



# POWER OF CHOICE PROCEDURE CHANGES (PACKAGE 2)

CONSULTATION PAPER

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## EXECUTIVE SUMMARY

The publication of this Consultation Paper commences the first stage of the consultation on the Power of Choice Procedures Changes (Package 2).

AEMO has developed and amended the Package 2 Procedures (Procedures) to fulfil its obligations under the following amendments to the National Electricity Rules (Amending Rules):

- National Electricity Amendment (Expanding Competition in Metering and Metering Related Services) Rule 2015 (Metering Competition);
- National Electricity Amendment (Embedded Networks) Rule 2015; and
- National Electricity Amendment (Meter Replacement Processes) Rule 2016.

The Procedures are those that AEMO is required to publish by 1 March 2017 and other procedures relating to the service provider roles AEMO considers to be a logical inclusion into Package 2. These draft Procedures are published at <http://aemo.com.au/Stakeholder-Consultations>.

In drafting the Procedures, AEMO has sought to simplify and standardise existing processes so that, where possible, they can be applied to existing, as well as newly introduced roles, i.e. the Metering Coordinator and the Embedded Network Manager. AEMO has also followed the drafting principles set in the Information Paper (section 3), which was published on 8 April 2016. As a result, the majority of Procedures are newly developed documents rather than amendments of existing procedures.

AEMO has prepared a Response Template to facilitate feedback from stakeholders about the processes, service levels and other provisions proposed in the draft Procedures, taking into account the requirements of the Amending Rules.

Where participants do not agree that AEMO's proposals would achieve the relevant objectives, AEMO invites stakeholders to suggest detailed alternatives.

AEMO also asks stakeholders to identify any unintended adverse consequences of the proposed changes.

Stakeholders are invited to submit written responses on the issues and questions identified in this paper and the proposed Procedures changes by **5.00 pm AEDT on 15 November 2016**.

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# 1 Stakeholder Consultation Process

As required by the Amending Rules, AEMO is conducting this consultation in accordance with clause 8.9 of the NER. AEMO's indicative timeline for this consultation is outlined below:

| DELIVERABLE                                       | INDICATIVE DATE  |
|---|------------------|
| Consultation Paper published                      | 10 October 2016  |
| Submissions due on Consultation Paper             | 15 November 2016 |
| Draft Report and Determination published          | 13 December 2016 |
| Submissions due on Draft Report and Determination | 16 January 2017  |
| Final Report and Determination published          | 28 February 2017 |

Prior to the submissions due date, stakeholders may request a meeting with AEMO to discuss any issues and proposed changes including the proposed changes raised in the Consultation Paper.

## 2 Background

### 2.1 NER requirements

AEMO is required to amend and publish procedures and develop and publish new procedures to take into account the Amending Rules.

The following is a list of the procedures AEMO is proposing to develop and amend (as appropriate). The NER Reference in the table is a reference to the clause in the Amending Rules.

| INSTRUMENT   | NEW / AMENDED | NER REFERENCE   |
|--|---------------|---|
| Qualification Procedure – Metering Providers, Metering Data Providers & Embedded Network Managers  | New           | 7.4.1(a1)<br>S7.2.1(b)<br>7.4.2(a)<br>S7.3.1(c)<br>7.4.2A(a)<br>S7.7.1(b) |
| Default and De-registration Procedure – Metering Providers, Metering Data Providers, Embedded Network Managers and Metering Coordinators | New           | 7.4.4(a)<br>7.4.4(a1)<br>7.7.3(a)   |
| Service Level Procedure – Embedded Network Managers  | New           | 7.16.6A   |
| Exemption Procedure – Metering Installation Malfunctions   | New           | 7.8.10(b)   |
| MSATS Procedure – National Metering Identifiers  | Existing      | 7.8.2(d)<br>7.8.2(ea)<br>(eb)(ec).  |
| Retail Electricity Market Procedures: Glossary and Framework   | Existing      | N/A <sup>1</sup>  |
| Unmetered Load Guideline   | Existing      | N/A <sup>2</sup>  |

<sup>1</sup> This document forms part of all other Procedures

<sup>2</sup> This is a supplementary document that forms part of the Metrology Procedures: Part B

## 2.2 Context for this consultation

In 2012 the AEMC commenced the Power of Choice (PoC) Review. The objective of the review was to ensure that the community's demand for electricity services was met by the lowest cost combination of demand and supply side options. This objective was best met when consumers were using electricity at the times when the value to them was greater than the cost of supplying that electricity (i.e. the cost of generation plus poles and wires). In parallel, the AEMC also considered a review on energy market arrangements for electric vehicles.

