825 Ann Street, Fortitude Valley QLD 4006
PO Box 264, Fortitude Valley QLD 4006
ergon.com.au

10 September 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

ERC0181 - NATIONAL ELECTRICITY AMENDMENT (MULTIPLE TRADING RELATIONSHIPS) RULE 2015 – CONSULTATION PAPER.

Ergon Energy Corporation Limited (Ergon Energy) in its capacity as a Distribution Network Service Provider (DNSP) in Queensland welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its on its *Multiple Trading Relationships Rule 2015 Consultation Paper*.

Ergon Energy does not support this rule change request. The model proposed would place significant costs upon both customers and industry, most likely resulting in multiple trading relationships being uneconomic for many customers. Further information on this and other relevant issues are included in our attached submission document.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely

Jenny Doyle
Group Manager Regulatory Affairs

Telephone: (07) 3851 6416
Email: jenny.doyle@ergon.com.au

Enc: Ergon Energy's submission

Submission on the *Multiple Trading Relationships Rule 2015 Consultation Paper*

10 September 2015

Submission on the *Multiple Trading Relationships Rule 2015 Consultation Paper*

Ergon Energy

10 September 2015

This submission, which is available for publication, is made by:

Ergon Energy Corporation Limited

PO Box 264

FORTITUDE VALLEY QLD 4006

Enquiries or further communications should be directed to:

Jenny Doyle

Group Manager Regulatory Affairs

Ergon Energy Corporation Limited

Email: jenny.doyle@ergon.com.au

Phone: (07) 3851 6416

Mobile: 0427 156 897

Introduction

Ergon Energy Corporation Limited (Ergon Energy) in its capacity as a Distribution Network Service Provider (DNSP) in Queensland welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *Multiple Trading Relationships Rule 2015 Consultation Paper* (the Consultation Paper).

Ergon Energy supports the development of new products and services in the energy market as a mechanism to facilitate enhanced choice and control for customers, as well as supporting competition and efficiencies with the market. However, we do not consider the multiple trading relationships (MTR) model proposed as an appropriate vehicle for the delivery of these outcomes.

In particular Ergon Energy is concerned that the costs to implement the proposed rule change would most likely outweigh the benefits. For example, under the proposed model customers would be required to fund significant upgrades to their meter boards to accommodate any decision to enter into MTRs. The proposed model will also heavily impact Ergon Energy's customer related systems which we use to manage processes such as National Metering Identifier (NMI) / connection / settlement point creation, maintenance and management of associated standing data, meter details, meter data, pricing and billing. The costs of necessary upgrades to these system would be significant, though cannot be estimated without a comprehensive, resource intensive review.

Ergon Energy is also concerned that the MTR proposal has been raised in the midst of a series of other significant reforms impacting the market. Each of these other reforms, which include the expanding competition in metering and related services rule change; shared market protocol and embedded networks rule change, has the potential to influence the outcomes of the MTR proposal and to impose additional costs on both consumers and other market participants.

Ergon Energy therefore considers that the existing one to one relationship between NMI, connection and settlement points is the best mechanism to manage MTR moving forward, i.e. if a customer wants to access additional / different services though an alternative retail arrangement, a second NMI, connection and settlement point are created. This approach will not only support desired future market outcomes, but will do so in a less disruptive manner due to its closer alignment with existing arrangements.

Ergon Energy's responses to each of the questions raised in the Consultation Paper are contained in the Attachment to this submission. Additionally, as a member of the Energy Networks Association (ENA), the peak national body for Australia's energy networks. Ergon Energy has contributed to the ENA's submission on the Consultation Paper and is fully supportive of the issues raised therein.

Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AEMC require.

