10 September 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce,

RE: AEMC Consultation Paper – Multiple Trading Relationships 2015 (Reference ERC0181)

The NSW Distribution Network Service Providers, Ausgrid, Endeavour Energy and Essential Energy (the NSW DNSPs) welcome the opportunity to provide feedback on the AEMC's Consultation Paper – Multiple Trading Relationships (MTR) Rule 2015.

The AEMC's consultation paper followed the submission of a rule change request by AEMO designed to facilitate customers engaging multiple FRMPs at a single premises. This request originated from recommendations made in the AEMC's Energy Market Arrangements for Electric and Natural Gas review (EV review) and the Power of choice review, both completed in 2012.

Broadly, the proposed rule would involve redefining the existing one-to-one relationship that exists in the NER and NERR (the Rules) between a connection point, NMI and metering installation. Under MTR, the connection point would remain the physical point of connection to an electricity network whilst a 'settlement point' would be established such that multiple settlement points could be supported by a single connection point. This settlement point would be associated with a metering installation and the point at which the market settles. The expected benefit of MTR would be promoting increased competition for better tailored energy product and service offerings and allowing customers to better manage their energy usage. Whereas the expected costs of implementing MTR would entail the procedural, operational and IT system changes required to enable multiple relationships.

The NSW DNSPs do not consider the proposed rule is a proportional response to the issue identified and it therefore does not promote the NEO and NERO. The key reasons underpinning this view are as follows:

- The existing arrangements facilitate MTR to a reasonable extent – AEMO's NMI procedure already allows for multiple meters, and therefore services, on one NMI and multiple NMIs at one connection point to the network. It is not clear how these arrangements are materially deficient, or how MTR will benefit customers given the upfront costs to a customer of installing MTR are comparable to the costs of establishing a second connection point in most circumstances. We provide examples in our detailed response below of the various options currently available to customers to access energy services and manage their energy usage.
- The expected costs of implementing MTR outweigh the expected benefits – based on the high level estimates provided by DNSPs to AEMO and subsequent reports by Jacobs SKM, KPMG and Energeia, implementing MTR would have a net negative impact on the electricity supply chain. Further, the expected benefits of MTR may not be realised or profitable without additional regulatory change, government subsidies, enabling technology and high levels of early uptake from customers.
- Implementing an MTR framework would be a significant and disruptive change to the electricity industry – the electricity industry is currently undergoing substantive change as the Power of Choice review recommendations are progressively implemented. Enabling MTR would involve significant changes to market participants' procedures, IT systems and operations. MTR will also introduce complexity and uncertainty for market participants with regards to numerous issues, in addition to increasing customer complexity. These issues such as life support, disconnections and customer classifications may require complex solutions which will dilute the expected value of MTR further.

- Other market reforms may reduce the need for MTR, better enable MTR in the future or in some circumstances be inhibited by MTR – the suite of market reforms currently being considered have various implications for MTR. The metering competition and embedded networks rule changes may reduce the need for MTR by facilitating greater competition, new energy services and promoting customers' ability to manage their energy usage. Equally, the minimum metering specification associated with metering competition may better enable MTR and reduce the implementation costs. However, MTR may also create additional complexity in a newly established metering market and weaken a DNSPs' ability to transition customers to cost reflective pricing in the longer term.

These issues are discussed in more detail in our attached submission, as well as general comments in response to the consultation paper. Overall, we are not of the view that the implementation of MTR would support the AEMC's intent or promote the achievement of the NEO and NERO to a greater extent than the existing arrangements. Consequently, the NSW DNSPs do not support the implementation of an MTR framework at this current time. We suggest that it would be preferable to re-assess this rule change at a later date when the costs of implementing MTR may be reduced and the expected benefits more accessible and realisable.

If you have any queries or wish to arrange a meeting to discuss our submission please contact Murray Chandler, Group Manager Network Technology & Innovation at Networks NSW on (02) 9269 7210 or via email at murray.chandler@ausgrid.com.au

Yours sincerely,

John Hardwick
Group Executive Network Strategy
Ausgrid, Endeavour Energy and Essential Energy

Attachment A – NSW DNSPs' comments on the Consultation Paper

Background

Overview

Rule change summary

The rule change proponent considers that currently, multiple FRMPs can only be engaged at a customer's premises by establishing multiple connection points[1]. There is a concern that the upfront costs associated with this approach are too high, for small customers in particular, and as a result there is a suboptimal level of innovation and competition in the market for energy services and products.

The proposed solution is to amend the Rules in order to enable an MTR framework that would allow customers to more readily engage multiple FRMPs for their energy product and services. Under an MTR framework the connection point would remain the physical point of connection to an electricity network while a 'settlement point' would be created such that multiple settlement points could be supported by a single connection point.The settlement point would be associated with a metering installation and the point at which the market settles.

The AEMC note that expected benefits of MTR *may include more effective competition, through new and innovative energy services facilitated by transparent and flexible regulatory arrangements*[2]. Improved energy product and service offerings may in turn allow customers to better manage their energy needs, reduce peak demand (and therefore network investment) and provide for more competitive pricing. However, the rule change proponent also acknowledges that implementing MTR will come at a considerable upfront cost to market participants. This is because the electricity industry's systems and procedures will require change to redefine the one to one relationship between a connection point, NMI and metering installation that is currently enshrined by the Rules.

Assessment Framework

As set out in the AEMC's consultation paper the rule change request will be assessed by the extent to which it promotes the NEO and NERO. The AEMC's assessment of the proposed rule will focus on considering:

- the extent to which MTR may facilitate greater levels of competition in retail markets and drive more tailored and innovative energy services to consumers;
- the costs associated with implementing MTR for both individual customers and market participants in the context of the expected benefits MTR may potentially deliver;
- the operational and consumer protection matters that may arise in enabling MTR. The implications may be wide-ranging and impact the NER, NERR, disconnection processes, tripartite relationships, life support requirements, customer classification and more; and
- the extent to which MTR impacts, or is influenced by, other market reform projects currently being considered by the AEMC and whether subsequent changes will be required to market procedures by AEMO and by government and jurisdictional documents and processes.

We support the Commission's intention to focus on assessing whether the proposed rule will facilitate competition and the entry of new participants in retail markets and whether the framework will improve the flexibility and transparency of current retail markets. At a higher level, as with any rule change, we consider the assessment process is essentially twofold, that being:

1. to establish whether a deficiency exists in the current framework or whether opportunities to improve it exist; and

[1] AEMC, *Consultation Paper – Multiple Trading Relationships*, 30 July 2015, p 8

[2] AEMC, *Consultation Paper – Multiple Trading Relationships*, 30 July 2015, p 15

2. to assess whether the proposed changes represent a proportional solution to the identified issue/opportunity.

