



UNITED ENERGY  
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Dear Tom

**AER Electricity Network Service Provider Registration Exemption Guideline  
Consultation**

Dear Tom

United Energy (UE) welcomes the opportunity to provide comments on the AER papers, Consultation paper AER approach to electricity network service provider exemptions and Electricity Network Service Provider Registration Exemption Guideline.

UE support the AER approach to:

- Combine the two existing guidelines into one new AER guideline;
- To align the network exemption and retail exemptions classes; and
- To pre-define conditions upon which exemptions will be allowed.

Our detailed comments to the AER questions are in the Attachment, in summary;

- UE support the network exemption categories prevailing and the onselling categories being brought into line with those stated in the network exemption guideline;
- UE support the AER's aim to ensure that metering requirements are consistent with the NER and the NMA;
- UE support metering within an exempt network being managed consistent with the metering arrangements in NER Chapter 7 and suggest that where customers are second tier in the exempt network, then NER clauses 7.2.2 and 7.2.3 would apply for the selection of the responsible person;
- UE support that metering installations be managed in accordance with NER Schedule 7.2. UE consider that in order to manage metering installation accuracy then the testing arrangements in schedule 7.3 should also apply – a test plan should be available on request and testing should be managed in line with the periods outlined;
- Off market and on marketing energy generation for children within the embedded network need to be metered in accordance with chapter 7 of the NER, ie a bi-directional meter in accordance with NER clauses 7.3.1(a) (7) and 7.3.1 (i) and be an interval meter where the generation/child customer wishes to be second tier in accordance with the National Metrology Procedure; and

- The guideline should clarify who is responsible for the development of these site specific DLFs for children within the exempt network and who is accountable for the annual approval.

In light of the responses on both the exempt network and the exempt onselling guidelines, UE consider it may be worthwhile for the AER to consider another round of consultation.

Please feel free to call me on (03) 8846 9856 if you wish to discuss any aspects of this response.

Yours sincerely

Verity Watson  
Manager Regulatory Strategy

## Attachment

### Regulatory Framework

The consultation paper states:

'The granting of an exemption can relieve an affected party of the requirement to comply with the technical requirements set out in Chapter 5 of the NER, and the obligation to provide other network suppliers and other registered participants in the NEM with access to its network.'

'The purpose of the network Guideline is to define the situations where an exemption is deemed, where an exemption must be registered and where an exemption application is required. .... When adopted, compliance with the guideline will be obligatory for all affected parties.'<sup>1</sup>

UE understand that an exempt network service provider (NSP) is exempt from the NECF and exempt from the NER (except schedule 7.2 relating to meter type, meter accuracy etc). This implies that the exempt NSP is exempt from NECF connection services and supply requirements, de-energisation requirements, notification of planned/unplanned interruptions, technical standards for embedded generation etc. To date these type of obligations are in the Victorian Codes. Unless this continues to be supplemented in each jurisdiction it may need to be considered within the AER network service provider exemption guideline.

The Consultation paper is drafted like an Issues Paper where the questions are seeking to confirm the scope of the arrangements that should be covered in the Guideline. The AER has provided a Guideline as part of the consultation; however the Guideline does not indicate that it is a draft. The AER should clarify the process for moving these arrangements forward, ie will be there be another round of consultation.

### Distinction between the AER's retail and network guidelines

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

UE support the identical classes of exemption in both the onselling and exempt NSP so that it will facilitate a common approval process. A party seeking to transmit, distribute and sell electricity within a network will need to be covered by either a deemed or registrable exemption from the AER for both the transmission/distribution activity and the onselling activity.

Whilst the consultation paper does not cover gas, any party transmitting or distributing gas will need to comply with a Victorian government network exemption and an AER onselling exemption.

UE support the network exemption categories prevailing and the onselling categories being brought into line with those stated in the network exemption guideline. UE recommend the following:

- D2 should be amended in line with ND2, where this is available to current onselling/network exemptions and those that commence onselling/network exemptions prior to 1 Jan 2015. Similarly D3 and D4 should be brought into line with ND3 and ND4.
- ND2 is a deemed exemption class available where there is less than 12 residences, D2 should be brought into line with the 12 residences as opposed to 20.

