal and be cost reflective. Therefore, it is important that the MTR rule change does not proceed on the presumption that it is inefficient to recover fixed costs from a second connection point or settlement point.

The most efficient outcome is for all customers to eventually transition to a cost reflective tariff by providing customers appropriate price signals to modify their overall usage thereby reducing network costs. An MTR framework may inhibit the pricing rule change by distorting the allocation of fixed costs and increase variable costs whilst providing perverse incentives in some instances, as noted earlier in this submission.

ENA considers that the existing practice, where a second connection point is treated the same as a new connection point, is both practical and cost reflective and the new network pricing objective and principles should be relied upon to confirm or modify this position. ENA considers that a cost reflective, efficient price signal would better facilitate the uptake of new energy services and efficient energy usage in preference to MTR.

[8] AEMC, *Consultation Paper – Multiple Trading Relationships*, 30 July 2015, p 9

CONCLUSIONS AND RECOMMENDATIONS

ENA does not support introduction of the AEMO proposed multiple trading relationships rule change.

ENA considers that the rule change proposal under consideration is significantly ambiguous in its operation and potential impact, such that it may result in participants being required to undertake complex and expensive system and IT development to facilitate multiple metering options and processes.

The proposal as it stands will interact with policy and procedure changes underway via rule changes to expand competition in metering services and facilitate efficient operation of embedded networks.

ENA believes that alternative options to support innovation via market operations should be preferred at this time and consideration of MTR should be shelved until the current major rule changes with their associated procedural and systems changes are completed and their ability to provide innovative service provision (without MTR) tested.

The ENA suggest that the current focus should be on the successful and timely roll out of national smart meters and the move to cost reflective pricing. The market is still immature as has been seen by the level of uptake of interval metering in the NEM without a mandated AMI roll out and the take up of time of use pricing. It is important to get these reforms implemented before moving to the complexity of MTR. The cost benefit analysis is not compelling and the KPMG analysis also showed there is little need for such a reform, with new services not generally reliant upon development on MTR[9].

Innovation has been able to occur in the market with off market generation arrangements through the exemption frameworks and the use of the embedded network framework could allow an on market arrangement for customers. This will be further developed within the embedded networks rule change underway.

ENA considers that there has been no evidence provided to date to warrant the major changes to systems, processes and procedures which would be required to support complex trading relationships.

Further, the potential complexity from multiple operational models as proposed by AEMO would substantially worsen the impact of introducing multiple trading relationships by either:

- Effectively expanding the range of potential trading relationship models which needed to be supported by market participants, or
- Leaving decisions on how and what trading relationships should be supported to administrative processes under AEMO.

In particular, ENA considers that the complexities and costs inherent in resolving roles and responsibilities, metering configurations, safety and service to customers for de-energisation/ re-energisation and life support systems makes introduction of this AEMO proposed rule change unsupportable at this time. These major issues are still to be resolved with the metering contestability rule change and should await the outcome of that process, including its associated system and procedure development and implementation.

This view is supported by the lack of clear evidence to justify any current demand from customers to support the urgent implementation of multiple trading relationships. Unless broad evidence of significant unmet demand is provided, the disruption and increased cost imposts across all customers should not be undertaken.

Recommendations

ENA recommends that the multiple trading relationships framework proposed by AEMO should be rejected.

ENA recommends that multiple trading relationship options enabled by the current rules for a second connection remain, with additional consideration of service applications within the embedded network framework.

[9] KPMG, op.cit., p. 23

APPENDIX 1: ENA ANSWERS TO AEMC QUESTIONS ON MULTIPLE TRADING RELATIONSHIPS

Qu. No.	Topic	Question	ENA response
1	**Previous projects and changed market conditions**		
1.1		Have changes in market conditions or new information since these projects were completed affected the potential benefits and costs of MTR?	ENA considers that the introduction of the metering contestability rule change and the embedded networks rule change have altered the current circumstances. In addition, distribution businesses have reported little evidence of market demand for these services at this time. As noted by AEMO, the MTR is detrimental to cost reflective tariffs that involve capacity or demand due to the complexity. At this time the roll out of interval meters and cost reflective tariffs are key reforms and should not be jeopardised by this MTR rule.
1.2		Are there additional costs and / or benefits associated with MTR that were not identified or assessed by Jacobs SKM in its analysis?	The Jacobs SKM analysis showed that MTR under the proposed model did not provide a benefit which outweighed its substantial costs. There has not been a follow up assessment to determine whether the changes made by AEMO have resulted in an improved cost-benefit outcome. ENA does not consider that any additional benefits have been identified in the interim to warrant the expenditure by registered participants.
2	**Assessment framework**		
		Are there any other issues that should be considered in the Commission's assessment of AEMO's rule change request?	No. See point 1.1.