Summary of NNSW's position

The NSW DNSPs do not consider the proposed rule change will better contribute to the achievement of the NEO and NERO compared to the existing arrangements. This is primarily because the expected costs of implementing MTR outweigh the expected benefits. We consider the existing arrangements, and other market reforms under review, provide sufficient flexibility and opportunity for customers to manage their energy usage, facilitate new services and promote a competitive retail market.

Additionally, implementing MTR may not facilitate greater transparency and flexibility in the regulatory framework. Rather, MTR is likely to result in operational complexities in areas such as life support obligations, network pricing and billing, disconnection arrangements, customer classification and standard and deemed retail contracts.

The NSW DNSPs also consider MTR could interact both positively and negatively with other reforms that have been made (or are in the process of being made) as part of the Power of Choice review. Whilst the implementation costs of MTR may be reduced in some instances, the benefits of MTR itself may also be reduced and MTR may inhibit a transition to cost reflective distribution pricing.

Overall, the MTR rule change may be more feasible (or alternatively unnecessary) once other reforms such as embedded networks (EN), competition in metering and the new pricing Rules have been implemented. Once these reforms have matured and enabling technologies such as electric vehicles (EV) and battery storage have become more economical and widespread it would be more appropriate to review the costs and benefits of MTR. Currently the implementation costs associated with MTR are prohibitive whilst the realisation of benefits uncertain. We consider the existing arrangements are preferable, effective and avoid the need for a disruptive and significant change to the industry that would create operational issues.

Detailed NNSW Response

Existing arrangements

The key issue identified by the rule change proponent is that the only way to engage more than one FRMP at a premises is to establish a second connection point which may be costly and time consuming and therefore only viable for larger customers. Currently, we do not consider it is a significant impediment to innovation and the take up of new energy services.

The existing framework provides customers with a reasonable opportunity to manage their energy usage and access new energy products and services. Where a customer considers there is value in engaging multiple FRMPs a second connection point is an option already available to customers. We consider the network costs associated with a second connection point are cost reflective as each connection would be separately connected/disconnected, registered, billed etc.

Alternatively, a customer could elect to establish an EN whereby the network would have a singular relationship with the 'parent' meter and the metering behind this connection point would be invisible and immaterial to the network in its systems.

We consider there a numerous options available to customers. By way of example, to manage their EV a customer under existing arrangements could:

1. Separately meter the EV load under the same market NMI as their remaining load. The customer could discuss tariff arrangements with their retailer for this meter.
2. Install one or two secondary controlled load tariffs (pending DNSP approval)
3. Add the EV load to an existing controlled load metering they have.
4. Create separate accounts at the one premise. This would require an application for a new NMI and a retail relationship.
5. Convert the installation to an EN.

Another common example relevant to MTR is generation. The above options would apply as well as the customer having the option of net and gross generation and the ability to arrange aggregation of generation systems through a Small Generator Aggregator.

In the table below we provide examples of the costs a customer would typically incur to utilise the existing framework to engage with multiple FRMPs[3]. It should be noted that in order to engage two retailers under existing arrangements (or MTR) the customer will need to have two circuits being metered. The meters can be either in parallel or one behind the other. In the majority of cases there will be a separate circuit, meaning parallel metering would be most efficient option and a separate NMI can quite simply be created and treated as a separate customer under existing arrangements.

Scenario	Options currently available to a customer
Customer with existing detached granny flat wishes to separate this load from the main residence	Assumptions Given that this a detached granny flat it is highly likely that there is a separate sub circuit from the main switch board. Actions required for more than one retailer at the premises • Request for new NMI (approx. $40 customer to pay the DNSP) • Have new meter installed and re-wring of switchboard (approx. $45 for the meter and approx. $300 for ASP labour, customer to pay ASP)
Customer with existing gross solar wants to separate this generation from the main residence	Assumptions Given that the solar is gross there are already separate meters for generation and general supply Actions required for more than one retailer at the premises Request for new NMI (approx. $40 customer to pay Network)
Customer with existing air conditioner wants to separate this load from the main residence	Assumptions • For large air-conditioning units it is highly likely that there is a separate sub circuit from the main switch board Actions required for more than one retailer at the premises • Request for new NMI (approx. $40 customer to pay the DNSP) • Have new meter installed and re-wring of switchboard (approx. $45 for the meter and approx. $300 for ASP labour, customer to pay ASP)

[3] The scenarios assume; there is sufficient room on the switchboard for any extra metering required, the existing service and consumer mains are capable of any extra load, and it is supported by clause 4.14.1 of the NSW Service Installation Rule which allows for up to four customers per 100A service fuse. If this assumption does not hold additional costs would be incurred, irrespective of whether the customer was utilising a second connection or MTR arrangement.

Customer with existing pool pump wants to separate this load from the main residence	Assumptions The existing pool pump is not located near the switchboard Actions required for more than one retailer at the premises • Request for new NMI (approx. $40 customer to pay Network) • Have new meter installed and re-wring of switchboard (approx. $45 for the meter and approx. $300 for ASP labour, customer to pay ASP) • If the existing pool pump is not on a dedicated circuit, then have a new dedicated circuit run from the switchboard to the pool pump (over $1000 for electrician's labour, customer to pay electrician)
Customer wishes to install a charging point for an electric vehicle and wants to separate this load from the main residence	Assumptions The new charging point is to be located in the garage and this may not be near the switchboard Actions required for more than one retailer at the premises • Request for new NMI (approx. $40 customer to pay Network) • Have new meter installed and re-wring of switchboard (approx. $45 for the meter and approx. $300 for ASP labour, customer to pay ASP) • Have a new dedicated circuit run from the switchboard to the charging point (over $1000 for electrician's labour, customer to pay electrician)

In addition to the existing options available to customers we consider jurisdictions could review their respective service and installation rules to expand the options available to customers as appropriate.

Furthermore, the maturation of other market reforms (as discussed further in the sections below) will also provide further support in facilitating competition in the energy market and the tailoring of products and services to customer's needs. We expect that a functioning, competitive market (e.g. the retail market) will respond to growing demand for emerging services with new service offerings. We consider that the occurrence of this is not reliant on MTR; rather we consider that MTR may be of limited value in promoting innovation as competition at such a disaggregated level is unlikely to be efficient or sustainable.

