



10 October 2016

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

Lodged via email: aer inquiry@aer.gov.au

Dear Mr Pattas,

Electricity Network Service Provider Exemption Guideline – Issues Paper

AGL Energy (**AGL**) welcomes the opportunity to respond to the Australian Energy Regulator's (**AER**) issues paper on its draft amendments to the Electricity Network Service Provider (NSP) Registration Exemption Guideline (the Guideline).

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources.

We are also a significant retailer of energy, providing energy solutions to over 3.6 million customers throughout eastern Australia. In 2015, we established a New Energy Services division, with a dedicated focus on distributed energy services and 'behind the meter' solutions including energy battery storage, solar PV systems and digital meters. We are also working with customers to develop a network services capability involving load management solutions.

AGL acknowledges that the main purpose of this revision to the Guideline is primarily in response to last year's Australian Energy Market Commission's (AEMC) rule change which sought to increase an Embedded Network (EN) customer's ability to access retail competition and create a new market role, the Embedded Network Manager (ENM), to facilitate their National Electricity Market (NEM) activities.

AGL is broadly supportive of the AER's proposed amendments to the Guideline which primarily set out the provisions that will govern ENM appointment, operation and exemption by exempt ENs.

Specifically, we support the following positions and amendments proposed by the AER in the Guideline:

- Metering arrangements within exempt EN should be consistent with the AEMC's Power of Choice metering reforms and the National Electricity Rules (NER) Chapter 7.

AGL agrees this will ensure that metering competition, once established, is able to equally benefit EN customers seeking to access retail competition and the product and service offerings enabled by digital metering;

- A meter replacement obligation on EN Operator's should be enforced to ensure that meters installed from 1 January 2012 remain NEM compliant. Likewise, we agree that a reciprocal requirement be placed on customers or their market retailer for metering installations prior to 1 January 2012;
- Specific terms for ENM appointment should be set for large and small customers.

AGL very supportive of the principle that larger ENs must immediately appoint an ENM whereas smaller networks should only be required to appoint an ENM where a trigger event has occurred.

We acknowledge that the AER has set an arbitrary threshold for exempt ENs to serve as the demarcation point between mandatory ENM appointment and an ENM trigger event.

We do not have a specific view on the proposed threshold of "30 or more customers", however do agree that mandated ENM appointment at larger sites will be more cost efficient. AGL also agrees that smaller networks and community groups will be more sensitive to transaction costs and therefore should only be subjected to the appointment where the benefits outweigh the costs; and

- All costs associated with the appointment of an ENM should be borne by the exempt embedded NSP, as a cost of regulatory compliance with the Guideline. However, cost recovery associated with ENM operations should remain at the discretion of the EN Operator, as long as it continues to meet existing AER pricing and cost recovery policy and does not create an artificial barrier to customers seeking to go on-market.

For example, we believe the majority of embedded networks are likely operated for profit, and therefore Option 1 in the Guideline may be most appropriate as the appointment of an ENM facilitates equal opportunity and cost to all customers within an EN to seek a competitive retail offering. However, small community groups which do not operate for profit may decide that Option 2 in the Guideline is better suited to their bulk purchasing power arrangement.

Points of clarification

AGL raises the following points for further clarification:

1. Role of Meter Coordinator (MC) process for EN customers

AGL notes that the current draft arrangement in Condition 4.3 of the Guideline places an obligation on the exempt embedded NSP as the 'deemed' Responsible Person (RP) to ensure that the requirements of Schedule 7.3 of the NER is met. However, under AEMC metering reforms, the role of RP will be replaced with the Metering Coordinator (MC). We therefore request the AER to articulate how the MC appointment process for EN customers will operate and its interactions with EMN from 1 December 2017.

2. Appointment of ENM for multiple sites:

While not covered by the Guidelines, AGL requests that the AER provide a view on whether EN Operators with multiple sites will be required to

appoint an ENM for each site, noting that the total cumulative number of customers could be over threshold of 30 customers.

If you have any further questions regarding this submission, please contact Dan Mascarenhas on 03 8633 7874 or at DMascare@agl.com.au.

Yours sincerely,



Stephanie Bashir
Head of Policy and Regulation, New Energy

