

25 January 2007

Manager, MCE Secretariat,
Department of Industry, Tourism and Resources,
GPO Box 9839
Canberra, ACT 2601

Dear Sir

**Retail Policy Working Group
National Framework for Distribution and Retail Regulation
Working Paper 2**

Thank you for the opportunity to comment on Working Paper 2 of December 2006. NEMMCO's comments, as raised at the 18 January 2007 Stakeholder Reference Group meeting, are provided below. We don't have comments on the distribution obligations defined in Working Paper 2, but recommend that further clarification of obligations in the areas below would improve NEM (National Electricity Market) efficiency, facilitate retail competition and benefit end-use consumers.

1. Distributors' obligations to provide and maintain Connection Point information

Section 3 of the paper provides an excellent focus on connection point management, which highlights that this role requires attention from distributors in addition to their supply (network provision and management) role. Connection point information provision and maintenance is an important component of this role that underpins the efficient operation of the NEM. Procedures have been established that require distributors to initiate, respond to, and maintain information required by NEM processes. However, experience with NEM projects to implement Full Retail Competition and Business-To-Business (B2B) information exchange has demonstrated that distributors only invest in systems to support this information management role where jurisdictional regulation also supports the obligations. While Chapter 5 of National Electricity Rules (the Rules) includes connection management and information provision obligations, the Rules focus on large network connections (primarily transmission network connections) and have not been amended to accommodate a distribution focus on small consumer connections. This is a consequence of jurisdictional derogations that applied from the start of the NEM, some of which still exist, that defined distribution connection management as a jurisdictional regulatory responsibility. The result is an inconsistent approach across distribution networks to the management of connection point information.

An example of this inconsistency is the question of whether connection related information, including metering data, needs to be adjusted retrospectively to correct errors and apply meter readings obtained after a distribution network bill has been issued to retailers. Processes to settle financial transactions in the NEM support and coordinate retrospective

changes to information to avoid material financial consequences for retailers; particularly for small retailers where the financial risk associated with data errors becomes material at low energy volume, and could therefore become a barrier to competition. However, distributors don't appear to have clear obligations to manage changes to the version of information used in network bills; or to align the version of information in network bills with the information used in NEM processes; or to keep information provided into NEM processes up-to-date.

A Business and Data Process Analysis project facilitated by NEMMCO for the Retail Market Executive Committee (RMEC) and Information Exchange Committee (IEC) is identifying improvements to NEM processes and procedures, and is recommending the need for a standard that defines the information to be provided by distributors in network bills. While it may be possible to develop NEM B2B processes to support network billing information exchange, it may be difficult to establish consistent obligations since jurisdictional regulation determines the framework for network bills (e.g. through Use of System agreements).

It may therefore be appropriate to review the purpose of, and consider amendments to Chapter 5 of the Rules to address these information management needs as part of establishing the national framework for distribution regulation. Working Paper 2 could indicate this approach by extending the "Provisions to be included in the Rules" (see Page 25 of Paper 2 - section 3.4(c) Implementation Architecture) to also set out the following:

- Connection information management procedures, identifying related information to be maintained by the distributor, including the management of information versions and retrospective changes to the information, where that information is provided to retailers and market processes.

2. Embedded Network obligations

Section 3.4(a)(ii) (Page 22) of Working Paper 2 proposes that connection and supply obligations "should apply to customers taking supply of energy from a retailer". This definition could also include customers at supply points within privately owned distribution networks that are "embedded" within registered distribution networks (e.g. within a retirement village; shopping centre; apartment building; etc), where jurisdictional policy permits the choice of supply from a registered retailer rather than the embedded network operator.

As noted in NEMMCO's December 2006 comments on Working Paper 1, these embedded network arrangements have proven to be problematic in the NEM where the private network owner has an exemption from compliance with jurisdictional licence obligations and NEM network service provider obligations. The exemptions make it difficult to obtain connection point and metering information required for consumer transfer and market settlement unless the owners of the embedded networks have obligations to provide access to these details, and registered Distribution Network Service Providers (and retailers) have obligations to facilitate the identification of the information.

