SPI Electricity Pty Ltd

AER Approach to Electricity Network Service Provider Exemptions

SP AusNet
A member of Singapore Power Group

About SP AusNet

SP AusNet is a major energy network business that owns and operates key regulated electricity transmission and electricity and gas distribution assets located in Victoria, Australia. These assets include:

- A 6,574 kilometre electricity transmission network indirectly servicing all electricity consumers across Victoria;
- An electricity distribution network delivering electricity to approximately 620,000 customer connection points in an area of more than 80,000 square kilometres of eastern Victoria; and
- A gas distribution network delivering gas to approximately 572,000 customer supply points in an area of more than 60,000 square kilometres in central and western Victoria.

SP AusNet's purpose is 'to provide our customers with superior network and energy solutions.' The SP AusNet company values are:

Safety: to work together safely. Protect and respect our community and our people.

Passion: to bring energy and excitement to what we do. Be innovative by continually applying creative solutions to problems.

Teamwork: to support, respect and trust each other. Continually learn and share ideas and knowledge.

Integrity: to act with honesty and to practise the highest ethical standards.

Excellence: to take pride and ownership in what we do. Deliver results and continually strive for the highest quality.

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SP AusNet Submission

AER Approach To Electricity Network Service Provider Exemptions

SP AusNet support the broad approach that the AER have taken in "aligning" the exempt onseller and exempt network service provider frameworks, and consider that there are a number of desirable features in the AER's proposed approach to the network service provider exemptions framework.

However, we have a number of concerns with respect to the details of the exempt network service provider framework and Guideline which we have outlined below. We consider that in general the framework should recognise that embedded networks represent an anomaly in the broader industry practices which require a disproportionate resource allocation by Participants and potentially increased customer risks. The framework should be such as the embedded network owner and/or exempt parties are obliged to provide a level of service and industry interfacing such that these resource impacts and risks are minimised.

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1 Network Exemptions And Jurisdictional License Exemptions

The GL needs to clarify the relative roles of the AER Exemption and the Jurisdictional Network License Exemption going forward.

It is clear that there will be only one process for retailers, such that the AER will provide authorisation which will enable a party to operate as a seller of energy and also to trade in the AEMO market (providing additional requirements regarding financial rules are met). However under NECF it would appear for networks there will still remain two regulatory processes.

For distribution activities a party must register with AEMO or gain an exemption from the requirement from AER. However to carry out network activities in a Jurisdiction under NECF will the party still need to have a License in the Jurisdiction or presumably still gain a license exemption.

Until recently the proposed activity of the applicant was certified by the ESC as being consistent with the scope of Clause 5 of the General exemption Order under the EIA Section 17, and an order is council was then gazetted for a Victorian license exemption.[1]

Once NECF and the new Network Exemption GL is in place what then is the process for a party seeking to carry out network functions on an embedded network. Do they still required a Victorian exemption? Or is the AER regime to replace any jurisdictional exemption. Or is the AER process going to automatically provide a Victorian license exemption. Does this require a Victorian EIA revision as part of the establishment of the Victorian specific adjuncts and support "rules" to the NECF?

AER clarity of the full regime is required

2 Limit of Embedded Network Premises Unclear

In the Consultation Paper definitions, onselling is defined as "where a person acquires energy from a retailer" and then sells energy "within the limits of premises owned, occupied or operated by the person".

This does not clearly limit onselling to a single premise or site, and is likely to lead to perverse outcomes where the embedded network extends to a number of properties and involves reticulation along and across public roads, or across "private easements". SP AusNet consider that these type of scenarios are outside the accepted scope of an embedded network and present a number of supply risks.

The definition needs to have additional clarification.[2]

[1] We note that ESC recently ceasing to issue Certificates for license exemptions.

3 Embedded network roles and the concept of the Specialist external provider

The AER states that the person who forms the contract with the parent NMI authorised retailer (the parent retailer) must be the person holding the retailer exemption. This could either be the party who is the embedded network owner (ENO) or the network operator (the person who "controls" the embedded network), or could be another party with no other relationship with the embedded network other than to provide a retailing function on the embedded network including the contracting of supply through their contract with the parent NMI authorised retailer.

