



12 August 2011

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Dear Sir/Madam

**Australian Energy Regulator Approach to Electricity Network Service Provider Exemptions**

Origin Energy Retail Limited (Origin) welcomes the opportunity to respond to the Australian Energy Regulator's (AER) Approach to Electricity Network Service Provider Exemptions Consultation Paper.

**1. Consultation**

Origin appreciates the efforts that the AER has undertaken in embracing our recent comments with regard to improvements to the consultation process whereby the industry workshops occur prior to the closing date for submissions to consultations. This supports more informed and perhaps concise responses to the consultations.

**2. General Approach**

As mentioned in previous submissions developing a suitable framework for the management of exempt selling of energy in conjunction with providing exemptions for network service providers is complicated and Origin acknowledges the efforts taken by the AER and generally supports the approach outlined in these consultation documents.

In particular we agree with the attempt to align the categorisation for exempt selling with exempt networks as this will go some way to improving the understanding of this across the energy industry and the community.

It is noted that registrable exemptions are only required to provide information and changes to this information. Whereas there are no information provisions imposed on deemed exemptions. Origin is concerned that this may not entice suitable compliance by these exempt networks and it is difficult to understand how the AER will monitor compliance. Origin suggests that some form of sampling audits or spot checks will be required so that both these categories of exempt networks remain visible to the market. Alternatively customer complaints will be the only manner of managing compliance of



exempt networks which is unsatisfactory as these customers are often unaware of their rights or the responsibilities of their respective exempt network.

### 3. Responses to Particular Questions Raised in the Issues Paper

Q1: Do stakeholders support the AER's decision to align the classes of exemption in the network Guideline with the Exempt Selling Guideline?

As mentioned above Origin supports the alignment of the different classes of exemption in the Network Guideline and the Exempt Selling Guideline. However Origin reiterates its comments made to the Exempt Selling Issues paper whereby we believe that all exempt networks (deemed, registered and individual application) and on sellers should be recorded in a register. See response from the issues paper below:

*Origin supports the concept of a register of exempt sellers and associated sites, as it will ensure that exempt sellers are not lost once they have received an exemption - which is the case currently in some jurisdictions. However, Origin also sees merit in all exempt selling parent meters being tagged as an embedded network in Australian Energy Market Operator's Market Settlement and Transfer System (MSATS). Once the parent meters were tagged in MSATS it would trigger the establishment of an embedded network code on the 'Embedded Network Identifier Codes list' of MSATS as well. This list provides a good repository for much of the information proposed for the exempt seller's public register. While it is understood that this information is not publicly available it would be a very relevant resource for industry participants. The tagging of parent meters related to exempt seller installations also provides the following benefits:*

- *The magnitude of electricity load being supplied by exempt sellers can be monitored on an on-going basis; and*
- *After a RoLR event exempt selling parent meters could help to identify affected customers of exempt sellers.*

Q2: Are the classes of exemption clear and easily interpreted?

Q3: Are there any other network situations that stakeholders consider would warrant a separate exemption category?

Origin believes that the exemption categorisation is appropriate at this stage but as the market develops it may need to be amended in order to provide the optimum levels of customer protection.

Q6: Do stakeholders consider the criteria for revocation are appropriate for exempt networks?

Q7: Do stakeholders consider the proposed process fair and reasonable?

The proposed grounds for revocation involve the AER being satisfied that there has been a "material failure" by the exempt party to meet conditions imposed on them. While the AER has the right to determine what a "material failure" is on a case by case basis perhaps it would be more manageable and enforceable for this criterion to be amended to simply a "failure" as determined by the AER.



Q8: The AER considers common standards for the accuracy of metering will benefit consumers. Do stakeholders agree with this approach?

Origin supports common metering standards for the accuracy of metering.

Q12: Do stakeholders have any suggestions which would improve this condition?

The provision of a “suitable dispute resolution mechanism” is appropriate as this is also mandatory for authorised networks and retailers. As embedded networks will often be competing with authorised parties and to avoid cross subsidies in the market it should be reinforced that the suitable dispute resolution service should be fully funded by exempt networks.

Q13: Do stakeholders consider aggregation should be permitted in exempt networks? If so, why? Or why not?

Origin’s systems and processes mimic the market arrangements where individual connection points are considered as unique loads. Retailers can aggregate loads for multi-site customers and procure energy volumes to facilitate the total energy volume required whether a private network connection or a direct connection to the LNSP’s network. Embedded private networks should be constrained in their on-selling arrangements from acting as a licensed Retailer across multiple embedded network sites irrespective of metering arrangements.

However, within a specific single embedded network, there is no reason why an on seller should be precluded from aggregating the loads of a particular entity within the same site.

Q14: Do stakeholders consider the proposed registration arrangements are clear and the information requirements to be sufficient?

While it is understood that each new owner of an embedded network has an obligation to register their details with the AER and that the exemption is personal to the applicant it is difficult to appreciate how the AER will ever know if an ownership has changed. Origin is of the view that, at a minimum, each registered exempt network should be required to submit an annual or biannual statement reconfirming the ownership and the embedded network arrangement. This will give the AER some confidence that their register is current and that each owner is aware of their ongoing responsibilities.

Q15: Do stakeholders agree with the AER’s metering conditions for exempt networks?

Origin supports the proposed metering conditions. Customers of a private network should not be connected to inferior metering and avoid the requirements of the National Measurement Institute. This requirement will facilitate the choice of Retailer by individual customers connected to a private network if they choose to exit the on selling arrangement.

Q16: Do stakeholders consider the conditions that are applicable to energy generation appropriate?



Any generator that is connected to the distribution network either directly or indirectly via an embedded network must satisfy the requirements of the local Distribution Network Service Provider (DNSP). This arrangement protects the integrity of the supply network and ensures appropriate measurement of generated energy.

Q17: Do stakeholders have any comments on electric vehicles or electric charging stations, and the conditions to be applied to them?

Origin agrees that battery charging is a commercial process requiring energy (AC supply) from an electrical connection, directly or indirectly fed from the Local Network Service Provider (LNSP) supply grid. The service of recharging batteries (DC supplies) is not a function of the National Electricity Market and therefore should not be covered in this guideline.

It is noted in the Guideline on page 10 that “*the supply of electricity from a battery charging facility for transport use is a value-added service.....*” Origin assumes that the term value added service used here should not be confused with the reference to value added service under Category C in Table 3 on page 12 as this would seem to conflict with our understanding that battery charging is not in the scope of this guideline.

Q18: Do stakeholders consider the AER’s approach to the application of distribution loss factors to exempt networks to be appropriate?

Origin considers the AER’s proposal as acceptable where the connection voltage is the same as the distribution voltage of the private network. It is assumed that where voltage reduction is implemented via transformation within the private network that an appropriate loss factor be applied to large customer loads simulating the LNSP’s methodology.

Q19: Do stakeholders have any comments in relation to the AER’s approach to external and internal network charges?

The drafting of this section on pricing is not clear. It has assumed that any capital costs associated with the energy supply are a component of the rental agreement from the owner. The embedded network owner will recover the energy charges (energy and network charges levied at the gate meter) by a proportional charge to each customer of the private network by metered consumption at each load connection. This needs to be understood and suitably reflected in the Guideline.

Should you require further information on this submission please do not hesitate to contact me on 03 9652 5880.

Yours sincerely

[Signed]

Randall Brown  
Energy Relationships Manager