

# United Energy Distribution and Multinet Group

## AER Consultation Paper – Retail Exemptions and Exempt Selling Guideline

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**UNITED ENERGY  
Distribution**



**Multinet**<sup>GAS</sup>

Contact: Verity Watson

United Energy Distribution & Multinet Gas

Phone: (03) 8540 7800

Date: 4 February 2011



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## Executive summary

United Energy Distribution and Multinet (the businesses) appreciate the opportunity to provide comments on the exempt onselling framework and make the following key points in this submission:

- UED strongly support clarification of roles and responsibilities of the licensed distributor and the Exempt Network Operator (ENO).
- This support also extends to alignment of the contractual framework under National Energy Customer Framework (NECF) and underlying business processes with the Rules (National Energy Retail Rules (NERR) and National Electricity Rules (NER)) and Procedures/Guidelines.
- The businesses look forward to participating in the AER's consultation process on the embedded network operator framework.
- The decision making framework for the formation of an embedded network on a brown field site which impacts (potential children) customer's existing sale and supply arrangements should be clarified.
- A new condition is required where there is embedded generation in an embedded network to ensure that connection, safety and registration arrangements are appropriately managed.
- To enable retailer of choice, there is a need to clarify the roles and responsibilities of the embedded network operator and licensed distributor across a range of regulatory frameworks – NER and underlying procedures, NECF and the Victorian regulatory requirements, particularly in relation to smart meters
- The businesses are supportive of the AER decision that retailer of choice will not be enabled in gas embedded networks ie gas cooktops and hot water may continue to be unmetered.
- The AER should consider whether a condition should be imposed that gas or electricity metering requirements in the NER and National Gas Rules (NGR) (and underlying procedures) should be applied to exempt network operators and exempt onsellors. This enables exempt customers to enjoy the same comfort regarding metering accuracy/meter management processes as retail customers.
- The Guideline should also include the final determinations for deemed and registrable exemption class conditions so that the Guideline provides a single reference point.
- Condition 11 – Choice of retailer needs to be amended so that the exempt onseller must facilitate the customer's retailer of choice by providing all necessary Market Settlement and Transfer System (MSATS) information.
- The physical site address should be registered in the Public Register against the Exempt Onselling party and the relevant exemption categories.
- The AER should consult on the arrangements that might be required if an exemption expired or was revoked.

## Introduction

United Energy Distribution and Multinet (the businesses) appreciate the opportunity to provide comments on the AER Consultation Papers - Retail Exemptions and the Exempt Selling Guideline.

It is important that the retail exemption framework and the exempt network framework provide clarity regarding the arrangements for retailer of choice. The market is far more complex today with a general move to time of use pricing and smart metering etc, the roles and responsibilities of the exempt onseller and exempt network and the licensed distributor need to be clear from the start.

In our response below the businesses have answered selective questions in the Consultation Paper.

## 1 Consultation paper responses

### 1.1 AER's considerations on the policy principles

#### **Q2: Do stakeholders agree with the AER's considerations on onseller compliance costs?**

When assessing future onselling applications the AER will generally place more weight on ensuring that customers of onsellors receive the appropriate protections than on minimising the onsellors' costs.

The Consultation Paper appears to limit the consideration to matters of the National Energy Retail Law (NERL) and NERR. The onseller will also need to have arrangements in place to manage National Metering Identifier (NMI) standing data, meter register data, provide meter readings, manage metering compliance and accuracy etc. Whilst these may not be the first order customer protections, they are still matters that allow retail competition and accurate billing etc and need to be considered as part of the exemption framework when considering applications.

### 1.2 Practicability of requiring retail competition in electricity embedded networks

#### **Q3: Do stakeholders agree with the AER's considerations on choice of retailer in electricity embedded network onselling situations?**

The AER generally support electricity customers within an embedded network having access to retail competition.

The AER recognise that Exempt Network Guidelines such as Australian Energy Market Operator's (AEMO) or the AER's need updating. UED strongly support clarification of roles and responsibilities and of the licensed distributor and the Exempt Network Operator (ENO).

This support also extends to alignment of contractual framework under NECF and underlying business processes with the Rules (NERR and NER) and Procedures.

The businesses look forward to the AER's consultation processes on the ENO framework. The AER should also work with AEMO to ensure that any guidelines are not only supported by the NECF contractual framework but also by consistent NER and procedures.

UED strongly support clarification of roles and responsibilities of the licensed distributor and the Exempt Network Operator (ENO).

This support also extends to alignment of the contractual framework under NECF and underlying business processes with the Rules (NERR and NER) and Procedures/Guidelines.

The businesses look forward to participating in the AER's consultation process on the embedded network operator framework.