AER are proposing that such a person is termed a Specialist external provider (SEP). Hence where an entrepreneurial supplier of embedded network services carries out all the onselling functions and has the customer relationship with respect to energy sales they still are not, and cannot be, the exempt onseller unless they are specifically the contracted party with the parent's authorised retailer. Conversely a party, whether the network controller or any other third party with no interest in the embedded network, can be the exempt retailer even if they outsource all retailer duties, providing it is them that hold the contract with the parent's authorised retailer.

This does raise some concerns with respect to the various roles and parties and their relationships with customers. There has been some perception in the past that an exempt seller has a relationship with customers on the embedded network by virtue of the other service arrangements between the parties eg rent, common services, etc.

The concept of the SEP removes all this. In fact there is no requirement for the SEP to even have a contract with the customer; this relationship could be established indirectly as part of the ENO's relationship with the customer and the SEP. This raises concerns regarding the SEP being assigned roles which require a relationship with the customer, in particular life support details obligations, which would appear to better rest under these circumstances with the exempt network.

Any significant uptake of this model where the third party provider of billing services becomes the exempt onseller by virtue of a contract with the parent's authorised retailer will break the nexus between the title and identification of the network and the identification of the exempt onseller. That is: whilst ABC Retirement Village might be the exempt network the exempt onseller might be XYZ Metering

The AER must recognise these issues and clarify these roles so that there is no potential misunderstanding going forward.

[2] We note that there are shopping centres which have been "converted" to an embedded network where there are public roads through the site with substantial parts of the embedded network on each side of this road. Although not necessarily appropriate in this circumstance we are pointing out that defining the boundaries of what can constitute an embedded network can be complicated.

4 Gas Embedded Networks

There appears to be some fundamental disconnects between the Onselling Guideline, the exempt network service Consultation Paper (CP) and Guideline. The CP states that there is no concept of a gas embedded network, whereas in the Onselling Guideline the AER example of a high rise with distributed gas for limited gas cook-top usage is a prime example of an embedded network where the distribution pipes need to be subject to regulation but which the associated DNSP does not have a role. The Victorian Department of Primary Industries (DPI) information paper regarding gas embedded networks issued to "property developers" appears to rule out this approach as it expects that no license exemptions will be issued for a network service provider or an onseller in this circumstance. Whilst SP AusNet have some concerns with the clarity and practicality of the DPI approach, it appears to go further than the approach in the Onselling Guideline table in Section 2.1.2 which embedded networks are "endorsed" but retailer of choice is not required (ie same as our understanding of the situation in ACT and Queensland with respect to electricity embedded networks)

AER should ensure clarity of this situation.

5 Exemption Class Table – Need For Exemptions to be Registered

SP AusNet have some concerns with respect to the Exemption Class Tables which appear to allow:

- deemed non registratable exemptions for certain classes ongoing with no date for new situations to be registered.

- deemed non registratable exemptions for many classes established before 1 January 2015 to exist in perpetuity

Many parties put the point in the earlier rounds of consultation on the onseller exemption Guideline that all embedded networks should be registered and argued that the AER's concern with respect to what the AER considered the arduous nature of the registration process was misplaced, and that a self registration process through a internet based facility would be relatively simple to set up and to use and would provide visibility of the whole range of embedded networks.

SP AusNet is concerned with respect to the statement in the exempt onselling Guideline notice document:

> The AER does not agree that universal registration for all exempt sellers will necessarily lead to greater transparency in the exempt selling area. We maintain our view that such a requirement would be burdensome for small exempt sellers, **who may have limited resources to dedicate to regulatory compliance.** The value of

the information gained from universal registration would not outweigh the consequential costs for these types of onsellers.

SP AusNet considers that small exempt sellers which have have "limited resources to dedicate to regulatory compliance" are the very parties which, without some level of visibility and hence potential surveillance, will take regulatory shortcuts. It is these networks that will not provide proper notification of the opportunity of access to retailer of choice and other customer protections; are those that will not ensure rigorous and timely notification to the parent retailer of life support customers; nor fulfil the other industry notifications which enable full and proper handling of the embedded network by the DNSP[3].

Whilst the AER appear to have limited the number of classes where deemed network service provider exemptions which will possible for new situations after 1 January 2015 compared to the broader range of classes of onseller exemption where for new situations deemed exemptions will continue to be allow without any cutoff, SP AusNet consider that most classes allocated as deemed network service provider exemptions should also be subject to registration, and that all existing embedded networks in classes allowed deemed exemption in the shorter term, must as soon as possible be registered.

