



## **Ausgrid Submission**

Updating the network and retail exemption guidelines

June 2021

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Dear Libby

Ausgrid welcomes the opportunity to provide this submission to the AER's consultation paper on updating the network and retail exemption guidelines. We support its stated aims in seeking to streamline and clarify the guidelines.

Overall, it is our view that the proposed changes as set out in the consultation paper can help improve the outcomes for embedded network customers. In principle, we are supportive of any clarifications and improvements for embedded network customers that are aligned with our own objectives of improving customer experience with Ausgrid. On this basis, there are some areas in the guidelines where we consider additional clarity needs to be provided to ensure embedded network customers are appropriately protected.

We believe that embedded network customers should reasonably expect to have at least the same customer experience as network customers. Therefore, we encourage the AER to expand the guidelines to ensure all embedded network customers have access to consumer protection conditions that are currently available to customers directly connected to the shared electricity network. Ensuring access by all embedded network customers to jurisdictional ombudsman schemes is a key issue. Including exemption conditions for customer support and hardship protection that mirror the obligations of DNSPs to their network customers is another important issue.

Our responses to the specific questions raised by the AER in the consultation paper are set out below. We have provided additional clarifications and suggestions where we consider this would further enhance the outcomes for embedded network customers.

If you would like to discuss our submission in more detail, please contact me at

[REDACTED]

Yours sincerely

[REDACTED]

Alex McPherson  
Head of Regulation

## Consultation questions

**Question 1: Do stakeholders agree that responsibility for meeting certain network exemption conditions should be restricted to one person, for example the network owner or controller? If stakeholders agree, which person should be the sole registrant, noting this person should have the capacity to resolve customers' complaints?**

Ausgrid is supportive of the single contact approach to ensure clear accountability for overall compliance with network exemption conditions. We suggest that this nominated responsible party be the network controller as this is the party most likely involved in the day-to-day management of the embedded network. In addition to this person having the capacity to resolve customers' complaints, we also suggest that this person should have knowledge of and access to the national electricity market (NEM) via market settlement and transfer solutions (MSATS). We believe this arrangement would be the least complicated for customers should they request to become on-market.

We would also expect that the network owner contact arrangements be maintained and operate as an alternate contact to the network controller.

Details of both the single point of contact and alternate contact should be included in the standard information to be provided to prospective embedded network customers.

**Question 2: Ombudsman membership is an example where designating responsibility is likely to be helpful. Are there other examples?**

In line with our response to the previous question, it would also be helpful to have clarity regarding responsibilities for both MSATS and provision of consumer support services (particularly where there is no embedded network manager). Please see related response to Question 8.

**Question 3: Should we clarify the meaning of controlling and operating an embedded network?**

Yes, we agree that the meaning of controlling and operating an embedded network should be clarified.

We also suggest that the guidelines clarify that the nominated responsible person also have mandated responsibility for control and operation of the embedded network. For example, if the responsible person is an embedded network manager they would act as an owner's agent to procure controlling and operating services and be responsible for meeting the requirements of exemption. Alternatively, if the responsible person is nominated as the network owner (e.g. a body corporate, mine operator) they would have the responsibility to ensure suitable operations and control and compliance.

**Question 4: Do stakeholders consider there is a need to regulate small generator aggregators under the network exemption guidelines?**

Ausgrid considers there is little value in regulating small generator aggregators (SGA) under the network exemption guidelines. We believe that it would be best to focus regulation of SGA as part of the Energy Security Board (ESB) post 2025 reform project.

However, we believe there is a need for clarification of responsibilities to be included in the network exemption guidelines for the distributed energy resources (DER) installations that usually make up SGAs.

