AEMO
AUSTRALIAN ENERGY MARKET OPERATOR

Level 12
171 Collins Street
Melbourne VIC 3000

Postal address
GPO Box 2008
Melbourne VIC 3001

T 1300 858 724
F 03 9609 8010
E info@aemo.com.au

28 April 2025

Ms Stephanie Jolly
Acting Executive General Manager, Consumers, Policy & Markets
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By online submission

Dear Ms Jolly

Submission on Draft Retail Exempt Selling Guideline and Draft Network Exemptions Guideline (version 7)

AEMO welcomes the opportunity to provide feedback on the Draft Retail Exempt Selling Guideline and Draft Network Exemptions Guideline (the Guidelines). AEMO acknowledges the level of detail, analysis, and insight the AER has applied in developing the Guidelines in what is a complex area of the energy market.

There are three key topics AEMO wishes to explore further with the AER in the development of the Guidelines:

1. Alignment with the outcomes of the Unlocking CER Benefits through Flexible Trading rule (UCERB rule)[1];
2. Technical considerations relating to loss of supply and wiring arrangements; and
3. Barriers to accessing competition for customers in embedded networks.

Alignment with the UCERB Rule

Following the publication of the UCERB rule on 15 August 2024, AEMO has commenced consultation on procedures[2] to implement the flexible trading model, with implementation due by 1 November 2026. The flexible trading model is similar in design to that used in the operation of embedded networks, in that subtractive processes enable the independent settlement of energy flows beyond the connection point to a distribution network.

However, whereas the embedded network framework is primarily designed for the on-selling of energy from one party (the customer at the parent connection point) to another (a different customer at a child connection point) via an electrical network, the flexible trading model is designed to allow a single customer to have energy flows for their electrical resources accounted for separately within their own electrical installation. This occurs without any on-sale of energy or the provision of a "network" to convey energy between parties. The difference in application of the two models (flexible trading and embedded networks) was highlighted in the AEMC's final determination[3].

[1] https://www.aemc.gov.au/rule-changes/unlocking-CER-benefits-through-flexible-trading
[2] https://aemo.com.au/consultations/current-and-closed-consultations/2025-flexible-trading-arrangements
[3] https://www.aemc.gov.au/sites/default/files/2024-08/Final%20determination%20-%20Unlocking%20CER%20benefits%20through%20flexible%20trading%20-%2015%20Aug%202024.pdf (See points 22, 23 and 24 on page vi)

Accordingly, AEMO proposes that the Guidelines be amended to accommodate the flexible trading model so as to avoid duplicative processes that may confuse market participants. Specifically, AEMO recommends that the AER consider:

- Removing exemption classes ND8 and ND9, as these arrangements do not involve supplying energy to a third party and can instead be accommodated through the creation of Secondary Settlement Points under the UCERB rule; or
- Disabling the use of these classes in line with the UCERB rule effective date of 1 November 2026; and
- Requiring any current or new ND8 and ND9 exemption holders to transition to the flexible trading model within, say, 12 months of the UCERB rule taking effect.

Loss of Supply and wiring arrangements

AEMO notes that many facilities include some form of backup energy supply. In the interests of maintaining electrical safety at national grid connection points during power outages, AEMO recommends that the AER consider applying Exemption Condition 1.4 (Design for loss of supply) to exemption classes NDO2, NDO4, NDO5, NDO6 and NDO8.

In section 3 of the Draft Network Exemptions Guideline (Version 7), four examples are provided representing use cases with guidance as to which exemption might apply, or where an exemption is not relevant. AEMO recommends expanding these to include other common scenarios, and to include high-level schematics of acceptable wiring and metering arrangements, both to aid potential applicants and to ensure the electrical configurations are aligned with AEMO systems capability to operate settlement. AEMO is keen to assist further development of this section if the AER wishes to progress this recommendation.

Barriers to accessing competition

AEMO agrees that access to retail competition for customers in embedded networks is limited, as reflected in the survey results that supported the development of the Guidelines.

The Guidelines highlight the lack of energy-only retail products as a key barrier to customers in embedded networks accessing competition. AEMO agrees that this is a material barrier, but considers that more foundational issues would continue to impede competition, even if such products were available.

As embedded network customer connections are typically not included in NEM market systems, a retailer's ability to identify and verify the customer's point of connection and metering arrangements is extremely limited. If there are no records of the connection within market systems, the age and quality of the connection and metering equipment remain unknown.

For more than a decade, the Guidelines have required metering devices to be NEM-compliant. However, a retailer is unlikely to be able to determine whether a customer's connection pre-dates this requirement. Further, even in cases where a NEM-compliant device was installed, there is no obligation for it to have been installed or maintained by a NEM-accredited Metering Provider, nor for it to continue to meet the accuracy and security standards prescribed in the NER.

To form an agreement with a customer, a retailer must have confidence that it can appoint a Metering Coordinator (MC), who in turn must be confident they can provide metering services at the customer's

connection. The lack of visibility and the absence of aligned installation and maintenance requirements significantly hinder this.

While AEMO recognises that fully resolving these issues requires broader reform beyond the scope of the Guidelines, AEMO recommends that the AER could consider strengthening the current requirements by specifying that:

- Metering equipment must be installed by an AEMO-accredited Metering Provider, with accreditation appropriate to the type of metering installation; and
- Metering equipment must be maintained by an AEMO-accredited Metering Provider, with accreditation appropriate to the metering installation being maintained.

If adopted, these amendments would align the installation and maintenance of metered connections within embedded networks with those for customers directly connected to the distribution network. This alignment would ensure consistent assurance processes for the accuracy of metering devices, regardless of whether a customer is located within or outside an embedded network. It would also better enable embedded network customers to transition to a competitive retail product once other limiting barriers are removed.

AEMO welcomes the AER's work to modernise and improve the Guidelines. We look forward to continuing to work with the AER team as this version of the Guidelines is finalised and implemented, delivering benefits to the market and end users alike.

Should you wish to discuss any of the matters raised in this submission, please contact Hannah Heath, Group Manager Strategic Market Reform, at [redacted]

Yours sincerely,

[redacted]

Violette Mouchaileh
Executive General Manager – Policy & Corporate Affairs