AUSTRALIAN
ENERGY
REGULATOR

Notification of transitional arrangements

National Electricity Rules: requirement for embedded network operators to become or appoint an Embedded Network Manager

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To allow an opportunity for embedded network operators time to adjust to the new requirement to become or to appoint an Embedded Network Manager, the AER will allow an initial transitional period from 1 December 2017 to 31 March 2018. Where an embedded network operator can demonstrate they are taking active steps to appoint an ENM, the AER will focus on education and not actively pursue enforcement of compliance issues in respect to the NER requirement.

During this transitional period, we will assess any compliance matters that come to us on a case-by-case basis and in a manner that acknowledges the restrictions that ENM accreditation issues may have placed on embedded network operators' capacity to comply with their obligations. However, we will expect to be provided with evidence that parties have attempted to secure an ENM and have been unsuccessful or are currently engaged in the process of securing an ENM.

What is the requirement in the National Electricity Rules?

From 1 December 2017 persons that hold a network exemption in relation to an embedded network must appoint or become an Embedded Network Manager in accordance with clause 2.5.1 (d1) of the National Electricity Rules unless:

- The embedded network is located in a state, territory or region where customers in embedded networks are not afforded a right to a choice of retailer; or

- The AER has determined that the requirement can be delayed until a customer in the embedded network enters into a contract with a market retailer.

The AER's Network Service Provider Registration Exemption Guideline provides that all holders of all network exemption classes may delay appointment unless the embedded network contains 30 customers or more relating to the network exemption classes: ND10, NR1, NR2, NR3, NR5 and NR6.

What is the role of an Embedded Network Manager?

The Embedded Network Manager is a new accredited service provider that has been created to facilitate customers in embedded networks moving between off-market and on-market retailers.

The role involves:

- registering a child NMI (National Metering Identifier) to customers in embedded networks so they can be identified in the market

- creating and updating NMI standing data (which includes identification of the market retailer, the type of meter used and other information but does not include meter reading data)

Previously, there has been no party responsible in the National Electricity Rules for the providing this service for customers in embedded networks. However, retailers and distribution businesses have provided this function for embedded network customers in the past.

Is access to competition affected if an Embedded Network Manager is not appointed?

From 1 December 2017, only an Embedded Network Manager will be able to register NMIs and create and update standing data for customers in embedded networks. This means that an off-market customer in an embedded network will not be able to access an on-market retailer unless an Embedded Network Manager has been appointed. If no Embedded Network Manager has been appointed, the embedded network customer will not be able to access the market and will only be able to purchase electricity from within the embedded network (i.e. from an exempt seller, site owner or on-seller of electricity).

Network exemption holders will need to clearly communicate these limitations to customers within their embedded networks if they are unable to secure the services of an Embedded Network Manager.

Why are there not enough Embedded Network Managers?

Although many parties have indicated their interest in seeking an accreditation with the Australian Energy Market Operator (AEMO) to become an Embedded Network Manager, it has taken longer than expected for completed applications to be submitted. Consequently, there is expected to be a delay before enough Embedded Network Managers are accredited to reach the numbers necessary for all required network exemption holders to secure the services of an Embedded Network Manager and meet their compliance obligations under the National Electricity Rules. However, a number of Embedded Network Managers will be accredited by 1 December.

Where to find more information:

- A list of accredited Embedded Network Managers can be found on AEMO's website: https://www.aemo.com.au/Stakeholder-Consultation/Consultations/Power-of-Choice---AEMO-Procedure-Changes-Package-2

- A number of applicants for accreditation are taking part in voluntary readiness reporting which can also be found on AEMO's website: https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Power-of-Choice/Readiness-Work-Stream/Industry-Readiness-Reporting

How will the industry move towards compliance by 31 March 2018?

The limited number of accredited Embedded Network Managers is due to a delay in readiness that is likely to be resolved in time. The transitional period for compliance with the requirement to appoint an Embedded Network Manager is expected to be sufficient for the market to develop. In the meantime, we and the other market bodies are focused on furthering awareness and understanding of the coming changes to assist in facilitating sector-wide implementation.

We will encourage a gradual movement towards compliance for all stakeholders during this transitional period through our approach to compliance matters that come to our attention. The AER reserves the right to undertake further action in relation to compliance issues for which the network exemption holder cannot demonstrate that they have taken steps to come into compliance with the requirement to appoint an Embedded Network Manager.