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<sup>1</sup> Consultation paper AER approach to electricity network service provider exemptions, June 2011, p7

UE consider that this approach allowing some of the deemed and registrable categories for an interim period and any new onselling or network exemptions from 1 Jan 2015 requiring individual exemptions is a prudent and efficient way for the AER to manage the exemption classes. This approach supports the AER view that 'through the classes of exemption we have created, we have taken steps to minimise the future growth of onselling'.<sup>2</sup>

**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?**

The consultation paper proposes three exemption categories:

- Deemed exemption where no registration or listing with the AER is required;
- Registrable exemptions where there is a requirement to list the site, applicant with the AER. These registrable exemptions are only effective for a particular class and a particular site from the date the exempt NSP is listed with AER. The exemption is not transferrable; and
- Individual exemptions which are specific to an applicant for a particular class and for a particular site from the date the exempt NSP is registered with the AER. Individual exemptions are not transferrable.

It would be useful to clarify if the applicant is the network owner, the network operator or either. For example a building owner could employ a network operator or building manager. The exempt NSP obligations need to be met by the applicant, if the network operator changed, the exemption would not be transferrable to a new network operator or the building owner.

The Exempt Selling Guideline also refers to the exempt party possibly being a specialist external providers who onsell energy services as a core business function (not the embedded network owner or operator)<sup>3</sup> or even a body corporate. Further the Exempt Selling Guideline notes there may be minimal conditions for exempt onselling in remote areas as the onseller operates for the benefit of the community as it is the only reliable energy provider. UE would be concerned if these minimal conditions relating to any type of network services resulted in a lower level of safety for exempt customers or the community in general.

The consultation paper notes three new deemed exemption categories:

- ND01, Off-market generation;
- ND02, Temporary supply for defined purposes; and
- ND03, Electric vehicles.

The ND01, deemed exemption for off market generation notes that generation registration and exemptions are handled by AEMO. It would be useful to clarify whether this off market generation is intended to include solar panels, small wind turbines, co-generation (such as hot water and electricity generation units etc) which may be installed at child supply points within the embedded network.

The ND03, electric vehicle charging station within an embedded network may have both load and generation at the child supply point. The AER should consider whether the same footnote relating to AEMO generation registration and exemptions should apply.

Table 1, ND03 refers to the exemption only applying if there is an agreed commercial arrangement. It would be useful to clarify who is a party to the commercial arrangement and

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<sup>2</sup>AER, Notice of Draft Instrument - exempt selling guideline, June 2001, response to submissions, page 1

<sup>3</sup> AER, Draft, Exempt Selling Guideline, June 2011, page 14

how it may get established. For example, from a distributor point of view it would be useful that charging only occurred if there were a time of use network tariff at the parent, eg to avoid battery charging at smeared flat network tariffs during peak periods. Similarly any generation at the parent would need to cease where the UE network is off supply to ensure that our electrical workers and the community were safe.

UE considers that it is good practice to know the types of generation equipment connected to the licensed NSP's network, including size and location etc so that the licenced NSP is able to plan for two way flow of electricity on it's infrastructure. The exempt NSP or parent needs to ensure that any generation which may flow to the licensed NSP is subject to certain safety and technical requirements to ensure the safety on the UE network. Even if the exempt NSP is exempt from AEMO generation registration requirements, there should be an obligation to advise the licensed NSP, regardless of whether the exempt NSP is in the deemed or registrable category.

The guideline is meant to clarify the relevant obligations for the exempt NSP. It would be useful to clarify the AEMO registration requirements for any type of generation for both off market and on market child supply points and any technical or safety requirements. UE notes that the general exemption conditions require the exempt NSP to meet the same obligations as the licensed NSP, for load or generation connections for safety or technical matters, however it is not clear that all these obligations will remain in (all) jurisdictional instruments.