Consultation Paper Feedback Question	Ergon Energy Comment
Section 1: **Previous projects and changed market environment**	
1. Have changes in market conditions or new information since these projects were completed affected the potential benefits and costs of MTR?	Ergon Energy is currently developing its Tariff Structure Statement (TSS) for 2016 - 2020. Any changes to settlement / connection points before the end of this period would be extremely difficult (if not impossible) and costly to implement and would take considerable time, particularly if tariffs need to be re-designed to account for multiple parties at a connection point. Furthermore, once approved, there is limited scope under the National Electricity Rules for amending the TSS. Ergon Energy is also changing its current network billing process, which includes moving to a new operating system. As MTR would require significant changes to billing systems, this would add considerable complexity to this work in addition to magnifying the complexity of building and driving the uptake of new tariffs, described above.
2. Are there additional costs and / or benefits associated with MTR that were not identified or assessed by Jacobs SKM in its analysis?	While DNSPs utilise load control to manage peak demand, there is no guarantee retailers will apply any load under their control in the same manner. There is a strong chance that rather than align load control to mitigate peak demand wherever possible, retailers could instead use this demand to avoid spikes in spot prices, which will consequentially not provide any network benefits.
Section 2: **Assessment framework**	
1. Are there any other issues that should be considered in the Commission's assessment of AEMO's rule change request?	Ergon Energy is supportive of developing a transactive energy network. However, doing so must be done in a structured and economically efficient manner and MTR must be considered in the context of the other market reforms underway. If, as per the Rule Change proposal, the concept of single NMI / multi settlement points was to proceed, Ergon Energy strongly recommends that only parallel metering arrangements

	should be allowed (noting that each meter / customer supply circuit are capable of being individually de-energised). Subtractive metering should not be allowed due to the complexities of negotiating responsibilities between participants.
Section 3: **New services facilitated by MTR**	
1. Does KPMG's analysis represent a reasonable summary of the services that may be facilitated by MTR? Are there any other services that may be facilitated by MTR?	Yes, Ergon Energy considers that KPMG's analysis represents a reasonable summary of the services that may be facilitated by MTR.
2. Would these new services be more effectively enabled by AEMO's proposed MTR framework than under current arrangements which require a second connection to the distribution network? Would AEMO's proposed MTR framework better enable customers to capture the value associated with the demand response, as opposed to current arrangements?	The existing one to one relationship between NMI, connection point and settlement appears the best mechanism in the current market to enable the services under AEMO's proposed MTR framework, i.e. if a customer wants to engage additional / different retail services, a second, or subsequent, NMI, connection and settlement point is created.
Section 4: **Efficiency benefits**	
1. Does KPMG's analysis effectively describe the ability of these different energy services to capture efficiency benefits along the supply chain?	The Jacobs SKM cost benefit analysis regarding network augmentation benefits of increased load control appears to overstate the benefits of capturing this supply chain efficiency. For example, in some areas of Ergon Energy's network load control is of less benefit and the analysis does not seem to sufficiently take this factor into account. Further, Ergon Energy's peaks occur at different time across our network and retailers would not have visibility of these peaks to coordinate their load control in alignment and therefore

	defer / prevent augmentation. However, as noted earlier in this submission, even if retailers did have visibility of these peaks, there is no guarantee retailers will apply any load under their control to manage those peaks.
2. Do the current arrangements raise coordination and split incentive issues? If so, to what extent would AEMO's proposed MTR framework allow service providers to address such coordination and split incentive problems?	See response to question 1 in this section and section 1(2). If MTR is intended to provide additional load control benefits to manage peak demand, provisions would need to be developed to ensure such load control occurs at times that are beneficial to the network and thus all customers, as opposed to retailers managing spikes in spot prices. Designing MTR to provide customer cost reduction benefits via mitigation of augmentation is more in line with the National Electricity Objective than enabling private sector benefits associated with access to load control. Ergon Energy does not believe any potential benefits from the AEMO proposal outweigh its costs.
Section 5: **Impacts on customers of enabling MTR**	
1. Are the costs associated with establishing a second connection point likely to deter customers, particularly small customers, from engaging with multiple FRMPs at a premises?	Switchboard changeover costs, legacy wiring and other issues such as asbestos could result in costs for some customers which may act as a deterrent. However, the costs of the current arrangements are less than the more complex arrangements proposed.
2. Would AEMO's proposed MTR framework significantly reduce direct costs for customers who want to engage with multiple FRMPs? Could AEMO's proposed MTR framework deliver any other direct cost savings for consumers?	Due to the sheer number of variables this is difficult to determine with any level of certainty. While there may be benefits associated with introducing MTR, these benefits would be likely outweighed by the necessary industry implementation costs.