Qu. No.	Topic	Question	ENA response
3.	**New services facilitated by MTR**		
3.1		Does KPMG's analysis represent a reasonable summary of the services that may be facilitated by MTR? Are there any other services that may be facilitated by MTR?	Issue is not so much what services are facilitated by MTR as is MTR needed for the services and the cost benefit implications. The majority of services identified by KPMG can already by facilitated by existing arrangements. There is limited analysis as to how MTR would better enable these services compared to the existing arrangements. There is also limited evidence as to the feasibility and benefits of the services identified by KPMG. For instance, the case studies included in the report show a low uptake of these services (e.g. EV customer MTR take up in California) or their impracticality (e.g. Government retailing to vulnerable customers trial in the UK). In addition, KPMG appears to presume even more advanced MTR supply arrangements than envisaged by AEMO. ENA considers that community based energy products and/or assisting vulnerable customers are not appropriately premised or dependent upon MTR.
3.2		Would these new services be more effectively enabled by AEMO's proposed MTR framework than under current arrangements which require a second connection to the distribution network? Would AEMO's proposed MTR framework better enable customers to capture the value associated with the demand response, as opposed to current arrangements?	In ENA's view, current arrangements may be clarified to support these services with less cost and complexity than the proposed MTR options.

Qu. No.	Topic	Question	ENA response
4	Efficiency Benefits		
4.1		Does KPMG's analysis effectively describe the ability of these different energy services to capture efficiency benefits along the supply chain?	The analysis is reasonable, but it fails to identify DNSP costs associated with changes to billing systems and is overly focussed upon retailer costs for subtractive arrangements. ENA agrees with the assessment that is would be difficult to capture value along the full supply chain
4.2		Do the current arrangements raise coordination and split incentive issues? If so, to what extent would AEMO's proposed MTR framework allow service providers to address such coordination and split incentive problems?	The split incentive issue is more appropriately managed through the incentive mechanisms in the NER. The revised DMSI scheme would better address this matter. The complexity of the proposed new MTR processes would counteract the benefits.
5	**Impacts on customers of enabling MTR**		
5.1		Are the costs associated with establishing a second connection point likely to deter customers, particularly small customers, from engaging with multiple FRMPs at a premise?	The ENA is supportive of the second connection point approach which works within the existing framework and reduces the costs across the registered participants which are associated with the more complex MTR options. The additional MTR costs relating to system changes would be charged to all customers, including those not seeking or receiving any benefits from additional service provision. The ENA also note that multiple connections to a single premise need to be kept electrically separated at the premise and safety is a paramount concern. ENA considers that this is best addressed under current clearly allocated responsibilities and that the establishment of MTR represents an increase in the risk of inadvertent disconnect, which could impact a life support customer.

Qu. No.	Topic	Question	ENA response
5.2		Would AEMO's proposed MTR framework significantly reduce direct costs for customers who want to engage with multiple FRMPs? Could AEMO's proposed MTR framework deliver any other direct cost savings for consumers?	This would depend upon the MTR arrangement, system reconfiguration requirements and individual wiring arrangements at the premises compliant with the Service and Installation Rules (SIRs).
5.3		Are the direct costs of engaging with multiple FRMPs at a premise markedly different for small and large customers under current arrangements? Would AEMO's proposed MTR framework have a more significant impact for small customers than for large customers?	Costs and impacts may differ in scale, in relation to the size of the system and service option. Large customers have the additional option of setting up embedded networks to achieve the some outcomes. How embedded networks might apply to small customers may need consideration in the embedded network rule change. For example, Metering Coordinators may be able to operate as embedded network operators for small customers.
6	**Impacts on AEMO and market participants of enabling MTR**		
6.1		What costs would retailers, DNSPs and AEMO face in adapting their systems to implement AEMO's proposed MTR framework?	The Consultation Paper notes that AEMO is likely to incur $6m for MTR to implement and operate and retailers on average $13m each and distributors $10m each. AEMO already settle the market based on data stream level data, all financials transactions are simple and energy based. AEMO and all registered participants and service providers will need to understand the connection point to settlement point relationships, the tariff components and charges at each settlement point could be different and would involve different and variable charging arrangements that will need to be communicated. The Consultation Paper notes that subsequent to changes to the NER and NERR, AEMO will develop procedures for the day to day operation of the MTR. Whilst this does not

