



10 October 2016

Attention: Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Via email: aer inquiry@aer.gov.au

ENA submission to the Draft Amendments to the Electricity Network Service Provider Registration Exemption Guideline Issues Paper

Dear Mr Pattas

The ENA welcomes the opportunity to make a submission to the Australian Energy Regulator (AER) in response to the Draft Amendments to the *Electricity Network Service Provider Registration Exemption Guideline Issues Paper* published by the AER on 18 August 2016.

The Energy Networks Association 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.

The ENA has previously supported the Embedded Networks rule change as it clarified 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 ENA largely supports the AER's changes to the Network Guideline. The Issues Paper asks a number of detailed questions which the ENA has responded to individually in the table below.

The Issues Paper highlights the purpose of the exempt network guideline under NER 2.5.1. This Network Guideline applies in both National Energy Customer Framework (NECF) and non NECF jurisdictions. The *AER (Retail) Exempt Selling Guideline* under the National Electricity Retail Rules (NERR) only applies to NECF adopting jurisdictions. The AER should take care that the *AER Exempt Network Guideline* deals with network service provider matters and does not stray into exempt selling matters. With retailers (or large customers) selecting metering service providers from 1 December 2017, similar metering management clauses may need to be considered for the Exempt Selling Guideline.

ENA recommends that the category NR04 be reworded. Other categories in the NR section refer to ongoing supply arrangements. It does not appear practical to remove any activity listed in table 3. This suggests that metered selling to large customers is removed from network registrable category servicing commercial industrial customers. ENA suggests that NR04 be redrafted to aid clarity.

Please find responses to the specific consultation questions below at Attachment A. If further information is sought on this matter, please contact Ms Kate Healey, Director Regulation, on 02 6272 1516 or by email on khealey@ena.asn.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'John Bradley', is positioned below the text 'Yours sincerely,'.

John Bradley
Chief Executive Officer

ATTACHMENT A

No.	Question	ENA response
1	Difference between household and embedded network billing	
1	Is this sufficient? What more should be done? Who should bear responsibility for billing errors when network charges are duplicated?	Local DNSPs are not directly impacted by billing errors between embedded networks and their customers. However, the ENA has an interest in seeing the quick resolution of NMIs inadvertently created outside of the embedded network. To this extent we recommend that the retailer who created the wrong National Metering Identifier (NMI) resolves the issue. In the case of all other situations of double billing the Exempt Network Service Provider (NSP) should resolve the issue.
2-6	Fees, charges and transactions costs	
2	Should a meter reading charge should be allowed at all, or should it be capped as we propose or by an alternative mechanism.	<p>Metering charges should not be required where shadow pricing has been implemented and the exemption matches the equivalent network charges that are otherwise available outside of the embedded network.</p> <ul style="list-style-type: none"> • If the customer does not have a Market Offer it would be inappropriate to charge separate metering charges that would be higher than if the customer was directly connected onto the licenced network • If a customer has elected to have a Market Offer, after 1 December 2017, the retailer must appoint a metering coordinator in accordance with the Metering Contestability Rule Change, and there should be no application of a pricing rule in such circumstances.
3	Are customers, experiencing unfair, unreasonable or excessive fees?	No comment
4	If so, what form do these charges take?	No comment
5	Why do you think they are unfair, unreasonable or excessive?	No comment
6	What additional restrictions should the AER place on the levying of these charges?	No comment
7-9	Metering types and access arrangements	

No.	Question	ENA response
7	Do stakeholders consider these metering arrangements are sufficient to facilitate access to retail competition?	<p>Firstly, we note on 1 December 2017 the schedule referred to as 7.3 to becomes schedule 7.4.</p> <p>We agree Schedule 7.3 (new post Dec 2017 Rule Schedule 7.4) is necessary to facilitate access to retail competition.</p> <p>On 1 December 2017 any distributor provided regulated metering within an embedded network will not transition into the deemed/initial Metering Coordinator (MC) arrangement under NER 11.86.7 and needs to be replaced or leased by the retailer. Where the retailer has not acted to replace the MC role and metering roles and the meter in the field on 1 December 2017, this could create compliance issues for the distributor, as the AEMC suggests that these meters should then be competitively provided. This, however, may not be acceptable under proposed ring fencing arrangements. The retailer selects the MC and metering parties and coordinates the timing of the changeover of metering, the distributor is not well positioned to deal with the non-compliance.</p> <p>Similar issues arise where a brown field conversion occurs and the distributors regulated metering needs to be purchased or returned when the embedded network is created. The AER will need to consider appropriate ring fencing arrangements carefully to ensure that any issues associated with timing which reflect practicalities in the field do not generate burdensome ring fencing compliance issues.</p>
8	What other conditions are necessary or desirable to support competitive offers?	The ENA also considers that the amendments to Schedule 7.5 of the NER would also be required to ensure new embedded network meters are capable of providing the services required for Metering Contestability.
9	Are the requirements for maintenance of the embedded network metering installation appropriate? Should any other exceptions apply? If so, why?	Yes
10-13	Who must appoint an ENM?	
10	Do stakeholders agree these are the only relevant activity classes?	Yes
11	Do stakeholders agree these are the only appropriate activity classes required to appoint an ENM?	Yes