3. Are the direct costs of engaging with multiple FRMPs at a premises markedly different for small and large customers under current arrangements?	The framework is potentially less financially viable for small customers, as larger customers can spread these costs over a wider base. Due to the scale of their, bills large customers may see greater benefits from MTR.
Would AEMO's proposed MTR framework have a more significant impact for small customers than for large customers?	It is extremely difficult to accurately estimate the customer benefits / saving by the introduction of MTR especially if it requires additional meter installations.
Section 6: **Impacts on AEMO and market participants of enabling MTR**	
1. What costs would retailers, DNSPs and AEMO face in adapting their systems to implement AEMO's proposed MTR framework?	Ergon Energy considers there would be significant costs involved in implementing MTR. However, as previously noted in this submission, these costs would be extremely difficult to estimate without a comprehensive and resource intensive review. Specifically, Ergon Energy would be required to review and reform practically every customer related system within our business. The MTR proposal will clearly impact on NMI / connection / settlement point creation, maintenance and management of associated standing data, meter details, meter data, pricing and billing. Furthermore, any requirement to split network tariff charges between multiple parties at a connection point would require the development of a new Distribution Cost of Supply model and new tariff structures.
2. Could these adaptation costs be reduced through a staged implementation process?	A staged implementation process is unlikely to reduce the overall costs of implementation and may in fact result in increased costs and risk. In particular, the delivery of system and related changes to support each ‘stage’ of the implementation will have a significant lead time and will necessitate the adoption of manual processes to support the framework at the same time as undertaking the necessary system and related changes.
3. Could these adaptation costs be reduced by implementing at the same time as any other	The key changes to existing industry NMI / connection and settlement arrangements associated with the proposal, e.g. departure from existing single customer / NMI /

projects? What other projects might present opportunities for joint implementation?	connection point arrangements, represent a significant change within the industry and are not directly aligned with other reform initiatives currently underway in the market. Consequently it is extremely unlikely that concurrent implementation of the proposal and other reform initiatives will facilitate a reduction in costs.
Section 7: **Metering arrangements**	
1. What issues could arise for Metering Coordinators as a result of MTR? What issues arise for MTR as a result of the role of Metering Coordinators?	If NMIs are to be assigned to the actual settlement point as proposed with MTR, the ongoing management / allocation of those NMIs as customers elect to install or remove additional settlement points would require extensive monitoring to ensure that all consumption / generation is metered and accounted.
2. Should only financially responsible market participants be able to engage with customers through MTR arrangements? If not, what other parties should be allowed to engage through MTR and what benefits would this provide to consumers? What are the implications for the AER's exempt selling guidelines?	Ergon Energy considers it imperative that distribution businesses are able to engage directly with customers in regards to new technologies and market innovations such as embedded generation, battery storage and load control in order to efficiently and safely manage our network.
3. Could multi-element meters support MTR at a lower cost to consumers than other metering configurations?	Ergon Energy consider that multi-element meters would enable MTR at a lower cost as there would only be one metering installation required to support the establishment of MTRs at a customer's premises.
Are there limits or barriers to stop Metering Coordinators installing meters?	This question demonstrates the importance of implementing MTR in a structured and timely manner utilising the correct model. The competition in metering rule change will detail the framework for metering roles and responsibilities and this reform is yet to be finalised. This means any barriers (apart from the physical / space ones) to Metering Coordinators (MCs) installing meters are unlikely to be readily identifiable at this point. For example, under the draft competition in metering rule determination retailers will be responsible for appointing MCs for their customers, which may create market power issues for subsequent MCs. If the