### 1.3 Characteristics and circumstances of the exempt customers

#### **Q10: Do stakeholders agree that the AER should consider collective decision making arrangements as a relevant characteristic or circumstance of exempt customers?**

The businesses welcome the view that the AER should consider whether all customers provided explicit informed consent to any proposed collective agreement for an energy contract with a retailer.

On what basis should an embedded network and on selling arrangement be formed?

In practice embedded networks or on selling arrangements may be created at the time a site is developed or may be retrofitted over existing customer connection arrangements with the licensed distributor (brownfield site).

The roles and responsibilities and decision making in this area is less than clear. For example if a company wishes to create an embedded network and onselling arrangement at a brownfield site, should this be allowed? If a majority of customers wish to stay with their existing retailer and are comfortable with the direct connection to the licensed distributor's network and ease of retail competition, should a potential parent be allowed to override the majority of customers? Do the potential future children have any say? Does any party have any power of veto where it appears that the majority of children do not see a benefit in the arrangement offered?

Creating an embedded network where this overrides existing customer connection and retail arrangements should be clarified in any guideline and differentiated from customers who as part of a lease are made aware of the arrangements (benefits and limitations) before agreeing to the contract terms.

The decision making framework for the formation of an embedded network on a brownfield site which impacts (potential children) customer's existing sale and supply arrangements should be clarified.

#### 1.4 Individual exemptions for onselling in decentralised energy systems

**Q15: Do stakeholders agree with the AER's considerations on the provision of onselling through decentralised networks?**

**Q16: Is it feasible for the AER to issue a class exemption for decentralised energy projects?**

**Q17: What activities / entities should any such class exemption cover?**

**Q18: Are the conditions of exemption set out in class D2 of the draft determination of deemed exemptions (with the exception of those that relate to the operation of state/territory tenancy legislation) appropriate for decentralised energy projects? Are further conditions of exemption required?**

A new condition similar to that of life support for the various exemption classes is required. The condition would require the exempt person to maintain records of any exempt customers who have generation facilities on their premises and must advise the exempt person's authorised energy retailer and distributor of the generation details – customer name and address, type of generation facility (eg solar, tri-generation, micro turbine), size of generation facility etc.

This will allow the responsible person at the parent connection point to provide 2 way metering should there be any generation that may flow onto the grid.

A new condition is required where there is embedded generation in an embedded network to ensure that connection, safety and registration arrangements are appropriately managed.

#### 1.5 Smart meter related protections

**Q25: How should the AER address protections for small exempt customers in embedded networks with a smart meter? What core protections are required?**

The businesses note the AER's comments that smart meter protections will be considered by the MCE's Smart Meters Working Group in due course. The AER suggests that it may be necessary to address any issues that may arise for Victorian customers in the Victorian regulatory framework.

The AER raise concerns regarding the switching costs for customers in embedded networks, including meter change over costs.

The businesses have a number of additional concerns which need to be addressed;

- DPI have consulted on whether smart meters should be used as the standard meter for customers consuming below 160MWhpa in embedded networks, however there has been no final decision. This decision will help to clarify the party responsible for metering and the meter requirements for embedded network children in the market.
- If the licensed distributor provides the smart meter, then embedded customer protections will need to consider the issues of licensed distributors possibly doing some remote de-energisations and re-energisations and the exempt network business doing any manual energisation work in the field. This potential for multiple party delivery of an energisation service needs to be clarified.
- The energisation status of a NMI is a required field in the MSATS system that the licensed distributor updates. It is important that the AER address the clarity of the roles and responsibilities in the exempt framework – network and retail, and that the requirements are consistently reflected in the MSATS procedures and the AEMO Embedded Network Guidelines. The party actioning the requests ie closest to the service delivery is the most efficient party to provide accurate data to the central systems.
- The industry smart meter business process working group is reviewing the service provider arrangements for smart meters for customers directly connected to a licensed distributor. Once this is clarified and agreed by the MCE, the more complex situation in embedded network could be addressed. The businesses recognise that these issues will need to be addressed by the AER if the exempt network operator and exempt onseller continue to be exempt from the NER and the Procedures under the NER.
- There is a need to ensure appropriate development of a co-regulatory framework spanning Victorian smart metering requirements, NER and the underlying procedures and NECF.

To enable retailer of choice, there is a need to clarify the roles and responsibilities of the embedded network operator and licensed distributor across a range of regulatory frameworks – NER and underlying procedures, NECF and the Victorian regulatory requirements, particularly in relation to smart meters.