The recommendations of these reviews are being implemented through a series of NER changes since then.

On 31 August 2016, AEMO published the final determination and the new and updated Procedures for Package 1. These Procedures include: Metrology Procedures, Service Level Procedures, MSATS procedures and MDFF Specification. Please refer to the documentation for the Package 1 consultation.<sup>3</sup>

The scope for this consultation is limited to Package 2 which includes the Procedures AEMO is required to amend and develop by 1 March 2017 in accordance with the Amending Rules.

## 3 Stakeholder engagement

In the process of drafting these Procedures, AEMO held two workshops with industry representatives to discuss specific topics relating to matters arising from the Amending Rules. The aim of the workshops was to elicit feedback on issues where AEMO needed further input and information from stakeholders to amend or develop the Package 2 Procedures.

The first workshop was held on 9 September 2016, where the key issues for the following proposed procedures were discussed:

- Default and Deregistration Procedure – breach levels, breach implications, AEMO review;
- Exemption Procedures – Type 4A exemption guideline, application supporting evidence, exemption length and expiry; and
- Service Level Procedure for Embedded Network Managers – general interface services.

The second workshop was held on 4 October 2016, where key features of the following proposed draft procedures were discussed:

- Qualification Procedure for Metering Providers, Metering Data Providers and Embedded Network Managers;
- Default and Deregistration Procedure;
- Exemption Procedure for malfunctioning metering Installations; and
- Exemption Guideline for Small Customer Metering Installation (not subject to NER 8.9 consultation requirements).

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<sup>3</sup> Available at: <http://www.aemo.com.au/Stakeholder-Consultation/Consultations/Power-of-Choice---AEMO-Procedure-Changes-Package-1>

## 4 Drafting for proposed changes

AEMO has published the drafts of the Procedures listed in section 2.1 on its website<sup>4</sup>.

In developing the Procedures, AEMO has sought to simplify and standardise the processes so that, where possible, they can be applied to existing, as well as newly introduced roles, i.e. the MC and the ENM.

AEMO has also followed the drafting principles set in the Information Paper (section 3), which was published on 8 April 2016. As a result, the majority of Procedures are newly developed documents rather than amendments of existing ones.

With the exception of the Glossary and Framework, MSATS Procedures: National Metering Identifiers and the Unmetered Load Guideline, all Procedures are new documents.

Section 6 provides a high-level summary of the changes to each procedure.

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<sup>4</sup> Available at: <http://www.aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/Retail-meetings/Power-of-Choice>

## 5 Issues raised for consultation

The following section includes items in blue text boxes for stakeholders to consider and comment on.

### 5.1 Application Fees

In section 3.3 of the Qualification Procedure, AEMO is proposing to introduce an application fee for MP, MDP and ENM accreditations. The purpose of this fee is to recover AEMO's costs involved in assessing applications for accreditation or re-accreditation, which can be considerable given the amount of time and effort involved. For example, a typical MDP accreditation can take between 70-100 hours for AEMO staff to process. AEMO considers that it is reasonable to charge for these services on an incremental basis given the move from a regulated to a competitive framework for the provision of these types of services.

Applicants are currently subject to payment for AEMO's disbursements associated with the engagement of an independent reviewer, who is engaged to conduct an on-site, risk-based review of an applicant's capabilities on a pass-through basis. This will continue. AEMO will now also recover its internal costs associated with reviewing and assessing applications.

This decision is consistent with section 2.8 of AEMO's final determination of the NEM fee structure.<sup>5</sup> The application fee would be treated as an incremental charge and have two components:

- firstly, a deposit of \$5,000 payable by the applicant with the submission of its application; and
- secondly, a fee of \$150 per hour (plus GST) for AEMO staff time involved in reviewing and assessing the application to recover the costs any services performed by AEMO. The applicant would only be charged this hourly fee after AEMO's has performed services up to the initial \$5,000 limit. After this point, AEMO will invoice the applicant on a monthly basis over the duration of accreditation.

