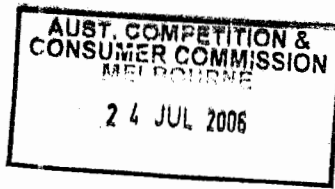


NEMMCO



National Electricity Market
Management Company Limited
ABN 94 072 010 327

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MARKS	

Mr Sebastian Roberts
General Manager
Networks Regulation South
Australian energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Sebastian

GridX Power Pty Ltd – Application for Network Service Provider Exemption

Thank you for the opportunity to provide comment to the AER's issues paper in relation to the application for exemption by GridX Power Pty Ltd as a Network Service Provider.

NEMMCO's comments to AER's issues paper are contained within the attachment to this letter.

If you have any enquiries in relation to these comments I can be contacted on telephone (02) 9239 9103.

Yours faithfully


Brian Spalding
Chief Operating Officer

Att.

ATTACHMENT – COMMENTS TO ISSUES PAPER – GridX Pty Ltd

Introduction

GridX Power Pty Ltd (GridX) wrote to the AER on 19 May 2006 providing information in support of an application for exemption from registration as a Network Service Provider.

On 9 June 2006 the Australian Energy Regulator (AER) published an issues paper in relation to the application, with a closing date of 14 July 2006. In the consultation "...AER seeks to understand the broader policy and technological context of issues related to the implementation of GridX-type networks, before making a determination on GridX's application."

The GridX proposal is for an electrical installation for the generation of electricity and the distribution of that electricity to consumers connected to that electrical installation. Excess generation will be sold into the national electricity grid through a connection to a distribution network.

The connection to the national electricity grid does not have sufficient capacity to support the entire load on the GridX installation, and therefore technical steps (unspecified) will need to be taken to ensure that the GridX installation does not draw energy from the local distribution network.

GridX will seek registration as a generator in the National Electricity Market, but by this application seeks exemption from the network registration requirements. The AER indicates in their paper that the practical impact of granting an exemption will be to allow GridX to restrict access to its network by other distributors or retailers, and means that GridX is not required to comply with the technical standards for the distribution of electricity set down in chapter 5 of the NER. By implication, consumers supplied from the GridX installation will be obliged to purchase their electricity requirements from GridX.

Basis of Exemption

The letter from GridX does not make clear an underlying necessity or basis for exemption. Although GridX indicates that their network is "...operating as an 'islanded network' for the purposes of conveying electricity to customers", the physical configuration described does not prevent connection points within the GridX network being registered with NEMMCO and the consumers accessing retail competition.

A characteristic of the NEM settlement process is that where there is generation on the customer side of a connection point, physical connections are not essential; this is an important feature, because of the need to maintain accurate settlement independent of operating conditions within the national grid. An example of this might occur in practice where a tenanted building switches from the grid to an internal standby generator for a short period. Provided the generator has been appropriately metered and registered within the NEM, correct settlement continues for contestable and franchise customers within the building even though the building is effectively islanded from the grid for a period.

The physical configuration proposed should not form the core basis for exemption because this configuration does not of itself prevent retail competition within the GridX installation, and the configuration, including the energy import restriction, may be relaxed in the future if augmentation of the 'parent' network, gas supply outages, or gas restrictions were to occur.

Clarity on Consumer Access to Retail Competition

The AER has indicated that the granting of an exemption will limit access to the network by other retailers, and hence will need to consider whether this is contrary to the NEM objectives. (Principle 4 of the AER Exemption Process).

To facilitate consumer access to retail competition there is a need for a Responsible Person for the connection point, provision of a Rules compliant metering installation, and an obligation on the network operator to allow access to the metering installation.

In the event of an exemption not being granted, GridX will require registration in order to undertake the obligations of the local network service provider, and potentially the responsible person for connection points within the embedded network. However if AER chooses to issue an exemption conditional upon consumer access to retail competition, AER will need to consider how the Responsible Person is determined, and impose an obligation on the network operator to provide access by the metering provider to the NEM metering installation.

Metering Standards

The technical standards for metering at NEM connection points are established under the National Electricity Rules. These standards are applied by the Metering Provider engaged and supervised by the Responsible Person and are applicable to the connection point between the proposed GridX connection point and the local distribution network.

The NEM metering standards are not enforceable within a network for which there is an exemption from registration. However, if the consumer supplied from the GridX installation is deemed to be connected to the national grid at the connection point between GridX and the LNSP, the Rules may be applied to the metering installation, and the existing NEMMCO procedures for an embedded network can be applied.

Bi-directional Metering

At the connection point between the national grid and the GridX network, bi-directional metering would be appropriate to ensure all energy flows are recorded, both for the current installation and to provide for any permanent or temporary changes in network configuration.