Qu. No.	Topic	Question	ENA response
			prescribe the design in the Rules, it is 'expected' to reduce the overall costs faced by participants. ENA does not agree that this approach would be likely to result in lower costs to networks. It is not clear that a network would have the right or ability to refuse to engage or facilitate any particular model of operation selected by a retailer or service provider. It appears that networks would still be required under the current AEMO proposal to enable a full range of potential MTR models. It does not appear, by corollary, that a network would have the right to select the most efficient operational model(s) for its purposes and to refuse to support connections using alternative models not supported by its business and IT systems. This is due to the lack of policy clarity within the rule framework, reliance upon decisions by retailers and other parties on their preferred model(s) and the ability for AEMO to decide at a later date what should/should not be enabled under procedures. This means the details of the model and costs are not fully scoped until the procedures and build packs etc become clear. Many IT software systems and databases software products used in providing network services, communications services and meter data management are based on meter numbers or customer/NMI numbers. An increase in the number of settlement points which increases meter or NMI numbers will serve to increase the licencing opex costs paid by LNSPs. In addition the complexity of this change is likely to take longer than the 9 months, that is the LNSP could not delay delivering the capability given that the LNSP is limited to

Qu. No.	Topic	Question	ENA response
			how far they can backbill the retailer. Similarly under NECF if the retailer has similar issues with being able to correctly bill consumers in this situation, then if the retailer does not get paid because of their inability to deal with bespoke billing arrangements on even a small volume of customers then the LNSP may not get paid either. Under a revenue cap this means that any complex billing arrangements that are created and not billed are ultimately paid for by all other consumers.
6.2		Could these adaptation costs be reduced through a staged implementation process?	Staged adaptation, ie waiting until there is a need and then changing systems, managing interval data billing manually and on a bespoke basis is not viable and would serve to increase operating costs within a regulatory period with no option to amend the regulatory allowance. Such an iterative approach may also lead to increased costs overall as project groups are reformed to deliver the next new model, undertake regression testing etc. Further, it is unclear how a stage implementation would work, when each arrangement has its own set of mandatory obligations. In particular, ENA does not support policy decisions deferred to AEMO's retail market procedures. Policy decisions relating to MTR should be clarified by AEMC in the Rules.
6.3		Could these adaptation costs be reduced by implementing at the same time as any other projects? What other projects might present opportunities for joint implementation?	ENA believes that the inherent difficulties in the proposed system do not warrant introduction. However, ENA has noted that there may be some viable alternative options to meet similar objectives of innovative services to customers from the metering contestability and the embedded network changes.

Qu. No.	Topic	Question	ENA response
7	**Metering arrangements**		
7.1		What issues could arise for Metering Coordinators as a result of MTR? What issues arise for MTR as a result of the role of Metering Coordinators?	Much greater complexity in roles and responsibilities, especially relating to de-en/re-en, which have yet to be resolved even within the metering contestability rule change. One potential implementation arrangement for subtractive metering (low retailer cost option) would involve a common MC appointed for all meters at a premise. This would necessitate either the customer nominates the MC directly or the DNSP providing the option of a common MC. However, such options require further consideration within the metering contestability rule change and their viable operation under that system is not assured.
7.2		Should only financially responsible market participants be able to engage with customers through MTR arrangements? If not, what other parties should be allowed to engage through MTR and what benefits would this provide to consumers? What are the implications for the AER's exempt selling guidelines?	The Consultation Paper seeks views on the proposed MTR impacts on the AER exempt sellers framework. The ENA is of the view that the exempt selling framework appears to be encouraging new entrants without the need for on-market retail competition, ie there appears to be a value proposition for these business models without the need to be retail licenced or authorised and holding the various distribution and generation licences required for full on-market operation. The ENA suggest that this flexibility should remain to encourage business models and innovation in the light handed regulatory space as opposed to the need for all service providers to be licenced and NEM registered and B2B accredited. The alternative seller exemptions may be able to facilitate the development of new services if they are appropriately