Other considerations:

- application fees would apply to all meter type accreditations, including participant systems accreditations;
- assuming 70-100 AEMO hours per accreditation request, AEMO estimates that its internal costs per accreditation would range between \$10,500 and \$15,000;
- the recovered internal costs will be taken into consideration when formulating AEMO's budgeted revenue requirements in the NEM and FRC; and
- AEMO will maintain timesheets to account for staff time spent on each application.

Section 3.3 of the Qualification Procedure provides for AEMO to charge application fees to recover its internal costs on an incremental basis in addition to recovering disbursements.

Please comment on the proposal to introduce application fees.

<sup>5</sup> Available at: <http://www.aemo.com.au/search-listing?currentFilter=&searchString=electricity%20fee%20structure&sortOrder=&reportFilter=REPORTS&archiveFilter=ARCHIVES>

## 6 Summary of Amendments to Procedures

### 6.1 Retail Electricity Market Procedures: Glossary and Framework

AEMO has updated this document to take into account the new procedures, including new definitions.

### 6.2 Qualification Procedure

This is a new procedure to replace the current Metering Service Provider Accreditation Procedure.

It sets out the process by which AEMO will accredit and register MPs, MDPs and ENMs.

At a high level, the key features in this new procedure are as follows:

- Recommended pre-reading material for each type of service provider and information on initial pre-application meetings.
- The qualification process, which includes:
  - Information on available accreditation categories and checklists.
  - AEMO's review process, which includes independent on-site risk-based reviews.
  - AEMO's policy on the prioritisation of applications.
  - System testing requirements.
  - The application form.
- Clarification that maintenance of accreditation and re-accreditation is subject to the same requirements.

### 6.3 Exemption Procedure for Metering Installation Malfunctions

This is a new procedure that will replace the current Exemption Procedure.

It sets out the process by which a Current MC may apply for an exemption from complying with clause 7.8.10(a), which has strict time limits for the rectification of a metering installation malfunction.

At a high level, the key features are as follows:

- Current MC's obligation to apply for an exemption as soon as it becomes aware of the metering installation malfunction.
- Matters AEMO takes into consideration when assessing an application.
- Different grounds on which an exemption may be granted.
- Current MC's obligations during the exemption period.
- Different scenarios in which an exemption may expire.
- Required contents of the rectification plan.
- The application forms.

### 6.4 MSATS Procedure: National Metering Identifier

At a high-level, the proposed changes are as follows:

- The NMI Procedure is explicitly treated within the MSATS suite of procedures. ENM responsibilities and obligations have been included as it is the party responsible for obtaining and allocating child connection point NMIs.
- The Responsible Person is replaced by MC.

- The NMI rules clarify that when a NMI moves from a distribution network to an embedded network or vice versa, the NMI cannot be changed.
- Existing errors have been corrected (i.e. corrections in Tables 1 and 2).
- Clarifying the operation of examples of the NMI application. Note that this is work in progress and will be continued in the following stages of consultation.

## 6.5 Unmetered Load Guideline

This is an existing document, which has been updated to include, at a high level:

- Minor change to the diagram for the Application for Updates to Load Table.
- Updated rule references.
- Minor drafting changes.

## 6.6 Service Level Procedure – Embedded Network Managers

This document follows the structure of the Service Level Procedures applying to MPs and MDPs. At a high-level, the key features in this new procedure are as follows:

- ENM obligations required by the Amending Rules.
- Embedded network information the ENM is responsible for.
- Circumstances where AEMO might require an ENM to review its accreditation.
- The market interface functions the ENM must provide, including:
  - NMI allocation for new child connection points.
  - Application of Distribution Loss Factors and Transmission Node Identity to child connection points.
  - MSATS setup for child connection points.

## 6.7 Default and Deregistration Procedure

This is a new procedure that will replace the current Service Provider Compliance Assessment and Deregistration Procedure.

It details how AEMO will address the failure of an MP, MDP, ENM or MC to comply with the NER or any applicable procedures under the NER, or a failure to meet a condition of accreditation.

At a high level, the procedure includes:

- Details of three proposed levels of breach.
- Matters AEMO may take into consideration while conducting a review which include; remediation plans, past conduct and other relevant considerations.
- AEMO's actions following a review for each of the breach levels for the different roles.
- Consequences of AEMO actions such as de-registration and re-appointments of relevant parties.
- Process for voluntary de-registration of the ENMs.
- Sample notices for:
  - Notice of Breach
  - Metering Coordinator Default Notice
  - Notice to Appointers
  - Outcome of Review notice
  - Notice of Affected Parties