The AER should review the approach and requirements regarding registration.

6 Lack of Clarity in The Requirement for Individual Exemption

There appears to be a disconnect between the wording in the body of the CP and the proposed Exemption Class Table. Whereas the words suggest that "most exempt network activities will fall within deemed and registrable classes of exemptions" the exemption class tables suggest something different with many classes rightly requiring registration based exemption for new embedded networks after 1 January 2015.

Hence for example our understanding of the Table 1 and Table 2 class tables currently has the following approach:

For a residential unit block

If less than 12 residences

ND2 Deemed exemption if established before 1 January 2015. This would exist in perpetuity.

NR2 Individual exemption if established after 1 January 2015

[3] DNSP in this submission refers to the authorised distributor within whose network the exempt embedded network is located and whose network provides supply and support services to the parent NMI and ultimately to customers within the embedded network. This Participant is the DNSP nominated in MSATS for all customers on the embedded network whom are not exempt customers ie customers with an authorised retailer.

If greater than 12 residences

NR2 Registrable exemption if established before 1 January 2015. This would exist in perpetuity

NR2 Individual exemption if established after 1 January 2015

This leaves the AER approach with respect to when Individual Exemption will be required as somewhat unclear. The Exempt Onseller Guideline clearly expects Individual Exemption for many classes of embedded networks after a transitional period which ends at the end of 2014.

SP AusNet concur with the AER's proposal that Individual Exemptions is the approach for a number of classes of embedded networks from the end of 2014. However because registration per sae enables the AER the greatest ability to scrutinise and influence the individual characteristics of proposed embedded networks, it is SP AusNet's view that it is the registration of the embedded network which offers the greatest step forward from the current jurisdictional license exemption regimes in the visibility, management, and regulation of embedded networks. Whether these embedded networks are subject to registrable or individual exemption is generally of a lesser concern.

However if it is determined that the requirements for Individual Exemptions is relaxed, it should be recognised that whereas Registrable Exemptions may be satisfactory for many embedded networks Individual Exemption with its higher level of scrutiny is required for same situations. These situations should be subject to a wider definition which would make it clear to the party seeking exemption.

SP AusNet consider that individual registration must be applied where there are special circumstances which could put customers of the embedded network at additional risk. For SP AusNet this additional risk should include circumstances such as:

- Load provided by embedded generators such that supply from the registered network does not meet the full load of the customers
- Other supply arrangements which make customer vulnerable to supply condition changes (eg use of commercially sourced supply facilities or easements)

There are likely other retailing risks could also be defined which make Individual Exemption a must.

7 Concerns Regarding Transitional Period

Further to the comments in Section 5 SP AusNet likewise cannot understand why such a long transition period has been proposed. What are these two and half years extension of non registration meant to protect the potential embedded network providers against? Whilst SP AusNet can, to some extent, understand a grandfathering period being applied with respect to the provision of metering where none currently exists (as proposed in the onseller Guideline), it is not clear why for a simple registration that the obligation cannot

apply immediately to newly created embedded networks (or as SP AusNet argue in Section 5, existing embedded networks).

8 Exempt Network Services

The Guideline conditions do not recognise the full range and level of services which must be provided by the exempt network service provider to support the customers on the embedded network

We have identified below a number of the key services and operational matters which must be considered in the exempt distributor regime, and for which the regime must include clear obligations on the exempt network service provider. It is noted that a number of these matters will also impact the exempt retailer's relationship with their customers. A number of these also have related requirements for interfacing with the DNSP as detail in Section 9 of this submission.:

- fault response: including 24 response requirements and contact details
- voltage levels: maintenance of voltage levels within the embedded network
- new connections: role in the establishment of NMIs for customers commencing on the network as second tier. Relationship establishment between the exempt network service provider and the DNSP including establishing of metering and energisation of the customers connection
- recognition of life support customers: including:
    - responsibilities for notification of the DNSP and the parent authorised retailer;
    - responsibilities for special protection during outages etc
- meter reading access arrangements, read cycles, etc: for meter reading, maintenance, testing by the DNSP of authorised retailer customers
- smart meter services: arrangements for potential remote switching of customer by the local distributor at the request of an authorised retailer. Is this allowed? What of the costs of action on behalf of the exempt distributor?