Ausgrid has experienced many instances where the obligations of embedded network operators to reasonably inform customers of the requirements for DER in embedded networks have not been met. Recent examples regarding a range of embedded network classes have demonstrated the following:

- Many embedded network operators are not aware of the latest requirements in the National Electricity Rules (NER) regarding registration and operation of larger DER installations (data centres and large back-up generators that are being considered in SGA or other network operation impacts)

- Many embedded network operators are not aware of the latest requirements for small scale DER systems in their networks (e.g. small solar installations in retirement villages)
- Many embedded network customers are not aware of the additional requirements for DER systems installed in embedded networks which has resulted in additional costs, frustration and complaints to the ombudsman.

Solutions could include obligations for embedded network operators to proactively advise customers of DER requirements when providing other embedded network information. Penalties where installation have occurred within the embedded network without suitable engagement could also be considered.

This will become a more prevalent issue with the transformation of how electricity is used, stored and generated by customers in the near future. We would therefore encourage the AER to include these considerations as part of their review.

**Question 5: Do stakeholders interpret small generator aggregators as being captured under the NER?**

No firm view.

**Question 6: What do stakeholders consider a reasonable timeframe to procure and appoint an Embedded Network Manager?**

Where it is relevant to the exemption class and the Embedded Network Manager (ENM) is required, then this person should be part of the set-up of the embedded network at initiation to ensure there is effective consumer protection.

The ENM should be appointed as soon as possible or within 2 business days of the embedded network identifier code being attached to the parent NMI. The network needs to assign the code once it is satisfied with the proponent's embedded network connection arrangement. Furthermore, it will be the embedded network owner or operator that will liaise with the distributor for the creation of the code.

**Question 7: Do stakeholders agree the appointment of Embedded Network Managers should be deferred in regional Queensland and legacy unmetered sites?**

No comment, we have no experience of the relevant issues.

**Question 8: Do stakeholders agree that the appointment of Embedded Network Managers be deferred if they are no longer required, for example when all on-market customers have reverted to off-market? Are there other situations when Embedded Network Manager services are no longer required?**

Our experience with ENMs is that:

- ENMs continue to provide retail support services for consumers even when no on-market customers exist.
- there are many customers that are not aware they are within an embedded network until they contact their local DNSP.

With visibility of the ENM, a customer can be redirected accordingly – this is paramount to providing access to retail competition. Therefore, in principle we do not support the notion of ENMs being deferred when all customers are off-market.

However, in circumstances where all on-market customers have reverted to off-market, it may be possible that responsibility for providing consumer support services be taken up by the responsible single point of contact outlined in Question 1. If the single point of contact understands their responsibilities in providing such services and embedded network customers have access to jurisdictional ombudsman schemes, then it may be efficient in this situation to not retain the services of an ENM.

Please also refer to our suggestions regarding ombudsman schemes in our response to Question 19 below.

**Question 9: Do stakeholders agree to removing the 'eligible communities' and counter-offer provisions from the network exemption guideline?**

Yes, we support the AER's view and agree to removing these provisions from the guideline.

**Question 10: Should the information embedded network owners/operators provide prospective customers be standardised?**

Yes, we agree with the AER's proposal to standardise the information embedded network owners or operators must provide prospective customers to facilitate the ability for customers to understand their protections and rights.

We also suggest that the standard information provided to customers include the expectations of service from the embedded network that reflects the level of service provided by the embedded network's connecting DNSP. As an example, this would include the connecting DNSP's position on emergency support, guaranteed service levels and reliability of service – it may be worthwhile utilising certain elements of the deemed standard connection contract in undertaking this review.

**Question 11: Should the network exemption guideline's term 'express written consent' be replaced with 'explicit informed consent', and be provided in writing?**

Yes. To ensure clarity and consistency we agree that the term 'explicit informed consent' should replace 'express written consent' in the network exemption guideline. We also agree with the AER's proposal that consent be evidenced in writing.

**Question 12: Should record keeping requirements explicitly apply to all situations where consent is required under the network and retail guidelines?**

Yes, this would be necessary for compliance and audit purposes.