Individual exemptions, NRI refer to individual exemptions of a network not otherwise described in Table 3. However, our understanding is that an ND2, metered onselling by residential landlords is only applicable if the onselling commenced prior to 1 Jan 2015. Any new occurrences of this type of network after 2014 also would not fit into NR1-3, as these registrable categories also cease after 2014, and hence would need to be NRI. NRI would be better described as any network exemption where there is a need to have a variation of conditions or there is any new exempt network established from 2015 which may have been classed in the deemed or registrable categories which are closed to new applicants.

***Q4: Do stakeholders agree that the general conditions are appropriate for exempt networks?***

As drafted the general conditions in Section 5 of the Guideline apply to all categories of exempt NSP, deemed, registrable and individual exemption classes, with the exception of ND02 and ND03.

ND02 allows deemed exemptions for temporary supply for building construction. ND02 only needs to comply with safety or technical requirements that would be applicable to a licensed NSP. This appears reasonable given the temporary nature of a supply.

ND03 relates to an electric vehicle charging station within an embedded network. In this case any deemed network exemption for this particular class only needs to comply with safety or technical requirements that would be applicable to a licensed NSP. An electric vehicle charging station has both a load and possibly a generation data stream. There may also be a need for the metering point to be second tier and on the market. All general exemption conditions should apply to an exempt network of the type, ND03.

Deemed exempt networks do not need to comply with AEMO and NEM requirements, condition 8. UE do not support this approach, condition 8 covering AEMO and NEM requirements is applicable to all exemption classes;

- Even customers in a small embedded network can have access to retailer of choice in some jurisdictions, there may be a need to appoint accredited metering service

providers, need to provide and maintain NMI standing data etc to facilitate the exempt customers choice;

- Embedded networks with embedded generation would still need to provide details of the generation to the licensed NSP for planning purposes; and
- Even deemed exempt networks will be subject to load shedding and will need to manage the exempt NSP services appropriately.

Children within a deemed exempt network may choose to be second tier and hence need to have metering arrangements which comply with NER Chapter 7 and must have an accredited metering provider and an accredited metering data provider. In order to be registered as second tier in the CATS system, there must be a responsible person selected in accordance with NER Clauses 7.2.2 and 7.2.3.

In addition, this condition 8 needs to clarify either the requirement for the exempt NSP to meet the LNSP role requirements in Chapter 7 eg the provision of NMI standing data in CATS or the obligation to provide this data to the licensed NSP. The exempt NSP being the source of this data is best placed to provide this data into CATS and ensure it is accurate.

Condition 8, point 4 needs to be extended to cover the establishment of life support and also the need to remove the life support flag in a timely manner so that accurate records are maintained.

***Q5: Do stakeholders consider any further conditions be included in the general conditions for exempt networks?***

In relation to dispute resolution procedures, general condition 5, footnote 8, states that where a network owner or operator appoints an agent, the principal remains responsible for ensuring the condition is satisfied. UE considers that this principal that the network owner/onseller remains responsible regardless of the agent arrangements or specialist providers appointed is an important point that is valid for all conditions, particularly safety and supply arrangements. UE suggest that this point be made in relation to the application process and the party seeking the exemption, either a network exemption or an onselling exemption.

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

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

If an exemption is revoked, particularly for health or safety reasons, it may be difficult to find parties who are willing to take on the liability for poor safety or technical standards in the network. Revoking an exemption does not resolve the issues or the need to find a party willing to pay to resolve the safety or technical issues.

Where an exempt network operator/onseller is in receivership, the receiver will struggle to pay the debts owing, let alone be able to fund resolution of safety or technical issues. It is more likely that the business will be sold for less with the new owner having to resolve the issues.

**Conditions - General**

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

UE support common standards of metering (condition 5, point 1) for all children in an exempt network whether they are load or generation data streams and regardless of whether the child is first or second tier.