Therefore, the NSW DNSPs question the criticality of MTR in enabling new services or the prefer ability of MTR compared to the existing framework. This is further highlighted by the report prepared for the AEMC by KPMG which examined the potential services MTR may enable. KPMG considered that MTR only exclusively supports two of the services identified and does not necessarily support material value creation along the energy supply chain, specifically the AEMC noted:

> *Of the nine new energy services identified, KPMG found that most provided only limited opportunity to capture value along the supply chain. In some cases, such as the EV charging model and free electricity for vulnerable customers, the value proposition of the service was not related to wholesale, network or ancillary services. In other cases, such as community peer to peer services and appliance specific tariffs, the value proposition was limited to one or two parts of the supply chain. KPMG found that only the DG aggregator service and network led deployment of storage service appeared capable of capturing all the value along the supply chain.*[4]

The NSW DNSPs have also reviewed the services identified by KPMG and consider the potential benefits are more marginal than suggested by the report. Overall, the report does not provide any detailed justification as to why MTR better or exclusively enables the services identified. The

[4] AEMC, *Consultation Paper – Multiple Trading Relationships*, 30 July 2015, p 23-24

realisation of many of the services listed is also highly qualified and contingent on several other factors, such as technological advancements. We also question the value of some of the services identified, in the context of being provided via an MTR arrangement, for instance:

- Specific tariff product for a separate appliance: customers can currently access this service through secondary tariff options such as off-peak. This is a service that a single FRMP can provide or multiple FRMPs if the customer establishes a second connection point. The distribution pricing rule change will facilitate cost reflectivity in this service;

- Complete charging package for EV: the demand for this service is minimal (for example the 4-8% take up using MTR in the Californian case study) and MTR would be an expensive means by which to enable such a service. As per the KPMG report a commercial arrangement may be more appropriate:

  We also note that an electric vehicle service provider could prefer to partner up with a standard retailer to offer it services and discounts. For example if Tesla wanted to offer cheap electricity to charge its electric cars, it could do this through certain retailers who would then take care of the metering, billing and regulatory requirements. Tesla would still be available to offer additional value to the customer but avoids the costs and issues associated with becoming a licenced retailer.[5]

- Assisting vulnerable customers: the regulatory framework should promote efficient price signals and cost reflectivity. It would be more appropriate to address such equity issues through more direct government subsidies or rebates rather than through the regulatory framework. As per the KPMG report, a similar service offering trialled in the UK encountered significant issues

The upfront cost to the customer of accessing these services should also be considered. The AEMC engaged Energeia to carry out such an assessment, comparing the costs a customer faces under existing arrangements to the potential costs under an MTR arrangement. Energeia found that the costs of establishing a second connection point are typically the same that would be incurred under an MTR arrangement:

> *In many cases, all of these costs [electrician, DNSP and retailer fees] would also be incurred by a customer establishing MTR arrangements through AEMO's proposed MTR framework, where MTR is supported by multiple settlement points*[6]*.*

It is therefore unclear whether material improvements could be made that justify the costs involved in implementing MTR and its consequential operational impacts given the majority of services can be accessed reasonably under existing arrangements at a similar upfront cost to what a customer would face under MTR.

Cost-Benefit Analysis

The NSW DNSPs primary concern with the proposed rule change is that the costs of implementing MTR outweigh the expected benefits. The proposed rule change is not a proportional or preferable response to the issue identified and cannot better contribute to the achievement of the NEO and NERO unless it has a net positive economic impact.

As directed by COAG, AEMO originally conducted a cost benefit analysis based on the high level MTR design it formulated. Whilst this was in consultation with market participants the NSW DNSPs do not consider the analysis was robust. We provided an additional response to AEMO highlighting our

[5] KPMG, *New Energy Services and Multiple Trading Relationships*, July 2015, p.12.
[6] AEMC, *Consultation Paper – Multiple Trading Relationships*, 30 July 2015, p 27

concerns that the analysis relied on an order of magnitude and cost ranges and that definitive and firm cost estimates for the project could not be provided in the short timeframes provided.[7]

Despite this uncertainty, the NSW DNSPs are confident the cost impacts are likely to be large as there are a number of fundamental changes that would be required to our systems and procedures. At a high level, accommodating MTR would involve breaking the one to one relationship between a connection point, NMI and metering installations. The electricity industry's systems and procedures have been designed with this relationship inherently built-in. See our response to question 6.1 in Attachment B for more detail regarding the expected costs of implementing MTR based on our initial advice to AEMO.

Jacobs SKM were engaged by AEMO to provide an overall cost benefit analysis of the original MTR design. The report found that:

> *on average, individual retailers could be expected to incur a total cost of around $13 million, and DNSPs $10 million, to implement and operate AEMO's high level MTR design. AEMO expected to incur a total cost of around $6 million to implement MTR[8].*

AEMO was directed by COAG to modify its original design to develop a more cost reflective solution. The alternate solution was contained in AEMO's rule change request however it did not contain any updated cost-benefit assessment. Instead, AEMO stated:

> *While no simple cheap option emerged, a number of incremental savings were identified. By amending the NER to provide the high-level framework for MTR rather than detailed prescriptive requirements, AEMO believes savings can be made from the original high level design. Details of the operation of MTR will be contained in the AEMO retail markets procedures to be developed in consultation with stakeholders. This will provide MTR with the flexibility to evolve and meet the needs of participants and consumers at an optimal cost…..*
>
> *….The review also revealed that some of the desired MTR outcomes can be achieved through other market reforms, which when considered together will reduce the costs.[9]*

The NSW DNSPs do not consider the modifications made to the original high level design will result in any material cost reductions. For instance, less prescription may result in higher costs if participants are required to cater for a number of MTR designs. It has not been explained how a staggered or voluntary approach would reduce the costs to participants. The majority of the procedural and system changes and costs required to facilitate MTR would be incurred in accommodating any MTR design and are not required for other Power of choice reforms. A less prescriptive approach does not reduce complexity or cost it simply defers addressing the issues and costs.

In addition to the prohibitive costs, there is also significant uncertainty as to whether the potential benefits associated with MTR will be realised. A report prepared by KPMG, commissioned by the AEMC suggests that the uptake of MTR may be dependent on regulatory developments, government subsidies, technological advancements, customer engagement and early adaptors. Whilst capturing any benefits generated along the supply chain may be *difficult to do due to co-ordination, contractual and split incentives problems[10].* As noted in the above section, an Energeia report found that the direct costs a customer faces would only be reduced under MTR in limited circumstances.