No.	Question	ENA response
12	Should any other activity classes be added or removed? If so, which activity classes and why?	No
13	Is the threshold of 30 customers appropriate?	Yes
14-19	Who pays for the ENM	
14	How much will ENM services cost?	We are not able to comment on this potential commercial cost.
15	What is a reasonable range for estimating the costs of ENM services?	As above.
16	At what level do the additional costs of an ENM threaten the viability of an embedded network?	We are not able to comment on this potential viability issue, although if an embedded network is not viable customers within the network would be better off having access to the full range of Market Offers available to all customers outside the embedded network.
17	Are customers happy with current approaches as a model for recovery of the ENM costs?	Not applicable
18	Is there a need for specific measures or an AER condition to ensure that cost recovery occurs on an equitable basis for all embedded network customers?	<p>We consider the Embedded Network Operators (ENOs) should not be able to cost recover on a non-equitable basis and that cost recovery should occur through the shadow price charged as all customers within the embedded network and who benefit from access to competition. As such we suggest that option 2, the user-pays approach, does not facilitate competition, as the customer cannot appoint their own ENM who needs a contract with the ENO.</p> <p>Fig 4.1 in the Issues Paper indicates in certain circumstances that the ENM service users pays the ENM costs. This may be problematic if community members vote 'no' or the ENO/exempt seller offer is not accepted by the customer (and so the customer is charged the ENM services costs). There appears to be no offer/acceptance step for the ENM user to agree to the costs. If a community votes and the first few ENM service users pay, what would happen if the vote is altered at a later date? Is there an obligation to then smear the costs of the other ENO charges to all the 'children'?</p>
19	If so, what form should this take?	As above

No.	Question	ENA response
20-23	Eligible community cost recovery and Time limit extension to appoint an ENM for eligible communities	
20	Do stakeholders support these requirements? If so, why? Or, if not, why not?	The ENA considers that the requirement for an agreement with a two thirds majority of customers of the embedded network is overly onerous on the ENO, which has a clear obligation to appoint an ENM. Just because the majority of residents can't agree on an ENM it shouldn't mean that an ENM can't be appointed and that customers won't have access to a retailer of their choice.
21	Is the time to appoint an ENM reasonable?	Yes
22	Are the protections sufficient? Why not?	These protections are sufficient in protecting customers from potentially uncompetitive ENM offers, but do not appear to protect the customers' ability to choose a retailer.
23	What further protections are required and why?	As above
24-26	Non-appointment of an ENM and reversion for eligible communities	
24	Do stakeholders support these requirements? If so, why? Or, if not, why not?	Yes
25	Are the protections sufficient? Why not?	Yes
26	What further protections are required and why?	N/A
	External dispute resolution	
27	Do stakeholders have any feedback about Ombudsman dispute resolution services becoming accessible to small customers in	We agree that embedded network customers should have access to Ombudsman dispute resolution services. The AER <i>Electricity NSP Registration Exemption Guideline</i> is made under the NER and applies in both National Energy Customer Framework (NECF) and non NECF jurisdictions. Matters of dispute should be limited to network charge

No.	Question	ENA response
	embedded networks for matters relating to exempt embedded network service providers?	amounts or network services as described in this Guideline and should not extend to retail matters such as energy sales. Matters of dispute in relation to the sale of energy are more appropriately addressed via similar amendments to the <i>AER (Retail) Exempt Selling Guideline</i> made under the National Electricity Retail Rules (NERR).
Pricing		
28	Do stakeholders agree with these amendments? If so, why? If not, why not? If relevant, what further changes do you consider necessary or desirable?	Yes
Access to retail competition		
29	Q.28 - Do stakeholders agree with these amendments? If so, why? If not, why not? If relevant, what further changes do you consider necessary or desirable?	Yes
Network conversions - supplementary conditions		
30	Do stakeholders agree with these amendments? If so, why? If not, why not? If relevant, what further changes do you consider necessary or desirable?	Yes