**Q9: The AER considers that electricity should not be treated (differently?) to any other service or product with regard to metering. Do stakeholders agree with this approach?**

UE supports the AER view that all supply points are metered except in unique or exceptional circumstances.

**Q10: The observance of safety standards is essential for consumers to have confidence in exempt networks. Do stakeholders consider the AER's condition will achieve this objective?**

The consultation paper states that the AER may exempt a network operator from some obligations under the NEL and the NER. It would be useful to clarify if the exemption for a NSP was an exemption from complying with the NER except for a specific list of clauses eg Schedule 7.2 and other listed clauses.

UE agree that it is important for safety and technical standards to apply. However in this specific condition, 5 point 3, the AER refer to a reliance on current jurisdictional regulations. It is not yet clear whether these will remain and apply to any exempt networks and any embedded generation within exempt networks. UE welcome the AER working with the jurisdictions to ensure that a clear and robust framework remains for embedded networks in relation to safety and technical matters.

UE support exempt NSP adhering to the various wiring rules and safety arrangements – AS 3000 wiring rules, the Victorian service and installation rules and maintaining a safety management plan. Where an exempt NSP is in the deemed category, it is unclear how a safety authority would be able to manage these safety arrangements.

**Q11: As regulatory gaps can arise when related activities are authorised under different legislation the AER considers that this cross-over condition will minimise the prospect of a gap arising in the retail onselling framework. Do stakeholders consider the AER's condition will be sufficient for this purpose?**

UE support that onselling cannot occur within an embedded network unless it is by a licensed retailer or an onseller who meets one of the AER exempt onselling classes.

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

UE supports customers within an embedded network being afforded similar protections as customers which are directly connected to the UE network. UE have responded to the Department of Primary Industry on the possible extension of the Energy and Water Ombudsman (Victoria) scheme in Victoria to cover exempt onsellors and exempt NSP's.

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

UE is supportive of flexible arrangements for a child customer in relation to aggregated retail billing.

The condition refers to several types of arrangements:

- Aggregation of meter reads where a tenant expands into other sites served by the same network operator eg adjoining premises within the same embedded network; or
- Aggregation of meter reads for a tenant across several exempt premises (ie across multiple exempt networks/locations) within the same jurisdiction.

UE is supportive of the NMI and metering arrangements remaining simple. A NMI refers to a metering point(s) at a location, not across several locations. UE is supportive of simple arrangements in this respect to ensure the integrity of settlement data. Aggregation of multiple NMI's or exempt network locations should be managed by retailers or onsellers.

UE recommend that this condition be removed from the Network Service provider Guideline. This is a matter for the exempt customer and onseller.

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

The AER consider it is important that embedded network operators remain accountable. However the AER go on to suggest that if the embedded network owner changes, then the new owner needs to register. This allows the AER to ensure the orderly conduct of the embedded network operator.

The AER consider that an exemption is specific to an applicant and does not apply to the site regardless of ownership. This would seem to indicate that the owner of the exempt network is the applicant and is accountable for compliance.

The AER drafting in this area appears contradictory.

Where the exempt network is in the deemed class, the party accountable for compliance and safety may not be clear.

The AER may like to clarify whether they wish the embedded network owner to register and be held accountable for the exemption. The current drafting of condition 5 point 7 makes it unclear whether the network owner or operator is the applicant and registered party for the exemption.

**Conditions – Metering**

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

UE support the AER's aim to ensure that metering requirements are consistent with the NER and the NMA. UE note that metering arrangements for supply points on a licensed network are managed by the responsible person in accordance with the NER Chapter 7. The responsible person for a NMI may be the registered retailer or the licensed NSP depending on the meter type required/consumption threshold.

UE support metering within an exempt network being managed consistent with the metering arrangements in NER Chapter 7 and suggest that where customers are second tier in the exempt network, then NER clauses 7.2.2 and 7.2.3 would apply for the selection of the responsible person. Any off market customers whilst there is a need to have consistent metering arrangements, will not necessarily need a responsible person where they are not registered in the CATS system.