We consider that based on the analysis conducted to date, of which the NSW cost estimates are conservative, the costs of MTR outweigh the expected benefits. Even if modifications to the design, implementation timeline and other market reforms reduce the costs of MTR we do not consider this would alter the overall cost-benefit analysis outcome. It would be inappropriate for the industry to

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[7] Networks NSW, *RE: Multiple Trading Relationships and Embedded Networks Project - Participant Costs*, 24 April 2014

[8] AEMC, *Consultation Paper – Multiple Trading Relationships*, 30 July 2015, p 32

[9] AEMO, *Rule change request – Multiple Trading Relationships*, 17 December 2014, p 8-9

[10] KPMG, *New Energy Services and Multiple Trading Relationships*, July 2015, p.28.

incur significant implementation costs without a reliable expectation that countervailing benefits will be realised within a reasonable timeframe.

Operational Issues

Irrespective of the outcomes of the cost-benefit analysis, MTR may not facilitate greater transparency and flexibility in the regulatory framework. Rather, MTR is likely to result in operational complexities in areas such as life support obligations, network pricing and billing, disconnection arrangements, customer classification and standard and deemed retail contracts.

This is because the existing framework enshrines a one-to-one relationship between a connection point, NMI and meter. The existing framework represents an efficient and cost reflective means by which energy services are provided and obligations under the NER and NERR are satisfied. Splitting services across multiple parties under MTR would result in inefficient operational outcomes. The NSW DNSPs would be required to provide the same level of service and meet the same obligations under the Rules over an increased number of 'settlement points'. MTR results in duplication in meeting these obligations where multiple bills are produced, multiple validations and more complex transactions and disputes occur. This would extend to other ancillary network services such as multiple disconnections or network services such as duplicating GIS and outage management systems and procedures.

Addressing the operational issues caused by MTR may also increase the costs and time involved in implementing MTR and dilute its potential benefits. These issues are discussed below.

Disconnections

The NSW DNSPs consider that introducing MTR would create additional complexity for customer disconnection/de-energisation. Under MTR, additional parties will be involved in the disconnection process increasing the likelihood of disagreement, error and administrative costs.

The NSW DNSPs agree with the AEMC's statement that

> *when entering into MTR arrangements, customers should be informed about possible loss of supply to downstream loads if an upstream NMI is de-energised.*

We consider that customer protection and education will be paramount where multiple parties may have the ability to disconnect a customer's supply. Customers should understand that the additional services they acquire under an MTR arrangement may be contingent on an upstream service.

AEMO suggested that it would be preferable for each settlement point to be capable of independent disconnection. However, this would not be possible where MTR is supported by subtractive metering which is put forward as a key benefit of MTR. As such, an alternative solution was proposed:

> *Changes need to be made to Part 6 of the NERR to ensure that a distributor is entitled to de-energise both settlements points, even when the grounds for de-energisation stem from circumstances affecting only one of the settlements points. Also, if a retailer has grounds to request de-energisation of one settlements point, the retailer should be able to make that request without any liability for the necessary de-energisation of the second settlements point*[11]*.*

This alternative accommodates subtractive metering however it is a suboptimal solution from the customers' perspective as downstream services will be unnecessarily disrupted in some circumstances. Furthermore, AEMO makes the assumption that under MTR there is only one customer within the premises and therefore any downstream disconnection would have minimal impact because it is impacting only the one customer. However this assumption cannot always be guaranteed, for example using the scenario in the Energeia report where the granny flat is separated from the main residence there can be two different customers located within the one premises. Simply

[11] AEMO, *Rule change request – Multiple Trading Relationships*, 17 December 2014, p 24

giving distributors and retailers legal rights to disconnect secondary settlements point would not be in the best interest of the customer.

The NSW DNSPs acknowledge that disconnections under MTR will be a complex issue and simpler solutions are unlikely to be available compared to the existing arrangements.

Life Support

The NSW DNSPs consider that the customer protections enshrined by the NECF should be maintained under any potential MTR arrangement. It would be inappropriate to confer additional responsibilities or risk to existing market participants. Rather, any third parties which provide energy services via MTR should also be required to adhere to the NECF.

Similarly to disconnections, an MTR framework would complicate the management of life support customers and obligations. Given the disconnection issues noted above, there would be an increased risk of disconnecting a life support customer. This could be due to the increased risk of data misalignment with additional parties involved in the process and notification issues between these parties. As noted above, a life support customer could be inappropriately disconnected where their service is provided by a downstream metering service for which the upstream meter has been disconnected without notifying the second customer at the premises or without the only customer at the premises understanding the impacts of upstream disconnection.

Resolving these issues will require additional notification arrangements and data exchanges between parties. This would increase the administrative costs of meeting NECF obligations.

Jurisdictional service rules

The NSW DNSPs consider that any new metering installation must adhere to the service installation rules. Although, the jurisdictional service rules could require modification if a jurisdiction decides to allow metering to be installed somewhere other than at the customers main switchboard under MTR.

The metering competition rule change will mandate that any new meter installed meets the minimum specification, however this transition may take time, meaning a population of Type 5 or 6 meters could exist under an MTR arrangement. As such, the NSW DNSPs consider that it would only be appropriate for metering to be located elsewhere from the main switchboard where that metering adheres to the new minimum functionality specification. This is because a meter installed elsewhere from the main switchboard may not have adequate access, hence such meters should be capable of remote acquisition of meter data otherwise additional operational costs and difficulties will arise.

Customer Classification

There may be customer classification issues created by MTR as it is suggested that any FRMP at a site be capable of determining the customer classification for the entire premise. This will be duplicative and increase disputes between FRMPs that will have the ability to overrule one another cyclically.

The AEMC suggest that the classification of a customer should continue to be based on level usage and consumption. However, we note that in the future there may be large customers with significant local generation at a site which may be a net exporter. Consideration should be given to basing the classification on the total energy transacted at a site to account for local generation.

Standard MSOs and Connection agreements

There would be modifications required to the NSW DNSPs Model Standing Offer (MSOs) and connection agreements to accommodate MTR. A customer could identify their MTR requirements before applying for a new connection however it would unnecessarily complicate the process to have multiple FRMPs arranging connection services at a single premises.

Therefore, we consider that for a new connection the customer should continue to be required to appoint an FRMP who will be responsible for arranging the connection service. Once the initial NMI

(and hence settlement point) has been created and the customer has been connected, the customer could then apply for MTR and the creation of subsequent settlement points.

In regards to existing customers, additional clauses would need to be added to the deemed connection contracts to enable MTR. This section of the contract will need to state the individual clauses that relate to MTR such as charging principles and details of disconnection of individual settlement points without affecting other points (or with affecting other points depending on how the disconnection issue is resolved).