The AER should ensure that these obligations are included in the conditions of exempt network service provider.

9 DNSP Interfacing Details

The exempt network service provider conditions should also include a range of aspects of interfacing with the LNSP for the support of the broader embedded network and the embedded network customers. These include:

- fault response: contact details for in hours and out of hours faults interfacing

- new connections: interfacing contacts for establishment of NMIs for customers commencing on the network as second tier. Relationship establishment between the exempt network service provider and the DNSP with respect to metering changeover, customer switching by the exempt network service provider de-energisation and re-energisation) etc

- CATS/MSATS updates: support of obligations for customer details to be recorded in MSATS including status of the connection. It is currently the DNSP's role to maintain the correct status of all market NMI is MSATS. This status must be updated within 2 business days of a change of status. The obligation on the exempt network service provider to notify the DNSP of the status change must therefore within hours of the change to allow the DNSP to fulfil their MSATS obligation. Contact details and arrangements for this exchange of details must be part of the conditions of the exemption.

- recognition of life support customers: responsibilities for notification of the DNSP within hours of the establishment of a life support customer on the network. Contact details and arrangements for this exchange of details must be part of the conditions of the exemption.

- meter reading access: for meter reading, maintenance, testing by the DNSP of authorised retailer customers meters, etc.. Contact details and arrangements for this access must be part of the conditions of the exemption.

- switching arrangements: for access to meters short notification switching must be available. Contact details and arrangements for this access must be part of the conditions of the exemption.

- bad debt disconnection of the parent/ENO: processes for the handling of issues associated with disconnection of the parent NMI and impacts on the exempt retailers customers and any customers of authorised retailers

- notification of small scale generation with the network and arrangements for safety testing, etc

- smart meter services: arrangements for potential remote switching of customer by the local distributor at the request of an authorised retailer. Is this allowed? What of the costs of action on behalf of the exempt distributor?

Whereas the Guideline Section 8 (2) recognises that "data relevant to the control, operation or maintenance of the network" must be provided on the "reasonable requests of the DNSP", SP AusNet consider that this is not a strong enough obligation to ensure that the DNSP always has a full set of up to date information re the control, operation or maintenance of the network as identified above.

SP AusNet consider that this obligation which requires action from the DNSP to obtain the data should be "reversed", and the Guideline, or a subsidiary document should provide a list of the details which the embedded network exempt network service provider (and/or the exempt onseller) must provide the DNSP with and keep current by "pushing" changes to the DNSP. SP AusNet preference would be for these details to be included in the public register of embedded network details, but we understand that the AER do not see

this as the role of the public register (refer SP AusNet comments in Section 10 of this submission).

10 Customer Network Obligations

SP AusNet are concerned that in the Exempt Seller Guideline Notice of Draft (Exempt Seller Guideline Notice) Instrument that the AER has taken a restricted view of how the framework for the fundamental relationship obligations between the involved authorised participants and the embedded network exempt parties are to be established.

It is disappointing that the AER has not been more proactive in overcoming the long term lack of clear regulatory process for embedded networks. The AER argues in Item 19 of the Exempt Seller Guideline Notice that broader registration would not be contemplated because the policy makers did not allow for this (ie the policy makers got it right), but then argue in Item 22 that the policy makers if they got it wrong must fix it through other Rules changes. This is somewhat inconsistent.

Whilst appearing to recognise in Item 22 that there are (or at least may be) "deficiencies in the current arrangements regarding communications between exempt sellers, authorised retailers, and distributors" with respect to life support notifications (potentially a life or death matter) but suggest that "deficiencies should be addressed through the Retail Law rule change process", presumably by applying obligations for exempt retailers to interface to "other market systems, such as MSATS" is not a proactive approach with respect to this matter, and certainly not one to overcome these interfacing issues in the timetable for the establishment of NECF.

The industry through the long NECF process, and through earlier regulator and AEMO reviews of the embedded network regime, has stressed the need for obligations on embedded networks to interface with the rest of the industry and it is frustrating that the AER is now suggesting that their exemption/registration regime cannot provide the necessary obligations and further that the AER see no role for themselves in ensuring that these necessary obligations are established.

AER should reconsider this view and work proactively to establish obligations on the embedded network parties, or at least promote a process to establish these obligation outside the Guideline process.