	customer is required to notify the initial MC when they are entering into a relationship with another retailer / MC, the initial MC could become 'dominant', as when contacted by their customer would have the opportunity to match / better the secondary service offering.
4. Can multi-element meters be supported by existing AEMO and participant IT and settlement systems? Would a requirement on AEMO and participants to support multi-element meters create costs for participants? What is the extent of these costs?	While likely more efficient than the AEMO model, the multi-element MTR arrangement would still create significant costs for both AEMO and Ergon Energy, which would be passed through to consumers. Depending on the MTR model, there is also the strong potential of creating another cross-subsidy whereby all customers bear the cost of MTR for those that choose to enter into such supply arrangements.
Section 8: **Network charges and network support payments**	
1. If a customer establishes a second connection point at a premises, will that customer face inefficient fixed DUOS charges?	Ergon Energy is currently focussed on developing tariffs for our new TSS. To analyse the manner in which new tariffs would be built under MTR is a significant work program, and as such it is not yet evident as to whether the fixed charge being applied to a single settlement point, or spread across multiple, would be the more efficient option for the customer.
2. Will this issue be addressed by the new network pricing objective and pricing principles?	The application of the fixed charge is not independent of the application of other tariff parameters, such as maximum demand charges, minimum demand quantities and variable energy block sizes. This is because these parameters have either similar characteristics to fixed charges or vary in a measured quantity when measured at the settlement point.
2. Would the allocation of capacity or demand based charges present particular challenges where multiple FRMPs are present at a premises?	Yes. Tariffs structure and allocations are based on forecast demand and customer numbers. If NMIs were to increase systems would need to be developed to track the number of customer connections, which has a direct correlation to customer numbers, as opposed to the number of NMIs. Multiple settlement points also has significant ramifications on demand forecasting and network expansion and augmentation. Systems would also need to be established to ensure DNSPs had access to total demand figures from each settlement point at the premises, in

	order to maintain accurate demand data.
3. Would MTR require changes to the frameworks for the billing of network charges and for credit support?	The introduction of additional settlement points at a single NMI would require extensive changes in ALL systems and processes as the NMI would no longer be the unique identifier for all the attributes at the connection point. This solution would also introduce a lot of risk to all market participants on the management of these settlement points from a general compliance, standing data, meter reading, and billing perspective. The coordination and synchronisation of customer and standing data across multiple participants at numerous settlement points recorded under one NMI (or new identifier) would be a major issue with all parties exposed to breach potential.
Section 9: **Definition changes, market registration and market rules**	
1. Are the changes proposed by AEMO to Chapters 2, 3 and 10 of the NER sufficient to enable AEMO's proposed MTR framework?	Detailed legal analysis of the proposed changes is required. Given some of the proposed arrangements are unclear and changes are currently being made to the Rules as part of other processes i.e. changes to chapter 7, it is not possible to do that at this time.
2. Are AEMO's proposed substitutions of settlement point for connection point appropriate in each instance?	As above.
Section 10: **Customer classification**	
1. Should customers be classified as large or small, residential or business, according to consumption at the level of the premises, or according to consumption at individual settlement points?	Ergon Energy strongly supports customer classification according to consumption at the premises. Customers are currently classified depending on the size of their load profile and thus their impact on network costs. Regardless of whether a customer is using the network to export energy via one settlement point, and purchase energy via another, the entire premise's load profile and thus cost impact on the network remains. Consequently, the maintenance of customer classification based on premises consumption will support

	appropriate cost recovery mechanisms and avoid the creation of any cross subsidies in the market.
2. Should FRMPs have the ability to reclassify only the settlement points for which they have responsibility, or should they be able to reclassify an entire premises?	Under the AEMO model, FRMPs should only be allowed to reclassify settlement points which they have responsibility for. However, some form of overarching classification for the combined load of each settlement point at the premises would also likely be required.
3. Would these issues be any different where a customer had established multiple trading relationships supported by a second connection point at its premises?	A second connection point is completely independent to the first.
Section 11: **Relationship between DNSPs, customers and retailers**	
1. Will the current tripartite arrangements require adjustment to allow for multiple trading relationships?	Yes, the ability for customers to engage with multiple energy service providers will necessitate an adjustment to the current tripartite arrangement.
2. Does this issue only arise under AEMO's proposed MTR framework, or also where a customer has established MTR supported by two connection points?	This issue only arises under the AEMO framework.
3. Are there any issues related to the coordination of billing cycles between multiple FRMPs at a premises that would need to be addressed in the NERR?	Please refer to Ergon Energy Queensland’s submission to this consultation.
Section 12:	