Interaction with other Market Reforms

In addition to these operational matters, the interaction of MTR with other market reforms requires consideration. Generally, we consider the other market reforms should be implemented as a matter of priority and that their maturation may provide a reasonable opportunity to pursue MTR in the future. Alternatively, the need for MTR may be reduced over time as these market reforms may effectively facilitate retail competition, the development of new energy services and allow customers to better manage their energy usage at a lower cost to the industry. We are also concerned that in some circumstances MTR may not be complimentary to other market reforms. These matters are discussed in more detail below.

Metering Competition

The NSW DNSPs note that MTR as a concept was originally premised on customers being able to appoint their own Metering Coordinator. This was so customers could obtain commercial arrangements that better suited their needs compared to packaged Retail offerings. In light of the changes to the metering competition rule change we consider the feasibility or value of MTR may be reduced.

Whilst all new meters installed must adhere to the minimum specification it could take several years for a large population of ‘smart’ meters to be in operation. These meters may better enable the implementation of MTR and/or reduce some of the operational complexities created by MTR (e.g. remote data acquisition or disconnection services).

Conversely, the metering competition rule change may reduce the need for MTR. This is because metering competition may better facilitate innovation in energy services and increase competition as Retailers and Metering Coordinators tailor energy products and services to customer needs utilising smart meter functionality. The minimum specification meters may also allow customers to monitor their energy usage at a more granular and meaningful level.

Overall, it is unclear whether an MTR framework would be complimentary to the metering competition rule change. It would be more appropriate to not implement MTR at this current time and instead reassess its feasibility once the metering competition rule change itself is reviewed a few years into its operation as intended.

Embedded Networks

Similar to the metering competition rule change, the NSW DNSPs consider that the EN rule change should be operational before the need for MTR is assessed. As aforementioned, an EN provides customers an alternate option to obtaining a second connection point to engage multiple FRMPs.

An EN would represent a preferable solution to MTR from the perspective of DNSPs. A DNSP would have a relationship with the ‘parent’ EN meter and the customer would be able to establish an arrangement behind this meter that would suit their needs. The arrangement behind the parent meter would be invisible to a DNSP and not impact on its processes or systems. EN might therefore reduce the need for MTR as it allows customers to access energy services from multiple parties without the complication and implementation costs associated with MTR.

Additionally, in the ‘disconnections’ section above, it was noted that MTR could support multiple customers at a site which would result in further complexity. It may be argued that the example, of a second customer in a granny flat, represents an EN. This however raises another issue of whether it

is possible to track whether there are multiple customers at a site. It would be impractical or costly to do so and create uncertainty as to determining the point at which a premises has transitioned from an MTR arrangement to an EN. Depending on the outcomes of the EN rule change, MTR may be inappropriately utilised as a means by which to avoid the obligations associated with operating an EN.

DMIS

The NSW DNSPs consider that the recent DMIS rule change, to a lesser degree, may also reduce the need for MTR. If properly applied, the DMIS should provide DNSPs an incentive to offer innovative energy services and products such as battery storage, local generation etc. This may be a more cost effective means by which innovation can be promoted compared to implementing an MTR framework.

Cost Reflective Distribution Pricing

In November 2014 the AEMC finalised the Distribution Network Pricing Arrangements rule change. The objective of that rule change is to ensure that customers are provided a cost reflective price signal to efficiently recover residual network costs and promote the efficient use of electricity alleviating network investment needs and therefore avoidable costs. At a high level, we consider that a cost reflective, efficient price signal would better facilitate the uptake of new energy services and efficient energy usage compared to MTR.

The AEMC suggest that, if MTR were implemented, a DNSP would address this from a pricing perspective in their Tariff Structure Statement (TSS):

> *In this scenario, the relevant DNSP will allocate DUOS charges between the meters in accordance with its approved tariff structure statement (as required by the NER).*[12]

It should be noted that the NSW DNSPs are currently in the process of preparing their respective TSS's for the remainder of the 2014-19 period. As such, if MTR were to be implemented it would be more appropriate to accommodate MTR in the TSS for NSW for the next regulatory control period (2019-20 to 2023-24). Otherwise we would be required to re-open a TSS that is only in place for the remaining two years of the current regulatory control period (2014-15 to 2018-19) which would be unnecessarily administratively burdensome.

Setting this issue aside, the NSW DNSPs agree that the TSS would be the appropriate mechanism by which to clarify how multiple settlement points would operate in effect. However, we wish to note that the application (or non-application) of network charges to settlement points should align to the pricing principles and Rules. The NSW DNSPs consider that it would be inappropriate for MTR to be used as a means by which to avoid legitimate network costs. By way of example, if a customer utilised MTR to obtain a different service to the primary settlement point a different tariff would be applied. The corresponding fixed charge is appropriate in this circumstance to reflect the change in this customers service.

Currently, where a customer "splits" an existing service across two connection points the same tariff would be applied at each connection point. The intent of the MTR rule change, amongst others, is to avoid the additional fixed charges that would currently apply. However, as a DNSP we are obligated to service each connection point in accordance with the Rules. Treating the second connection point (or settlement point) differently from a new connection point will also result in inequity as the remaining customer base will have higher fixed charges than they otherwise would have under the existing treatment of a second connection point.

Therefore, the suggestion that a *DNSP **will** allocate DUOS charges between the meters* is inappropriate as it presupposes the outcomes of the TSS. The application of fixed charges to an

[12] AEMC, *Consultation Paper – Multiple Trading Relationships*, 30 July 2015, p 9

additional settlement point (or connection point under existing arrangements) may be an efficient price signal and cost reflective. Therefore, it is important that the MTR rule change does not proceed on the presumption that it is inefficient to recover fixed costs from a second connection point or settlement point. We consider MTR would be a costly and disruptive solution to an issue that the distribution pricing rule change is designed to address.

In addition to residual costs the impact of MTR on avoidable costs should also be considered. As noted in the 'operational issues' section above the duplication of connection points (via 'settlement points' under MTR) at a single premises would increase operational costs. In regards to pricing more specifically, accommodating MTR, particularly where the fixed charge is "split" across settlement points, would require costly IT system changes and duplicating existing tariffs to reflect premise level settlement point differences. These costs and complexities, when combined with the implementation costs associated with MTR, will inefficiently increase our costs and result in higher prices over the long term compared to existing arrangements. .