11 Impacts of Different Parties as Exempt Network Service Provider and Exempt On-Seller

The concept across the two Guidelines that the exempt network service provider and the exempt onseller may be different parties, introduces a range of service obligations interfaces between these parties within the embedded network.

For example:

i) the exempt onseller may be "notified" by the customer of a life support situation at their premises. The exempt onseller needs within their exemption conditions an obligation to notify the parent retailer, and they through their broader obligation must inform the DNSP. However given that the it is the exempt network service provider that would be arranging embedded network outages eg for maintenance, and providing disconnection services, must also be notified by the exempt onseller.

ii) the exempt seller notionally will have the prime customer contact re their energy supply. The exempt network service provider will have the prime role for fault notification handling and fault recovery. The customer contract with the exempt seller must therefore provide for a fault reporting process

To not have these type of obligations in place could leave the customer in limbo for the various situations where, in the broader network, the relationships between the customer's retailer and their distributor are defined to the extent necessary to ensure a satisfactory customer service regime.

These interfacing obligations between the potentially two embedded network exempt parties should be captured in their exemption conditions.

12 Registration Information Requirements

The details that the embedded network owner must provide with respect to registration as the exempt service provider, are significantly less than that require for registration as a exempt onseller. Given that the regime envisaged by AER would have different parties as the exempt onseller (likely in many cases to be the ESP) compared with the ENO as the exempt network service provider, it is unclear why there is this differential.

It is SP AusNet view that the details which the exempt onseller must provide should also be provided by the exempt network service provider. It cannot be assumed they will be the same party. Whilst SP AusNet understand the concept of a "unified registration approach" and the streamlining that this gives when the exempt network service provider and the exempt onseller are the same party, the registration process cannot assume that these two roles are carried out by the same party. Matters such as number of customers is a critical parameter of the embedded network which must be committed to by both the involved exempt parties.

SP AusNet consider therefore that the range of details provided as the basis of network service provider exemption should more closely align with those which must be provided under the exempt onseller Guideline.

13 Changes to Registration Information

The Guideline is unclear as to what would constitute a "material information change" which would require notification to the AER of a change of registration information.

SP AusNet do not have a firm view as to what the criteria would be but for example we would consider that an embedded network with say 20 odd customers at registration has changed significantly if the embedded network grows to one hundred plus customers. The approach and service provision commitments, metering and billing requirements, etc change markedly at some point in this change of scale of the embedded network.

SP AusNet's view is that an obligation to keep the registration information correct is an important mechanism for ensuring that the regulator and industry understanding of the scale and details of the embedded network, and hence of the potential customer and operational impacts, is very importqnt.

AER needs to establish a better definition of what constitutes a material change for which updated information is required.

14 Embedded Network Connection Agreements

SP AusNet consider that the operating arrangements and DNSP / "customer" arrangement for an embedded network are markedly different to those applicable to a "normal" customer connection point that a distinct connection agreement over and above the deemed connection agreement is required to manage this arrangement. Although SP AusNet has not put in place a definitive view of our NECF customer contract structure, we would envisage that this need for a separate connection contract for embedded network customer will remain a feature of the SP AusNet contract suite. This is also more than likely the approach across other DNSPs.

SP AusNet hence would consider that the Guideline should strongly emphasise that whilst the AER Guideline governs the authorisation requirements, that the connection of an embedded network to an DNSP is more than likely to be subject to requirements that the embedded network customer enter into a "special" connection agreement with the DNSP. It should be clear that this obligation to notify the DNSP of an embedded network and enter into the DNSP's embedded network connection agreement may apply even though the AER do not require registration but rather have only a deemed exemption for the relevant class of embedded network concerned.

The AER's regime should provide strong recognition of the DNSP contractual obligations which can exist under the NECF contractual framework. The exempt network service provider condition should include formal contact with the DNSP and the obligation to have agreed with a connection agreement where one is required.

15 Generation Embedded Networks

Embedded networks which involve generation plant, whether because solar generation is a feature of the embedded network or through the embedded network supporting electric vehicle (EV) charging station which may allow drawing on the EV battery as a source of energy under particular circumstances, can cause particular network problems, either localised or potentially broader depending on the scale of such generation.