The draft paper on "Embedded Networks and Retail Competition" that was provided with our comments on Working Paper 1 summarises embedded network issues in the NEM. The paper proposes that NEM procedures be amended to clarify that the retailer and the registered Distribution Network Service Provider (DNSP) at a connection point that feeds an embedded network are required to negotiate embedded consumer metering details where the consumer is supplied by a retailer other than their local retailer. To support these arrangements, it would be useful if Working Paper 2 (e.g. section 3.4(c) Implementation Architecture) also included obligations requiring DNSPs to support the identification of connection point and metering information for consumer supply points within embedded

networks where the consumer is to be supplied by a retailer other than their local retailer, and to provide relevant information to NEMMCO, in agreement with the retailer.

3. Embedded Generation

NEMMCO has a particular interest in embedded generators where they seek to become involved in market processes and/or where they impact on the secure and reliable operation of the power system. Recent queries to NEMMCO indicate a growing interest in NEM processes to coordinate the use of demand-side technologies and embedded generation in private networks. These embedded technologies include demand-side and supply-side infrastructure and services that are controlled at the sub-transmission or distribution level.

Section 7 of Working Paper 2 appears to only address supply-side, embedded technology arrangements between generators and a market. It may be appropriate to also address demand-side, embedded technology arrangements between customers and retailers; possibly by extending Section 3 of the paper to address connection services for demand-side embedded technology. Issues to be considered include the following:

- It may not always be appropriate to require the customer, or a retailer acting for the customer, to be registered as a generator in a market sense.
- The Rules should anticipate, or at least not create a barrier to, multiple retailers being involved at the consumer connection – e.g. where a retailer involved in the implementation of photo-voltaic systems across a large number of customers may wish to purchase the full volume of energy produced by those systems without also being responsible for supply to those customers.
- NEMMCO's metrology harmonisation project will propose Rule changes that require energy flows to be separately recorded in each direction where bi-directional metering is used, rather than net energy flows. This will support Smart Metering arrangements being considered in Victoria that will record separate energy flows in each direction to facilitate demand-side-management innovation by retailers.
- It may also be appropriate to define separate connection services for each energy flow direction and to consider the implications of each flow on network losses and Use of System charges, so that these can be aligned with separate retail relationships.
- To avoid confusion it may also be appropriate to align energy import and export terminology in Working Paper 2 with NEM definitions – i.e. import = to the NEM; export = from the NEM.

4. Distributor Interface with Market Operators and Metering Service Providers

Working Paper 2 addresses the distributor interface with customers and with retailers, but has not addressed the distributor interface with market operations (e.g. with NEMMCO and registered NEM metering service providers). If Working Paper 4 on settlements and metering is intended to address these interfaces, it would be appropriate to note that obligations should be consistent with Working Paper 2, particularly obligations for the management of connection information that affects market operation, as above. Alternatively, it may be appropriate to consider extending Working Paper 2 to include these interfaces.

5. Consumers' rights of access to metering data

As noted in NEMMCO's December comments on Working Paper 1, there is a lack of clarity in current jurisdictional instruments about an end-use consumer's right of access to metering data and there is confusion about obligations in the NEM because of the use of the term

Customer in National Electricity Rules (the Rules). The Rules require metering data to be kept confidential, and they define rights of access to the data for Registered Participants, including “any *Customer* who is registered with NEMMCO” (see Rules clause 7.7). However, the *Customer* referred to in the Rules is the retailer, not the end-use consumer (unless the consumer registers with NEMMCO, which does not normally happen). Consequently, some distributors (and retailers and metering service providers) advise end-use consumers that metering data is confidential, and that they are not able to provide the data to the consumer except as part of relevant bills. The increasing use of half-hourly interval meters may exacerbate this confusion, since it is not anticipated that network bills and consumer bills will provide half-hourly data.

Advice from the jurisdictions is that end-use consumers are to be provided with access to their metering data, subject to relevant commercial arrangements being negotiated where appropriate. To remove doubt, it may therefore be appropriate for Working Paper 2 to recommend obligations as part of the distributor interface with consumers and with retailers, to facilitate access by the end-use consumer (or a retailer acting for the consumer) to metering data associated with the consumer’s supply. NEMMCO’s metrology harmonisation programme will also propose similar obligations to be included in Chapter 7 of the Rules.

Yours sincerely,

D Mike Robson
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