## 1.6 Practicality of providing metering for gas onselling

### Q26: Is the proposed exemption for the onselling of unmetered gas appropriate?

The business support the AER decision that unmetered gas supply is able to continue for gas cooktops and hot water and that retailer of choice will not be enabled for these customers. The businesses are supportive of a separate exemption class.

The businesses are supportive of the AER decision that retailer of choice will not be enabled in gas embedded networks ie gas cooktops and hot water may continue to be unmetered.



## 1.7 Metering Accuracy

**Q28: Given that the AER cannot impose metering accuracy requirements under national metrology procedures, which existing State/Territory metering accuracy requirements should be imposed on onsellers?**

The businesses support the principle that embedded network customers should be treated in a consistent manner to market metered customers in relation to initial and ongoing metering accuracy. This is particularly important with the inevitable move to more time of use pricing in future.

The National Measurement Institute (NMI) is considering lifting the electricity meter exemption under the National Measurement Act (NMA). At this stage timing is unknown. Any initial metering accuracy requirements and pattern approvals apply equally to metering provided by – the retailer, licensed distributor or exempt network operator or onseller. The NMA may provide an initial accuracy requirement for embedded customer metering.

Initial and ongoing metering accuracy is currently covered by the NER and hence provides no protection for customers if embedded network operators continue to be exempt from the NER.

Gas metering arrangements are contained in the Gas Distribution Code and the NGR (with a planned move of these metering arrangements to Procedures under the NGR).

There has been no discussion about lifting the gas metering exemption under the NMA and we are also unclear whether the Gas Distribution Code metering requirements will continue to remain as part of the co-regulatory framework under NECF.

The AER should consider whether a condition should be imposed that gas or electricity metering requirements in the NER and NGR (and underlying procedures) should be applied to exempt network operators and exempt onsellers. This enables exempt customers to enjoy the same comfort regarding metering accuracy/meter management processes as retail customers.

## 2 Exempt Selling Guideline

**Q29: Do stakeholders have any concerns about the content of the draft Exempt Selling Guidelines?**

### 2.1 The requirement to be authorised or hold an exemption

Exemption classes are based on energy type, metering and site particulars eg customer size and type. The AER exemptions relate to a person or body only. It would be useful if the specific exemption for a party for a certain class of exemption and the location were made transparent. This allows transparency of a party who may have multiple exemption classes across a number of locations.



The AER public register should list the site locations for each onseller's exemption category.

## 2.2 Conditions of Exemption for deemed and registrable class exemptions

It would also be useful if the detail of the exemption classes contained in the Consultation Paper's Attachment 1 and 2 were included in the final guideline. This allows the guideline to be the single reference point document and provides improved clarity for communication across businesses.

The Guideline should also include the final determinations for deemed and registrable exemption class conditions so that the Guideline provides a single reference point.

### 2.2.1 New Condition 17

The businesses suggest a new condition 17 – exempt network operator. The network operator needs to meet one of the AER's revised network operator categories and ensure that any necessary requirements are met before retail activities commence with customers.

A new condition 17 should recognise that the network needs to meet the AER exempt network requirements before retail exemption and onselling occurs.

### 2.2.2 Condition 11 – Choice of retailer

The exempt seller must not hinder the customer's access to retailer of choice. It does not require the onseller or ENO to facilitate the customer's retailer of choice.

However for a customer to have retailer of choice there are a number of hurdles that need to be met:

- The meter needs to be an interval meter and meet all market requirements in the NER; and
- The NMI, standing data and meter register data needs to be maintained in MSATS by the exempt onseller.

The exempt onseller must provide all the necessary information that is required for retailer of choice and must ensure this is entered in to MSATS within the required timeframes. This condition needs to be specified in condition 11 so that the onseller needs to facilitate a customer's choice of retailer.

Condition 11 – Choice of retailer needs to be amended so that the exempt onseller must facilitate the customer’s retailer of choice by providing all necessary MSATS information.

## 2.3 Requirements relating to registrable/registered exemptions

### 2.3.1 Information required to accompany the registration

The businesses recommend that item 6 in the information required to accompany a public registration also be published on the Public Register. The address of the physical site should be public as it provides transparency about where the registrable onselling activities are occurring.

The physical site address should be registered in the Public Register against the Exempt Onselling party and the relevant exemption categories.

### 2.3.2 Revocation or duration of an exemption

The AER may revoke an exemption where there has been a material failure by the exempt onseller to meet conditions. The AER states that they will advise AEMO and the distributor concerned of the revocation and may notify the exempt seller’s retailer.

The retail and distribution energy framework have considered retailer of last resort arrangements extensively. These arrangement only apply to direct connections on licensed distributors networks, they do not apply within exempt networks to onselling arrangements.

The AER should consult on the arrangements that might be required if an exemption expired or was revoked.