**Question 13: Do stakeholders support proposed clarifications to the retail and network exemption guidelines' retrofit requirements? If not, what are reasons for not supporting the changes?**

Yes, we support the changes. We believe this requirement is a sensible clarification that would provide a suitable record for all parties interacting with the change including future customers of the embedded network. Furthermore, Ausgrid suggests that any retrofit or brownfield conversion require an Individual exemption to be published on the AER's website. In addition to this, we would like to request that DNSPs are not required to approve an Embedded Network new parent connection until the approved exemptions are visible on the AER's website, to be confident that we are complying with the AER's requirements.

**Question 14: Are there any other provisions or requirements that need to be clarified in either the retail or network exemptions guidelines?**

In addition to our response above, it would be helpful if both guidelines clearly outline the conditions required for a retrofit conversion to be undertaken on a multi-residential complex and a multi-commercial complex. These should also include comparable consent requirements or percentages of participants required to complete a retrofit conversion.

**Question 15: Is there any other information exempt sellers should provide embedded network customers to help them access retail competition?**

It would be helpful if embedded networks customers are also provided with information on their parent connecting NMI in addition to the child NMI. Our contact centre regularly receives enquiries in relation to embedded networks and it would be beneficial if we can be provided concise transparent information to facilitate a more seamless customer experience.

**Question 16: Do stakeholders have a preference – for a broader set of hardship assistance conditions or an exempt seller hardship plan?**

As far as possible all customers in embedded networks should have access to the same protections as other customers. On this basis we support an exempt seller hardship plan, where an AER template could be used as a default option to reduce administrative burden. The AER should consider applying the hardship assistance requirements of DNSPs for the network elements to ensure embedded network customers have equitable hardship protection as other customers.

The benefits of hardship protection have been realised in a broad application during the COVID-19 pandemic, where disconnection of hardship customers was not allowed. We believe such hardship protection conditions should flow equitably to customers of embedded networks. Further clarity would assist DNSPs to understand their obligation, if any, to offer hardship support to embedded network customers.

**Question 17: What key protections should be included in a hardship policy template for exempt sellers?**

We suggest that exempt sellers be obligated to follow the same hardship obligations as retailers and DNSPs to the extent possible, to provide a similar customer experience within a community irrespective of embedded network status.

From a network perspective, key protections could include emergency and generator support no less than the connecting DNSP, restoration of service targets, and obligations to pay when service levels are not met.

**Question 18: What additional obligations should the core exemption conditions include?**

Embedded network customers should reasonably expect to have the same experience as network customers and therefore we suggest the AER considers additional obligations as set out in our responses to Questions 16 and 17 above that promote this objective.

**Question 19: Are there other measures that would facilitate exemption holders' taking up membership of ombudsman schemes?**

The proposal to require applicants to provide evidence of steps taken to obtain ombudsman membership is the minimum change that should be made. The AER could consider providing conditional exemptions which expire after a period if the exemption holder does not provide evidence of membership. Alternatively, provision for penalties could be added where the exemption holder is found not to be a member where they should be.

We believe all customers should have access to the ombudsman for independent dispute resolution. Ausgrid understands that ombudsman membership may not be feasible for some embedded networks, for example where there are less than 10 customers. While the operation of ombudsman schemes is not directly within the AER's remit, Ausgrid would like to encourage the AER to work with the sector and investigate whether there could be mechanisms that give the jurisdictional ombudsman the ability to represent customers in embedded networks, regardless of membership of the ombudsman scheme.

Depending on the class of exemption, this might include giving the embedded network operator the option to not be a member but to pay their proportional share of costs where the ombudsman intervenes on behalf of embedded network customers. We believe stakeholders could work together to facilitate an outcome of this type to ensure consumer rights are protected.

**Question 20: Do stakeholders support regulation of the sale of energy to chill water?**

**Question 21: What are the main issues for this type of energy sale and what sorts of conditions should apply?**

We have no experience of the relevant issues, however as energy storage technologies evolve, there will be a range of energy conversion methods and energy transfer services potentially linked to kWh that will require additional guidelines. We believe it beneficial for the AER to develop separate guidelines for these energy transfer services to facilitate clarity for consumers.

**Thank you**