The extent to which MTR impacts incentives and compliments the cost reflective distribution pricing rule change will also impact prices in the long term. In the short term MTR may deliver benefits to customers and networks in enabling customers to manage their usage of particular appliances or loads more efficiently. In some circumstances a customer may be able to reduce their peak period consumption lowering their energy bills and deferring network investment. This is an efficient outcome and complimentary to the pricing rule change. Although this outcome could also be achieved through more cost effective means, namely other market reforms such as metering competition, ENs and the pricing rule change itself will foster innovation and efficient energy usage at a lower cost.

In the long term we are concerned that MTR may be distortionary and create an incentive to game certain tariffs or tariff structures. The purpose of cost reflective tariffs is to provide efficient signals to customer to modify their usage to reduce our costs and therefore prices in the longer term. MTR may facilitate or incentivise the 'splitting' of energy services where this is not efficient to do so. Essentially, MTR would allow customers to selectively transition certain appliances to cost-reflective tariff options. This is because there is an obvious incentive to limit ones exposure to cost reflective tariff to circumstances only where the existing energy usage already is, or could readily become, efficient. For example, a customer may be on a demand based tariff but utilise MTR to keep certain peak based appliances such as an air-conditioner on a flat tariff. Another example is where an inclining block tariff is efficient a customer would be incentivised to spread their consumption across multiple settlement points to remain within the first block. In these examples a DNSP would not avoid any future network costs but only incur them to implement MTR and fund the operational inefficiencies it creates resulting in higher average prices.

The most efficient outcome is for all customers to eventually transition to a cost reflective tariff by providing customers appropriate price signals to modify their overall usage thereby reducing network costs. An MTR framework may inhibit the pricing rule change by distorting the allocation of fixed costs and increase variable costs whilst providing perverse incentives in some instances. Therefore, the NSW DNSPs consider that the existing practice, where a second connection point is treated no differently than from a new connection point, is both practical and cost reflective and the new pricing objective and principles should be relied upon to confirm or modify this position.

Attachment B: Question Responses

Question 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?

See the 'interaction with other market reforms' section above.

Overall, we consider that whilst the electricity industry is currently undergoing substantive change, this does not reduce the costs of implementing MTR. Enabling MTR would involve significant changes to procedures, systems and operations that are distinctly different to the changes required to facilitate metering competition, EN or other Power of choice reforms. There may not be sufficient IT capacity to implement MTR concurrently and it is more likely to increase the complexity, cost and time involved rather than be achievable at a reduced cost.

In terms of benefits, MTR may be better enabled by minimum specification meters and EN. Equally however, the need for MTR may be reduced if these other reforms (including cost reflective pricing) provide an adequate means of monitoring energy usage and facilitate the development of more tailored energy services.

2. Are there additional costs and / or benefits associated with MTR that were not identified or assessed by Jacobs SKM in its analysis?

Jacobs SKM conducted cost-benefit analysis of AEMO's original high level MTR design. COAG instructed AEMO to revise the design in order to reduce the costs of MTR based on Jacobs SKM negative cost-benefit assessment of the initial design.

There has not been a follow up assessment to determine whether the changes made by AEMO have resulted in an improved cost-benefit outcome. Furthermore, Jacobs SKM has not been engaged to conduct a cost-benefit assessment of the current arrangements that allow for more than one retailer at the premises. Without this study, the rule change proponent has not properly established whether a quantifiable deficiency exists in the current framework and if so to what extent.

Question 2 Assessment framework

1. Are there any other issues that should be considered in the Commission's assessment of AEMO's rule change request?

No. See 'Assessment framework' section above.

Question 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?

The majority of services identified by KPMG can already by facilitated by existing arrangements. There is limited analysis as to how MTR would better enable these services compared to the existing arrangements. There is also limited evidence as to the feasibility and benefits of the services identified by KPMG. For instance, the case studies included in the report show a low uptake of these services (e.g. EV customer MTR take up in California) or their impracticality (e.g. Government retailing to vulnerable customers trial in the UK).

Whilst there may be additional services that MTR enables the feasibility and value of these must be assessed in the context of the costs required to facilitate MTR. At this stage, the cost to enable MTR is prohibitively high.

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?

See 'existing arrangements' section and response above.

To summarise, the NSW DNSPs do not consider the MTR framework would be materially preferable to the existing arrangements. As outlined in our response, customers can access energy services through multiple tariffs currently. If a customer wishes to obtain these services from multiple FRMPs that is possible through a second connection point. The costs of a second connection point a are reasonable price signal and comparable to the upfront costs a customer would face under MTR in most instances. The existing framework will be further enhanced by the metering competition and EN rule changes and the cost reflective distribution pricing rule change, the latter of which should facilitate more tailored tariff offerings to ensure fixed DUOS charges are applied in a cost reflective manner.

Question 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 KPMG analysis does not describe the ability of the different energy services to capture value along the supply chain in any great detail. However, at a high level the NSW DNSPs agree that capturing value would be difficult and unlikely to occur along the entire supply chain.

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?

The split incentive problem is more appropriately managed through the incentive mechanisms in the NER. We consider the DMIS rule change is more likely to address this issue.

The coordination problems are likely to be exacerbated rather than resolved under MTR. An MTR framework will complicate the billing processes and other market procedures. It would require a greater level of cooperation between participants to coordinate certain activities. These issues are fairly settled under the existing arrangements with the B2B procedures.

Question 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?

The NSW DNSPs consider that the costs of establishing a second connection point for the purpose of engaging with multiple FRMPs are unlikely to deter customers from doing so.

If a customer wished to add an additional meter with a new NMI to their switchboard, even if one meter was used, the costs associated with the establishment of the new meter would still encounter most of the upfront costs identified by Energeia.

For larger loads, such as EV, load new circuits would need to be run so as to comply with AS/NZS 3000 resulting in additional costs.

To say that downstream meters will resolve all of these cost issues is incorrect. Additional wiring and panels to connect the meter would be required to safely mount and connect the meter and downstream devices. Even if the device was built in to the device (eg. EV charger) that was to be a part of the MTR relationship, the metering in the device would need to meet the requirements of the National Measurements Institute's pattern approval requirements.

If a larger load is connected and requires an upgrade of service main, this would be required if MTR was adopted or not i.e. the load is still placing additional burden on the services mains regardless of

where the metering is located, how many meters are installed or how many retailers are associated with the connection point. In most circumstances, we do not consider an MTR framework would reduce the upfront costs (and therefore deterrent) a customer faces.

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?

As above we do not consider the proposed MTR framework would significantly reduce direct costs in the majority of scenarios. However, there is the potential for savings in specific circumstances depending on a number of factors such as the size of the load, pattern approval of metering devices, device location etc.

