

# **SPI Electricity Pty Ltd**

## **AER Approach to Seller Exemptions**

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## 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.

For more information visit: [www.sp-ausnet.com.au](http://www.sp-ausnet.com.au)

## Contact

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## **AER Approach to Seller Exemptions**

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### **SP AusNet Submission**

#### **AER Approach To Exempt Seller Guideline**

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

However, we have a number of concerns with respect to the exempt seller 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 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 hits and risks are minimised.

SP AusNet have made a number of observations in our submission regarding the exempt network service provider framework, and some of these have implications for the exempt onseller arrangements. SP AusNet in this submission on the Seller Exemptions has not reproduced all those comments on the assumption that the moving forward of the two aligned frameworks will be co-ordinated within the AER.

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### **1 Broader registration**

SP AusNet considers that one of the fundamental steps forward towards the better management of ENs in the AER's proposed broad exemption framework is the concept of registration. Within the SP AusNet's comments on the exempt network service provider framework we have made a number of points with respect to the essential need for this to be applied to more classes of embedded networks.

We are not proposing to reproduce those points here, but just to emphasise the importance to distributors of having visibility of embedded networks so that we can deal effectively and efficiently with the special aspects of embedded networks and the parties involved.

We consider that there are already a number of "issues arising in the market which call for greater transparency and accountability" and hence this is not a situation of waiting and seeing what issues arise. They are there now.

### **2 Impact of core versus incidental business exemption factor**

Whilst this concept of what is a core business versus an incidental business is relatively clear, SP AusNet pointed out in the NECF consultation that the way that the AER was to consider this factor was however not so clear. One could assume from having the concept in the NECF, that an embedded network established to largely bring in revenue from onselling was somehow less "worthy" of exemption, than a embedded network where the main business was rental or aged services, etc. However this was not stated in any way we could understand.

It was of some surprise therefore that the concept of the Specialist External Provider (SEP) has appeared in the framework. This would appear to be a party who has potentially no interest in the embedded network except to make money from onselling electricity.

Whilst SP AusNet has no absolute adverse opinion of the concept of the SEP, it does introduce a party whose drivers may be less "altruistic" towards the customers on the embedded network and potentially less knowledgeable with respect to the specifics of these customers. Hence placing obligations on the SEP for customer service matters may require tighter monitoring and regulation than those placed on the embedded network owner / operator who is generally providing a range of services including rental. The SEP for example is not likely to understand the situation with respect to life support conditions of specific customers. Therefore obligations regarding life support notification placed on the exempt seller, who in a particular embedded network may be a SEP, are potentially less likely to be fulfilled.

The AER, having introduced the concept of the exempt seller being a SEP, must ensure that the factors above are taken into account when placing obligations and conditions on the exempt seller. SP AusNet as the DNSP, and ultimately the embedded network

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customers, could be impacted if the SEP is not rigorously fulfilling obligations related to interfacing with the distributor.

### 3 Jurisdictional requirements

The Department of Primary Industries (DPI) are currently part way through a process (which includes industry consultation) with respect to what aspects and obligations in current Victorian instruments need to be retained when NECF is in place. These will be contained in a new instrument(s) currently termed the Victorian Energy Retail Rules (VERR). As the AER's stated aim of the exemption framework is in many cases to apply the same obligations to the exempt bodies as is applied to authorised Participants, then the exemption Guidelines should be drafted such as to ensure that this is generally the case with respect to the VERR, and where specific obligations are quoted that these are consistent with the VERR. Presumably all jurisdictions will ultimately have an equivalent of the VERR, and these may not be aligned. This will complicate the AER's drafting.

A case in point is the Guideline currently requires an exempt seller to reconnect a customer<sup>1</sup> "as soon as possible". The VERR is likely to contain a specific timeframe as is imposed through the current Victorian instruments.

### 4 Brownfield sites

The definition and the wording in Section 2.3.1 of the Guideline appears to present a incorrect understanding of the formation of an embedded network from an existing site.

The wording currently uses the phrase "a site that is established and serviceable by a retailer.....". This seems to assume that customers are being added to a site which has a single retailer. However the usual situation is of a site which consists of a number of customers/NMIs each of which is in the market with an authorised retailer. Each customer/NMI has a market compliant meter installation and has a market recognised responsible person who has established arrangements with an accredited meter provider and metering data provider for the NMI.

The establishment of the site as an embedded network includes the removal of the NMIs from the market for all customers who are to use the exempt seller; the end dating therefore of the authorised retailer (the FRMP), the responsible person, and the service providers involvement with the NMI in MSATS; and the removal of the current market compliant meter or the transfer of the meter to the embedded network owner.

The AER's definition should be revised to reflect this arrangement

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<sup>1</sup> should probably be "request reconnection of the customer" as this role would rest with the exempt network service provider

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### **5 Class D1 clarification**

The Table in the Guideline (and the Exempt Network Service Provider Guideline) has the concept that the energy to the common areas in “unmetered”. Whilst it is true that there may not be meter(s) specifically measuring this energy, it will be metered by virtue of being the difference between the energy consumed at the parent NMI and all other customer meters. In the market this will not be considered unmetered.

