INFORMATION EXCHANGE COMMITTEE MEETING

FOR DISCUSSION

SUBJECT: AEMC FINAL REPORT ON UPDATING THE REGULATORY FRAMEWORKS FOR EMBEDDED NETWORKS

AGENDA ITEM: 14

1. RECOMMENDATIONS

It is recommended that the IEC note:

- That the Australian Energy Market Commission (AEMC) has published it's final report on *Updating the Regulatory Frameworks for Embedded Networks* (the final report) which sets out a proposed timeline for changes to the National Electricity Law (NEL) and National Electricity Rules (NER) over the period through to 1 July 2020.
- The draft NEL and NER changes were included as an attachment to the final report.
- The AEMC has also provided an **estimated effective date of 1 July 2021**. This means that any changes to the B2B system and procedures would need to have been ascertained, developed, consulted on and implemented by this date. This would also need to include any system changes.
- AEMO is also undertaking a review to determine the changes to the retail Business-to-Market system and procedures.

It is also recommended that the IEC consider establishing an Embedded Networks B2B Working Group to provide advice on changes needed to the B2B framework. **AEMO recommends** that it report back to the IEC at the November 2019 meeting with recommendations on how to progress the detailed assessment based on the draft NEL and NER framework.

2. PURPOSE

The purpose of this paper is to note the potential impact on the B2B framework and procedures, as outlined in the AEMC's final report on *Updating the Regulatory Frameworks for Embedded Networks*. A copy of the report can be found here.

3. BACKGROUND

The AEMC published its final report on 20th June 2019, including a proposed package of changes to the NEL and NER in order to effect its recommendations.

Once implemented, the AEMC anticipates that the updated regulatory framework will provide improved protections and access to more competitive retail offers for consumers in embedded networks.

AEMO's preliminary assessment of the final report indicates that there is likely to be a small number of amendments to the B2B framework and procedures. A more indepth assessment will need to be completed, however, AEMO has provided its preliminary assessment in the following section.

4. DISCUSSION

The following section provides a summary of AEMO's key findings relating to the B2B framework:

- *Incorporating the new roles of ENSP and off-market retailer into the B2B framework*

  There are a number of new roles defined in the final report including the following:

  Embedded Network Service Provider (ENSP) - refers to a Network Service Provider who has classified its distribution system as an embedded network in accordance with Chapter 2 in the NER and who is registered by AEMO.

  Off-market retailer refers to a person who holds an off-market retailer authorisation under the National Energy Retail Rules (NERR), and (in relation to a particular child connection point) any other retailer when selling electricity to a retail customer for premises connected at the child connection point, that the retailer has not purchased directly from the spot market.

  The AEMC recommends that ENSPs and off-market retailers may become B2B parties under the proposed new regulatory embedded networks framework and be permitted to use B2B communications if they acquire accreditation with AEMO. This would not prevent ENSPs and off-market retailers from agreeing with other parties, including each other, to use alternative communication methods.

- *Impact to Embedded Network Manager (ENM) role*

  ENSPs will be responsible for the market interface functions for embedded networks, including applying to AEMO for NMIs for all child connection points; registering the NMI for connection points with AEMO through MSATS; and maintaining information in the metering register.

  In respect of legacy and new exempt embedded networks, the ENM will continue to be responsible for those market interface functions. The ENM will be appointed by the exempt ENSP where a customer wishes to go on-market or where an embedded network has at least 30 customers.

  This means that an ENM may still choose to become a B2B participant. In this instance, the ENM will still be required to maintain and establish systems and business interfaces to the B2B e-Hub for the interface with other B2B Participants.

- *IEC membership*

  With respect to membership of the IEC, the AEMC recommends the following:

  - Clarifying that 'distribution network service provider' (DNSP) refers to a regulated DNSP under clause 7.17.6(b)(1) of the NER. This would have the effect of retaining DNSPs' existing place of one member on the IEC
  - AEMO to consider appointing an ENSP as a discretionary member on the IEC, as ENSPs may desire input to the ongoing development of the B2B procedures

- *Network Billing*

  The AEMC's proposed amendments regarding network billing include a requirement for AEMO to prepare a shadow network charges procedure applicable to off-market retailers, ENSPs and exempt ENSPs for the communication of, and payment of network charges for on-market retail customers in embedded networks. The B2B procedures will also need to be updated to support these communications.

  Although network service providers and retailers are able to communicate in any other format other than through the B2B mechanism if agreed, the shadow network charges procedure encourages registration and use of B2B to manage network billing for on-market embedded network customers.

- *Notification of planned supply interruptions*

  The DNSP would be responsible for notifying the ENSP, and both the retailer and the customer at the parent connection point on its network, of planned supply interruptions, at least four business days prior to the interruption.

  The ENSP would be the sole responsible party for notifying both retailers and customers at child connection points on its network of planned supply interruptions, within 1 business day of receiving notification from the DNSP.

  This change may have an impact on the B2B procedure "One Way Notification Process".

- *Life Support*

  Upon notification by an embedded network customer requiring life support, the retailer for the child NMI must forward the relevant information to the ENSP. Equally, if the ENSP is informed about life support requirements by a customer, the ENSP must share this information with the relevant retailer for the childNMI.

  The ENSP would be responsible for passing on aggregate life support requirement information (in terms of life support requirements to be flagged at the parent connection point, and no individualised data) to the parent retailer and the DNSP.

  This change may have an impact on the B2B procedure "Customer and Site Details Notification Process".

- *ROLR*

  The RoLR scheme is to be modified to extend to embedded network customers.

  In the event that an off-market retailer fails, the ROLR will be the FRMP at the parent connection point unless:

  - That retailer is the failed retailer, or
  - The retailer has previously obtained a waiver from the AER from being the ROLR at the parent connection point, in which case the ROLR will be the default ROLR for the parent connection point

  This change may have an impact on the B2B Procedure - ROLR Process.

- *Key Dates*

  The AEMC has only provided indicative dates for the implementation of the new embedded network framework given the following steps are needed before the implementation can commence:

  1. The COAG Energy Council to consider and endorse the recommended framework
  2. The South Australian Parliamentary Counsel to draft the law changes to the NEL and NERL, based on the AEMC's proposed law change descriptions, and the South Australian Parliament to make the law changes
  3. The South Australian Minister for Energy to make the proposed rule changes

  The AEMC is not certain when these steps will occur, nor how long they will take. However in the final report the AEMC provided 1 July 2020 as an estimated commencement date for the changes to the energy and retail laws and the rules required for the transition.

  The AEMC has also estimated that AEMO, and the AER will make or update the required guidelines and procedures, and the IEC will consider whether to update its B2B procedures by 1 July 2021 which is the estimated effective date for the new framework.

AUTHOR NAME:	NOURA ELHAWARY
APPROVED FOR SUBMISSION BY:	MICHELLE NORRIS