Qu. No.	Topic	Question	ENA response
			accommodated in the guidelines. There is currently little evidence that there is sufficient demand for emerging services to impose an industry wide solution. Instead, alternate service providers could obtain an exemption to trial and/or develop these niche markets. If demand permits or further customer protections are required then a more wide-scale, formal solution could be considered. If MTR supports a substantive market (or is developed to one day do so) then customer protections, particularly the NECF framework, should be preserved. It would be inappropriate for FRMPs or LNSPs to bear additional default and network security risk should MTR enable new entrants that are not adequately regulated.
7.3		Could multi-element meters support MTR at a lower cost to consumers than other metering configurations? Are there limits or barriers to stop Metering Coordinators installing meters?	There are likely to be practical limitations on provision of multiple element meters by MCs as the MC is appointed by a single retailer and may discourage or penalise provision of services to competitors. Establishing the necessary consumer protections to ensure this does not happen will complicate the regime and result in greater costs.
7.4		Can multi-element meters be supported by existing AEMO and participant IT and settlement systems? Would a requirement on AEMO and participants to support multi-element meters create costs for participants? What is the extent of these costs?	No, the multi-element MTR arrangement would at a minimum require significant changes to AEMO's systems that would drive huge consequential costs to all retailers and network business – even those not offering MTR services.

Qu. No.	Topic	Question	ENA response
8	**Network charges and network support payments**		
8.1		If a customer establishes a second connection point at a premises, will that customer face inefficient fixed DUOS charges? Will this issue be addressed by the new network pricing objective and pricing principles?	The new network pricing principles will make this issue even more problematic and complex for DNSPs. Currently, where a customer "splits" an existing service across two connection points, the same tariff would be applied at each connection point. The intent of the MTR rule change, amongst others, is to avoid the additional fixed charges that would currently apply to the customer for second connection point. However, DNSPs are obligated to service each connection point in accordance with the Rules (noting also the safety implications addressed above in this submission). Treating the second connection point (or settlement point) differently from a new connection point will result in inequity as the remaining customer base will have higher fixed charges than they otherwise would have under the existing treatment of a second connection point. The suggestion that a *DNSP **will** allocate DUOS charges between the meters* is inappropriate as it presupposes the outcomes of a TSS, which is based upon substantial consultation processes and requirements. The application of fixed charges to an additional settlement point (or connection point under existing arrangements) may be an efficient price signal and be cost reflective. Therefore, it is important that the MTR rule change does not proceed on the presumption that it is inefficient to recover fixed costs from a second connection

Qu. No.	Topic	Question	ENA response
			point or settlement point. The most efficient outcome is for all customers to eventually transition to a cost reflective tariff by providing customers appropriate price signals to modify their overall usage, thereby reducing network costs. An inappropriate MTR framework may inhibit the pricing rule change by distorting the allocation of fixed costs and increase variable costs whilst providing perverse incentives in some instances, as noted within in this submission. ENA considers that the existing practice, where a second connection point is treated the same as a new connection point, is both practical and cost reflective and the new network pricing objective and principles should be relied upon to confirm or modify this position. ENA considers that a cost reflective, efficient price signal would better facilitate the uptake of new energy services and efficient energy usage in preference to MTR.
8.2		Would the allocation of capacity or demand based charges present particular challenges where multiple FRMPs are present at a premises?	In some cases, yes depending on the service provided.
8.3		Would MTR require changes to the frameworks for the billing of network charges and for credit support?	Yes.
9	**Definition changes, market registration and market rules**		
9.1		Are the changes proposed by AEMO to Chapters 2, 3 and 10 of the NER sufficient to enable AEMO's proposed MTR framework?	The intent of the changes appears to enable various MTR arrangements, but detailed analysis or legal assessment is required.