3. Are the direct costs of engaging with multiple FRMPs at a premises markedly different for small and large customers under current arrangements? Would AEMO's proposed MTR framework have a more significant impact for small customers than for large customers?

The costs involved for a larger customer are likely to be higher than a smaller customer as they are more likely to be connecting larger loads which may require an upgrade of service main. This additional cost would be incurred under a second connection point or MTR framework. We do not consider MTR would have a significant impact for either small or large customers as it may only be of benefit in very specific circumstances.

Question 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?

See the 'cost-benefit analysis' section.

To summarise, the NSW DNSPs provided AEMO an estimate of the costs that would be involved in implementing MTR based on the high level design AEMO developed. We provided further advice to qualify this 'estimate' as it was limited by AEMO to selecting pre-defined cost ranges and there was not sufficient detail or time to develop a more reliable estimate. A more definitive cost estimate could be provided if a more detailed MTR design was available, however the NSW DNSPs are confident that the cost would be high.

The reason why the NSW DNSPs cost impacts are so large is because we have identified that a number of fundamental changes would be required to our systems and procedures to accommodate MTR. Whilst we cannot comment on the costs AEMO or retailers would face, we consider DNSPs would face the following costs (note this is very high level and not an exhaustive list):

Cost Category	Description of costs
Registration & Setup	Implementation 1. Changes to connection point management systems for the following: a. Redesign systems to allow the NMI to represent a meter element when a site is under MTR and to represent a metering installation when a site is not under MTR b. Redesign systems to remove the one to one relationship between a connection point and the metering installation at a site c. 2. Change management including the following: a. Communication and training for internal and external staff On going 3. Changes to costs for supporting IT systems as there will be more data to be stored and managed, and the system would be more complex.

	4. Extra resources required to manage increased volumes of NMI allocation requests
Metering	Implementation 1. Changes to metering data management and meter asset systems including the following: a. Redesign systems to allow the NMI to represent a meter element when a site is under MTR and to represent a metering installation when a site is not under MTR b. Send metering data to FRMP of primary NMI when we are responsible for a secondary NMI (subtractive arrangements), even if we are not a party to the primary NMI. 2. Change management including the following: a. Communication and training for internal and external staff b. Communication for ASP c. Communication for customers On going 3. Changes to costs for supporting IT systems as there will be more data to be stored and managed, and the system would be more complex. 4. Access for reading and disconnection to downstream metering
Operations	Operations Implementation 1. Changes to systems to enable the monitoring of unmetered energy 2. Change management including the following: a. Communication and training for internal and external staff On going 3. Resources required to monitor and action unmetered energy 4. Identification and management of life support customers across multiple NMIs and meters
Billing	Implementation 1. Changes to network billing systems including the following: a. Potentially charge one of the FRMP the fixed charges or spread the fixed charges appropriately across the settlement points. b. Perform subtractive calculation for subtractive metering 2. Change management including the following: a. Communication and training for internal and external staff On going 3. Resources required to manage increased volumes of network bills and network bill disputes 4. Coordination of billing cycles and/or data conversion
Reporting	Implementation 1. Changes to systems/reports as a result of MTR, including removing the one to one relationship between a connection point and the metering installation at a site 2. Change management including the following: a. Communication and training for internal and external staff

2. Could these adaptation costs be reduced through a staged implementation process?

See the 'cost benefit analysis' section. No, we do not consider staged implementation would reduce the costs. The NSW DNSPs would prefer certainty, whereas a staged implementation may require participant to accommodate different MTR designs and/or delay the resolution of issues and the costs involved as opposed to reducing them.

3. Could these adaptation costs be reduced by implementing at the same time as any other projects? What other projects might present opportunities for joint implementation?

See the 'cost benefit analysis' section. No, we do not consider MTR requires a suite of changes that are distinct from those required to enable metering competition and ENs. There may not be sufficient resources to implement MTR in parallel and we consider it is more likely to increase the complexity,

time and cost involved in accommodating other market reforms rather than result in implementation efficiencies.

Question 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?

Numerous issues may arise for Metering Coordinators (MCs) as a result of MTR assuming an MC's responsibility would be at the settlement point level rather than the connection point level. There may be multiple MCs at a single site which could lead to additional fees and charges for customers.

There would be a need for clear delineation of responsibilities and communication protocols between MCs, particularly with downstream meters. If upstream is disconnected the downstream MC may believe (incorrectly) that there is a fault with their metering, creating inefficiencies. Similarly, the may be confusion for customers as to which MC or FRMP to contact during an outage to investigate a potential metering fault.

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?

The NSW DNSPs consider that only FRMPs should be able to engage with customers through MTR arrangements subject to the AER's exempt selling guidelines. The guideline already accommodates common EN arrangements such as energy on-selling. It may require minor amendments to more specifically address MTR.

The alternative seller exemptions may be able to facilitate the development of new services if they are appropriately accommodated in the guidelines. There is currently little evidence that there is sufficient demand for emerging services to impose an industry wide solution. Instead, alternate service providers could obtain an exemption to trial and/or develop these niche markets. If demand permits or further customer protections are required then a more wide-scale, formal solution such as MTR could be considered.

If MTR supports a substantive market (or is developed to one day do so) then customer protections, particularly the NECF framework, should be preserved. It would be inappropriate for FRMPs or LNSPs to bear additional default and network security risk should MTR enable new entrants that are not adequately regulated.

3. Could multi-element meters support MTR at a lower cost to consumers than other metering configurations? Are there limits or barriers to stop Metering Coordinators installing meters?

Multi-element meters could support MTR at a lower upfront cost to customers by reducing the number of meters required at a site. However, the use of multi-element meters may be restricted to the extent different FRMPs or MCs could enter into commercial agreements to offer energy services through a shared metering asset. Such agreements may off-set the cost savings of not requiring additional metering and create other operational complexities around disconnections for instance.

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?

Participant and market systems including MSATS, would need to be able to handle any proposed two element configurations. This would likely result in costs to modify existing systems, particularly if participants are compelled to do so in order to handle churned customers with MTR.

Question 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? Will this issue be addressed by the new network pricing objective and pricing principles?

See 'cost reflective distribution pricing' section.

Where a customer establishes a second connection point at their premise and where this second connection point delivers a different service to the original connection point, the application of a different tariff, and its corresponding fixed charge is appropriate to reflect the change in this customers service.