UE support that metering installations be managed in accordance with NER Schedule 7.2. UE consider that in order to manage metering installation accuracy then the testing arrangements in schedule 7.3 should also apply – a test plan should be available on request and testing should be managed in line with the periods outlined.



The Condition – Metering Installation refers to a term Commencement date which is defined as a date. It would be useful to clarify what is the Commencement date. Is it the date that the National Measurement Institute lift the electricity meter exemption or is it the date that this AER Guideline becomes effective? The guideline could be drafted without the need to define the term eg all metering installations need to meet the requirements of the National Measurement Act (NMA), any metering installations within an embedded network which are installed prior to the lifting of the electricity metering exemption under the NMA will need to have a grandfathering or deeming arrangement in place.

In section 6, point 2 should refer to convenient and unhindered access to the metering installations and both the exempt NSP and child customer must provide safe access to the metering equipment. This safe and unhindered access is required to maintain and test the metering installation, it is required regardless of whether the meter is remotely read or not. Points 2 and 3 should not be drafted as an 'either' 'or' situation. Points 2 and 3 should be replaced by the following:

'All metering installations must be installed in an accessible location with safe, convenient and unhindered access to facilitate meter reading, testing and meter maintenance.

Metering installations may have remote facilities to permit access to current metering data either by a readout device or by electronic means including via a web portal or other equivalent facility.'

Footnote 11 states that points 2 and 3 may not apply where a meter is provided for use by a registered retailer. If the metering data is used by a registered retailer, the meter data is likely to be required for settlement purposes. Metering would therefore be managed in line with the NER by any registered metering service providers and access to the meter is required. UE welcome further explanation of this point.

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

Off market and on marketing energy generation for children within the embedded network need to be metered in accordance with chapter 7 of the NER, ie a bi-directional meter in accordance with NER clauses 7.3.1(a) (7) and 7.3.1 (i) and be an interval meter where the generation/child customer wishes to be second tier in accordance with the National Metrology Procedure.

The guideline could provide the relevant provisions in the NER and the National Metrology Procedure which need to be adhered to for any generation. This would assist with clarity for an exempt NSP.

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

UE is supportive of a sub metering arrangement that does not necessarily comply with the NER for an electric charging station where the exempt network owner, operator and user of the energy are all the one consumer with a relationship with a single retailer. However if there were a need for a different customer and retailer at the parent as opposed to the child charging station then the metering requirements, selection of responsible person etc should apply.

In addition where the battery could generate supply back to the licensed NSP then both the parent and child metering arrangements must comply with the NER clause 7.3.1 metering arrangements for embedded generation in addition to NER schedule 7.2.

It is unclear what is trying to be achieved in this exemption category, is it single residential customer embedded networks?

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

UE support the AER approach that where loads are small that the exempt NSP adopt the DLF's calculated by the licensed NSP applicable to the parent and apply these to the children. This approach relieves the exempt NSP of any requirement to calculate and seek annual approval of DLFs for child meters within that network.

For larger loads, generators and site specific DLF's need to be calculated in accordance with the methodology published by the licensed NSP or by a method approved by the AER. The guideline should clarify who is responsible for the development of these site specific DLFs for children within the exempt network and who is accountable for the annual approval.

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

The AER considers that external network charges should be apportioned by an exempt network operator to each customer in an exempt network in proportion to their metered energy consumption over the equivalent period. UE support this arrangement where children in the embedded network benefit from the aggregated load of the exempt NSP or parent in relation to network charges. This approach would best be served by separate billing of network and energy charges to children where the apportioned network charges did not exceed the total network charge at the parent.

***Q20: Do stakeholders have any comments in relation to the AER's approach to Charge Groups outlined in the network Guideline?***

***Q21: Should any other charge groups be permitted by the AER? If so, why?***

***Q22: Do stakeholders have any comments in relation to the requirements for registration or application for an individual exemption.***

***Q23: Are there any other matters the AER has not considered in this draft network Guideline which stakeholders believe should be addressed?***

UE has no comments on these questions.