Generation plant can cause safety issues for network personnel or other customers under system outage conditions, or voltage issues in areas where there are concentrations of generation. These issues are already impacting networks and will be a growing impact and concern especially if these generation capabilities are not known to the DNSP as the customer involved have not got the applicable specific connection agreement with the DNSP.

These issues will arise irrespective as the whether the generator is a separate installation/customer or part of a customer installation, and is applicable irrespective as to whether the customer is an exempt customer or a customer of an authorised retailer.[4]

Within SP AusNet (and other networks) there is a requirement for all smart generation units to be tested to ensure that under loss of mains supply condition they are not going to continue to generate into the grid. This is an important safety issue and the Guideline must ensure that the exempt network service provider makes generation installations visible to the DNSP so that this tested can be carried out and the necessary owner commitments for ongoing testing established.

SP AusNet strongly advise therefore that these types of embedded networks with generation should be subject to a mandated registration so that they are visible and that the condition of that registration (or of their deemed authorisation if the AER persevere with these only requiring deemed exemption) is having a suitable connection agreement in place with the DNSP[5]

16 Small Generation Embedded Networks

In discussion it would appear that the type of generation situation envisage by AER for which NDO1 or NDO3 would apply are commercial customer based embedded networks with a solar generation installation or a EV charging facility as a internal connection point on the embedded network.

However there is now evidence that a potential prevalent model may be of a customer at domestic or small commercial level contracting for the generation output (and switching) of their small generator with a different authorised retailer than the authorised retailer from which the customer is purchasing normal light and power energy. Without the creation of a second connection to the DNSP's network, which is impractical and expensive relative to the energy involved, this arrangement will require a second NMI and the creation of an embedded network. The customers general light and power load will an appear in the market as the difference between their original meter (now parent meter) and the generator meter.

In this circumstance the house holder then becomes the exempt network service provider. They would be responsible for all the obligations which fall to the exempt network service

[4] Refer also Section 23 of this submission with respect to parent metering requirements for embedded network generation

[5] Is the note in NDO3 what states "Current and future onsellers subject to an agreed commercial arrangement" a reference to this requirement? If so this should be a requirement across an embedded network classes and especially the other generation classes.

provider including data to market systems, etc. Presumably there is no exempt onseller for this embedded network as there is no customer without a authorised retailer?

Is this the arrangement which the AER are recognising and to an extent endorsing with this class of exemption?

17 NDO1 Definition Uncertainty

The assumption in Section 16 of this submission is that like the charging station in NDO3 the generator covered by class NDO1 is part of an embedded network. However the wording does not make this clear and it is unclear to us what the concept of "via a private electricity connection" is meant to entail. What types of installations are covered by this class? All off-market generation must have a authorised retailer at the point where the generated energy enters the DNSP's network and hence the market.

The AER needs to clarify what this class is.

18 Exemption Revocation

The process of revocation of a authorised retailers authorisation would lead to a RoLR event and the transfer of impacted customers to a designated RoLR to maintain their access to energy. This ensures that revocation is a "realistic" ultimate penalty for a retailer non conformity. However unless the AER defines a process for how supply is maintained to customers within an embedded network, then the threat of a revocation of the exempt network service provider's exemption will be treated as an empty one.

Relying on the DNSP to take on distributor duties may not be a viable option because the embedded network hardware and installations may not be capable of easy and immediate transition to the distributor's operation and maintenance regime, and for an embedded network with internal generation the DNSP network in the immediate area may not have the capability to take on the full supply capacity requirements of the embedded network's customers.

The AER can only use revocation as a realistic penalty if the AER defines the alternative network role which will fill the void.

19 General Conditions Compliance

As SP AusNet has argued above there are a number of market obligation and DNSP interfacing obligations which must be met to enable the embedded network to operate comfortably in the market and its customers receive network services. Compliance by the exempt network service provider with these obligations must be considered as an essential General Condition.

20 Metering Conditions

SP AusNet considers that having metering which provides an accurate basis for energy sales to exempt customers on the embedded network is a vital condition for the exempt network service provider.

However our understanding is that electricity metering is still subject to an exemption from the National Measurement Act (NMA). The National Measurement Institute (NMI) has relatively recently sought stakeholder input into lifting this exemption, but we know of no timetable for this to be done. Further use of NMI pattern approval as a mechanism for compliance with the Rules Chapter 7 is not an essential component of Rules metering compliancy. Hence whilst SP AusNet consider that a requirement for embedded network metering to be market compliant is a worthwhile condition, until the exemption is lifted, NMI/NMA compliance is not a condition of this market compliancy.