Where a customer establishes a second connection point at their premise and where this second connection point delivers the same service as the original connection point, the same tariff would be applied at each connection point. This may be a cost reflective price signal as DNSPs are obligated to service each connection point in accordance with the Rules irrespective of the presence of another connection point at a premises. It could therefore be distortionary to encourage multiple connection points by reducing fixed charges as DNSPs will incur additional operational costs increasing future prices. It may also incentivise the opportunistic selection (or avoidance) of tariffs, for example in circumstances where an inclining block tariff is efficient a customer would incentivised to spread their consumption across multiple settlement points to remain within the first block. Treating the second connection point differently from new connection points will also result in inequity as the remaining customer base would have higher fixed charges than they otherwise would have under the existing treatment of a second connection point.

Alternatively, it may be determined that the duplication of the tariffs fixed charge in this circumstance may not be an appropriate reflection of the service supplied. The NSW DNSPs note that if such a determination is made it would be costly and difficult to implement. To accommodate such a position the fixed charge would have to be apportioned across each connection point at the premise delivering the same service. This would require costly IT system changes and a proliferation of tariffs to reflect premise level connection point differences and it is unclear what benefit multiple connections offering the same service provides consumers.

The NSW DNSPs consider that the MTR rule change should not proceed on a presupposition that recovering fixed costs from a second connection point is inefficient. Instead, as per the distribution pricing rule change, a determination on the efficient pricing and the cost reflective recovery of residual costs should be made as part of the TSS process. We consider that the new network pricing objectives and principles, if applied correctly, will address this issue more effectively than implementing an MTR framework.

Additionally, Metering service charges are levied at a tariff level. Additional MSC would apply where a customer has multiple NMIs and tariffs for connection point. If we are required to install comms metering at a downstream connection, the NSW DNSPs currently have no MSC applicable for these if it were a type 5 or 6 metering installation. We would need to re-open the distribution determination in order to seek approval for a new MSC fee or it would operate as an unregulated fee.

2. Would the allocation of capacity or demand based charges present particular challenges where multiple FRMPs are present at a premises?

A more detailed MTR design and framework would need to be provided in order to form a view on this issue. At a high level we consider each settlement point would need to be separately metered by a meter that captures half-hourly data to work.

There may also be a higher level issue where MTR allows customers to avoid (or limit their exposure to) capacity or demand based charges for certain appliances which would be inefficient outcome.

3. Would MTR require changes to the frameworks for the billing of network charges and for credit support?

Yes, although additional detail would be required to understand the nature and extent of the changes required.

Question 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?

The NSW DNSPs have not sought legal advice on the proposed rule amendments. Should the rule change proceed we will review the rule amendments in greater detail to provide drafting advice.

2. Are AEMO's proposed substitutions of settlement point for connection point appropriate in each instance?

As above.

Question 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?

Customer classification should be based on the consumption level of the premises, otherwise customers may inappropriately use settlement points to change their classification. We also note that as local generation becomes more large scale the classification may need to be based on the total energy transacted, rather than consumed, at a site.

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?

As we consider the classification should be at the premises, rather than settlement point, level FRMPs will most likely need to be able to reclassify an entire premises. However, this could be duplicative or result in disputes between FRMPs at a site. As with the EN rule change, MTR may require the designation of a primary FRMP for the purpose of customer classification.

3. Would these issues be any different where a customer had established multiple trading relationships supported by a second connection point at its premises?

There has been limited development or use of second connections to date. Industry experience suggests that some customers have attempted to establish a second connection point to ‘game’ the system in terms of load limits to retain access to specific tariffs or customers classifications. DNSPs do have the ability to refuse requests where they consider this to be the case, it is unclear whether networks would be afforded similar discretion under an MTR framework.

The issues will most likely be common with MTR, however the MTR framework is likely to increase the use of such arrangements and therefore the prevalence of these issues.

Question 11 Relationship between DNSPs, customers and retailers

1. Will the current tripartite arrangements require adjustment to allow for multiple trading relationships?

Potentially, although further detail of the MTR design would be required to provide specific advice.

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?

As above

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?

Yes there could be coordination issues between FRMPs. This issue could be addressed through commercial agreements between FRMPs, although that may impose costs where an FRMP must be able to cater for multiple arrangements. It could be addressed through changes in the NERR which would provide certainty but may also be overly prescriptive.

Question 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?

See 'Disconnections' section in main response.

We consider it would be appropriate to allow DNSPs to do so where it is for safety reasons. Additionally, if appropriate notification and agreement can be reached between all parties then it could also be allowed. There would need to be obligations imposed on the Metering Coordinator to ensure adequate recording of connection status, disconnection notification etc.

We also note that there are NECF risks and consumer protection issues associated with interrupting a downstream service. Resolving this issue may eliminate the possibility of downstream metering which is purportedly a key benefit of MTR.

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?

Subtractive metering is not the only issue associated with disconnections. For example, if through a parallel metering configuration, a site is disconnected, this would not stop the customer from "legally" rewiring to the other supply via a changeover switch.

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?

We consider disconnections should only be allowed from the FRMP, LNSP or MC. No other third party should be allowed to disconnect. We cannot comment on the extent to which the possibility of downstream disconnections will impact third party service providers. The priority should be the safety of customers and allowing LNSPs, FRMPs or MCs to meet their obligations under the Rules.

Question 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?

See the 'Life support' section in the main response.

2. Are the risks of disconnection of life support equipment affected by the specific metering configuration used by a consumer to enable MTR? Would the risks of disconnection of life support equipment be any different where MTR was supported by a second connection point?

Yes, for example under a subtractive metering configuration a life support customer on the downstream service would be at risk of inadvertent disconnection. This would be different under a second connection point as each connection point would be separately registered and capable of independent disconnection. It should also be noted that an LNSP would only allow a second

connection point where it would be in accordance with the service installation rules (which is unlikely in this circumstance).

Question 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?

See the 'Standard MSOs and Connection agreements' section in the main response.

2. Would this issue arise where MTR was supported by a second connection point?

No.

Question 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 what extent?

No we do not consider a coordinated implementation would reduce the costs of MTR.

2. What are the potential timeframes for implementing AEMO's proposed MTR framework? Do stakeholders have any specific suggestions to transitional implementation timeframes?

A more detailed design would need to be available to properly scope the changes required and the timeframe. We consider any changes should occur once other market reforms have been in operation for a reasonable period of time.

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?

Potentially, jurisdictions may need to review their service and installation rules.

4. What changes may be needed to the RoLR arrangements to allow for AEMO's proposed MTR framework?

The NSW DNSPs would need to seek further advice on this issue should the rule change progress. There may need to be a designated primary FRMP at a site for the purposes of RoLR.