De-energisation and disconnection arrangements	
1. Should DNSPs and FRMPs be able to de-energise a settlement point if this results in the subsequent de-energisation of a "downstream" settlement point?	DNSPs such as Ergon Energy must be able to de-energise all settlement points, as this may be required for safety or emergency reasons.
2. How is the metering configuration adopted by a consumer relevant to disconnection issues? Do these issues arise only where a subtractive metering configuration is adopted?	In any configuration Ergon Energy must be able to disconnect the entire premises, for reasons such as those outlined above.
3. Would the prospect of disconnection of a downstream settlement point deter potential new energy service providers from entering the market? Are additional safeguard mechanisms needed to deal with third party disconnection?	Ergon Energy strongly recommends that safeguard mechanisms would need to be employed to avoid the consequences of third party disconnection impacting a DNSPs ability to manage its network in a safe and secure manner.
Section 13: **Life support equipment**	
1. How should the risk of disconnection of life support equipment be managed where an MTR arrangement is in place? Are the new requirements proposed by AEMO sufficient to manage this risk?	The AEMO proposal adds extra complexity to this issue. One option may be that the life support information should be held relative to the connection point and registered with both the DNSP and the primary retailer. Any party having a relationship to the connection point via a settlement point should then be required to request from, and register with, the DNSP, their life support customers and maintain a register of these customers. Settlement point participants must then be required to cross reference with the DNSP / primary retailer if their customer is on the DNSP life support register prior to disconnection. Any costs to the DNSP associated with this system should be passed to the settlement / connection point participants. However, Ergon Energy believes this is best dealt with by maintaining the current

	arrangements with a second connection point.
2. Are the risks of disconnection of life support equipment affected by the specific metering configuration used by a consumer to enable MTR?	Yes. If the life support equipment is connected to a settlement point, the risk of disconnection will depend on which party is responsible for that settlement point and the quality of their metering, systems and processes.
Would the risks of disconnection of life support equipment be any different where MTR was supported by a second connection point?	Yes, Ergon Energy believes maintaining the current arrangements of a second connection points is preferable.
Section 14: **Standing offer and deemed customer arrangements**	
1. If multiple retailers are active at a premises with MTR, should all of these retailers be required to make the standing offer available? If not, which retailer should have this responsibility?	No comment.
2. Would this issue arise where MTR was supported by a second connection point?	No comment.
Section 15: **Implementation**	
1. Are there potential synergies available from implementing any rule made in response to AEMO's rule change request in co-ordination with any rule made in response to the Demand Response Mechanism rule change? If so, to	Yes. The two reforms are closely aligned.

what extent?	
2. What are the potential timeframes for implementing AEMO's proposed MTR framework? Do stakeholders have any specific suggestions to transitional implementation timeframes?	In consideration of the issues raised in our response to question 1(1), Ergon Energy considers that the implementation of AEMO's proposed MTR framework could not occur for a considerable time. In particular, where the framework results in changes to tariff structures being required, it would be extremely difficult (due to limitations in the regulatory framework for amending an approved TSS) for the required changes to be made until the start of Ergon Energy's next regulatory control period in 2020.
3. Are there any other subsequent changes to AEMO procedures or jurisdictional codes that will need to be made following any rule made in response to AEMO's rule change request?	Depending on the final design of the potential market and new metering arrangements extensive reforms would likely be required in a number of areas including but not limited to: • Metering Data Provision Procedures • B2B / Shared Market Protocol • MSATS policies and procedures • Metrology Procedure: Part A National Electricity Market • NMI Procedure • Metering Services Procedures
Other Issues **Topic**	**Comment**
Demand forecasting	It is imperative that DNSPs retain access to metering data from all settlement points to ensure demand forecasts remain accurate for the purposes of network operation, safety, maintenance, augmentation and expansion.