Qu. No.	Topic	Question	ENA response
			Given Metering Contestability is going to produce a new chapter 7 it may not yet be possible to understand the MTR framework until we have a list of changes applied to the new 1 December version of Rule chapter 7. ENA has not sought legal advice at this time.
9.2		Are AEMO's proposed substitutions of settlement point for connection point appropriate in each instance?	As above
10	**Customer classification**		
10.1		Should customers be classified as large or small, residential or business, according to consumption at the level of the premises, or according to consumption at individual settlement points?	Customer classifications should be based upon the consumption level of the premises.
10.2		Should FRMPs have the ability to reclassify only the settlement points for which they have responsibility, or should they be able to reclassify an entire premises?	ENA does not support introduction of multiple settlement points as proposed within the MTR rule change.
10.3		Would these issues be any different where a customer had established multiple trading relationships supported by a second connection point at its premises?	The second connection must be completely independent of the first.
11	**Relationship between DNSPs, customers and retailers**		
11.1		Will the current tripartite arrangements require adjustment to allow for multiple trading relationships?	Under the AEMO proposal, ENA believes that this would be the case.
11.2		Does this issue only arise under AEMO's proposed MTR framework, or also where a customer has established MTR supported by two connection points?	See above

Qu. No.	Topic	Question	ENA response
11.3		Are there any issues related to the coordination of billing cycles between multiple FRMPs at a premises that would need to be addressed in the NERR?	Yes, under the AEMO proposal.
12	**De-energisation and re-energisation arrangements**		
12.1		Should DNSPs and FRMPs be able to de-energise a settlement point if this results in the subsequent de-energisation of a "downstream" settlement point?	Issue remains to be resolved under metering rule change. This proposed rule change adds extra complexity. ENA considers that DNSPs must be able to disconnect full premises loads where safety issues warrant.
12.2		How is the metering configuration adopted by a consumer relevant to disconnection issues? Do these issues arise only where a subtractive metering configuration is adopted?	See above
12.3		Would the prospect of disconnection of a downstream settlement point deter potential new energy service providers from entering the market? Are additional safeguard mechanisms needed to deal with third party disconnection?	See above
13	**Life support equipment**		
13.1		How should the risk of disconnection of life support equipment be managed where an MTR arrangement is in place? Are the new requirements proposed by AEMO sufficient to manage this risk?	Issue remains to be resolved under metering rule change. This rule change adds extra complexity. In the view of the ENA, additional new (secondary) services should not be used for life support. This issue would be best and most safely managed in the view of the ENA by continuation of current requirement for a second connection. This may be relevant for example in the case of a separate connection for a granny flat.

Qu. No.	Topic	Question	ENA response
13.2		Are the risks of disconnection of life support equipment affected by the specific metering configuration used by a consumer to enable MTR? Would the risks of disconnection of life support equipment be any different where MTR was supported by a second connection point?	See above
14	**Standing offer and deemed customer contracts**		
14.1		If multiple retailers are active at a premises with MTR, should all of these retailers be required to make the standing offer available? If not, which retailer should have this responsibility?	Consideration should be given to MTR arrangements that completely separate Retailers from other Retailers involved at other connection points.
14.2		Would this issue arise where MTR was supported by a second connection point?	No
15	**Implementation**		
15.1		Are there potential synergies available from implementing any rule made in response to AEMO's rule change request in co-ordination with any rule made in response to the Demand Response Mechanism rule change? If so, to what extent?	ENA does not support introduction of MTR options as proposed under the AEMO model and does not consider a coordinated implementation would reduce the costs of MTR overall..
15.2		What are the potential timeframes for implementing AEMO's proposed MTR framework? Do stakeholders have any specific suggestions to transitional implementation timeframes?	This rule change requires a final determination of Rules from the Metering Contestability Rule change and the large number of policy issues need to be worked through, before considering progressing the MTR Rule change. If it was decided to undertake MTR along the lines proposed (which ENA does not support), then an implementation timeframe of 2019 at earliest should be contemplated, after implementing metering contestability,

Qu. No.	Topic	Question	ENA response
			embedded networks and Shared Market Protocol processes.
15.3		Are there any other subsequent changes to AEMO procedures or jurisdictional codes that will need to be made following any rule made in response to AEMO's rule change request?	Subsequently changes will depend on the MTR arrangements available and their relative requirements for customer protections.
15.4		What changes may be needed to the RoLR arrangements to allow for AEMO's proposed MTR framework?	Retailer issue, but should be no different to other connections.