Further the AER's broad statement that their proposed Guideline metering condition does not require pre-existing metering to be upgraded is unlikely to be consistent with the NMI/NMA requirement once the NMA exemption is lifted, as we understand that any existing electricity metering will need to be consistent with the grandfathering arrangements associated with the lifting of the exemption.

21 Compliance With Meter Installation Standards

Victorian "market" metering installations must be installed in compliance with the Victorian joint distributors' Service and Installation Rules (the SIRs). These SIRs ensure the safety and accessibility of the metering installation and its components. It is these SIRs which set specific and practical conditions for installations which ensure that appropriate safety measures and testing is in place, and that the meters can be readily accessed for reading and maintenance. This requirement of the installation is important as it is the obligations and rules in the SIRs that allow a replacement market meter to be installed if a exempt customer moves to an authorised retailer[6] without the significant costs of a meter panel replacement or relocation.

The AER suggest that the requirement for accessible location may be relaxed if remote reading is installed, however this is not the case as the meter must be accessible for maintenance and testing, but more importantly must be in a suitable location (as defined in the SIRs) for installation and reading of another service provider's meter if the customer moves to an authorised retailer.

Compliance with the SIRs or other Jurisdictional equivalents must be a clear condition of an exemption.

[6] It should be noted that having a market compliant meter on a exempt customer does not mean that the meter will not need to be replaced if the customer moves to an authorised retailer. The meter may be only type 6 (and accumulation meter), may not be compatible with the new service providers reading system, or may only be readable with a customer remote reading system.

22 Metering Provision for Authorised Retailer Customers

Section 8 (1) of the Guideline appear to be inconsistent with the AEMO Embedded Network Guideline. This AEMO Guideline in Section 6.2 clearly states that "the responsible person for the child metering installations is also determined in accordance with the Rules". These Rules for type 4 meters (remotely read) make the FRMP (the authorised retailer) the responsible person (RP)[7], whilst for type 5 and 6 (interval and consumption type manual read meters) the DNSP is the RP[8].

The AER's Guideline states that the exempt network service provider "may be required to appoint an accredited service provider.....to act as its agent for the provision, installation, registration and maintenance of the metering installation".

This Section must be revised to ensure alignment with the AEMO Guideline and the accepted benchmark practice.

23 Generation Metering

There must be a requirement on the exempt network service provider to make arrangements for the parent metering to be upgraded to allow generation energy flows is a small generator is installed on a embedded network whether on a exempt customer or a authorised retailer customers installation.

24 Distribution Loss Factors

The AER's proposed DLF rules are not consistent with the structure of the DLFs in SP AusNet (nor other Victorian networks).

There are two DLFs assigned to customer taking supply at low voltage.

> DLF- D is the distribution loss factor to be applied to a second tier customer or market customer connected to the lower voltage terminals of a distribution transformer at 240/415 V
>
> DLF- E is the distribution loss factor to be applied to a second tier customer or market customer connected to a low voltage line at 240/415 V.

Within an embedded network the parent NMI (and potential other loads in close proximity to the embedded network "primary" metering panel) may be assigned DLF D but the remainder of the NMIs within the embedded network assigned DLF E.

AER Guideline must take this into account.

[7] Unless the FRMP chooses the DNSP to carry out this role.
[8] In Victoria the DNSP obligation extends to the replacement of existing meters with an AMI meter under the Victorian rollout regime.

25 Customer Billing

SP AusNet are unclear on some aspects of the customer charging regime.

The embedded network will often take supply as a large high voltage customer with an applicable tariff. The embedded "operator" can potentially then charge each customer based on the DNSP's distribution tariff applicable for small low voltage customers. The aggregated difference then becomes "profit" for the operator. It is unclear how the AER proposed pricing rules apply in this situation.

Further the AER's approach to separating the exempt onseller (the ESP) from the exempt network service provider (the owner) would lead to separate bills with the exempt onseller only providing an energy bill. This separation of the two exempt roles could become a much used approach as its removes the owner from all the retailing hassles. How then is the AER proposed to apply over-all costing rules in this circumstance such that the embedded network customers can compare to non embedded network tariffs?