### **6 Class D1 and D7 clarification**

It should be made clearer that these classes will only apply where the handling of the common area energy is the only onselling being proposed ie all customers on the embedded network have an authorised retailer.

### **7 Need for individual exemptions – commercial profits**

The Guideline Section 2.2.3 makes it clear that “where the onselling activities (and therefore the anticipated profits) are significant, an individual exemption will generally be required”. For clarity this fact should be referenced against the third column “application for individual exemption required” of the two tables (maybe using a “footnote” to the tables).

### **8 Class D2, D3, D4 clarification**

SP AusNet are unclear what is the AER’s intent of the wording with respect to metering. Refer Section 4 of this submission re the definition of a Brownfield site.

We assume that the intent is that where a current multiple customer site is an embedded network which meets one the descriptions of these three classes, but the customers are currently charged for electricity based not on meter readings, a deemed onseller exemption will apply, but this exemption will expire if billing metering has not been installed by 1 January 2015.

The AER should also make it clear what the situation would be if the metering is not installed by this date. Presumably each customer would have to choose an authorised retailer who would apply to the DNSP for a market NMI (or the designated retailer would have this role) and the normal market arrangement would then apply to all the customers.

### **9 Class D2 clarification**

SP AusNet in Section 1 of this submission has made it clear that we consider universal or at least broad registration should be the aim of the Guidelines.

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The first version of the Exempt Seller Guideline (and the proposed Exempt Network Service Provider Guideline) set the number of residences for this class as 12. Apart from the broader arguments re visibility and regulation etc made by SP AusNet, in this case the larger the number of residences involved, the less likely that the landlord or lessor will have close contact with the occupiers and therefore it is less likely that they will provide support services without visibility and hence regulatory prompting, and in particular it may be less likely that they will know of life support situations. Increasing the number of residences below which deemed exemption is applicable is of concern.

### **10 Condition 8 - De-energisation / re-energisation responsibility**

Condition 8 of the Guideline (Section 1 b) assumes that the exempt seller (who could be a SEP) would be in a position to make a call as to whether “continuity of supply to the premises would be unsafe”.

This would not appear to be a seller’s function (the SEP conceptually is not much more than an energy purchase and energy billing organisation) and that the determination of safety of an installation within the embedded network should rather be the role of the exempt network service provider.

As we have argued in Section 11 of our comments on the Exempt Network Service Provider Guideline, the introduction of the concept of a SEP introduces a number of corresponding internal communications obligations which should be part of the Guideline conditions.

### **11 Revocation of exemption**

As we have argued in Section 18 of our comments on the Exempt Network Service Provider Guideline, revocation will only be a plausible deterrent if there is a realistic way of ensuring continuity of energy to embedded network customers.

If the exempt seller’s exemption is revoked the authorised retailer for the parent NMI then has a contract with a customer whom can likely no longer meet their energy payments having lost their revenue stream. The parent retailer would then move to disconnect the parent NMI. Thus all embedded network customers (including those with other than the exempt seller) would lose supply through no fault of their own.

Is this the outcome that the AER is envisaging? Or is there a need for a RoLR concept to apply within the embedded network?

### **12 Registration information**

SP AusNet make the following comments on the registration details:

- i) given that the exempt onseller may be a SEP with little direct relationship with the embedded network, the information provided should include details of the exempt



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network service provider. The only link in the current listing is the site address as the trading name of the SEP will not be say “ABC Aged Care Village” but rather “DEF Metering Co”

- ii) in Section 10 of our submission on the Exempt Network Service Provider Guideline we have argued that the public register should provide pertinent details related to the operation of the embedded network and the relationship with the DNSP (and the parent retailer).

The AER have previously argued that this is not the role of the Public Register. SP AusNet would argue that the maintenance of certain embedded network information should be the role of the Register particular as there is no other way that these details are going to be made available to Participants except through individual queries and followup. This is not an effective and efficient process.

We would consider for example that it is not sufficient for the contact detail to be limited to the commercial contact, but rather that the operational contacts for faults, access, de-energisation/re-energisation, and co-ordination of life support should be on the register including the necessary 365 days 24 hour contact arrangements.

A further example is that of life support customer numbers. This should be on the public register (currently not even the assessment of whether there could be life support customers is on the register!).

- iii) Further these details and the others on the register (including embedded network customer numbers) should be maintained by the embedded network relevant parties. The current update rules are limited to “changes to information which may affect their eligibility for exemption ...or compliance with the applicable conditions”.

### **13 Condition 15 and 18 – life support customers**

Condition 15 requires the exempt seller to keep records of life support customers. Whilst SP AusNet is unsure whether it is the exempt seller (who may be a SEP), or the exempt network service provider who are best placed to ascertain and handle this information, if it is the exempt seller then life support should be added to the list of details which must be maintained under Condition 18.