



## **AER approach to electricity network service provider exemptions**

Since its inception in 2005, WINenergy has specialised exclusively in the establishment and operation of Embedded Networks for electricity. Typically we undertake this activity as an agent of the property owner or the owner's corporation. We work exclusively in this market segment although we do hold a retailer authorisation in NSW.

We operate 80 sites and we have a further 30 contracted sites in implementation. We have about 100 sites in our forward sales book that are likely to be contracted in the next 24 months. All of our sites are "grid connected". We operate sites in Qld and NSW, but the majority of our sites are in Victoria. We bill 9000 consumers each month.

Our clients are large funds and property trusts who own shopping centres. We also service property developers who either build and "run" properties, or hand them over to owners' corporations.

We have commented previously on the exempt selling guidelines. The following comments pertain to network service provider exemptions.

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

Yes. There is no reason for them to be different.

***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?***

Yes – we believe that the categorisation is comprehensive.

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

Yes

- maintenance of safety standards,
- metering installation and accuracy,
- compliance with necessary elements of AEMO procedures for data provision and registration of metrology,
- resolution of disputes,
- maintenance of distribution loss factors, and
- pricing of network services.

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

Invoicing should be via industry standard electricity bills – not line items on rental statements. Customers should be offered a range of payment options.

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

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

The revocation needs to be with cause.

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

WINenergy believes that all meters in an embedded network should be type 4 or type 5 interval meters.

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

Yes. WINenergy insists on individual metering including metering of common area.

***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?***

Yes

***Q11: As regulatory programs concerning related activities are introduced under different legislation, the AER considers that this cross-over condition will mitigate the prospect of a gap arising in the retail consulting framework. Do stakeholders consider the AER's condition will be sufficient for this purpose?***

The AER conditions are appropriate.

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

Exempt on-sellers should be bought under the purview of ombudsman schemes

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

It is reasonable to aggregate consumption within an embedded network. Aggregation across networks is probably not feasible.

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

Yes

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

Yes. In some installations of building management systems, meters are installed assuming that they can also feed a billing operation. These projects are run out of the Sustainability office without consideration of the needs of billing quality meters. We agreed that all meters and sub-meters used for billing should comply with the National Measurement Institute.

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

Embedded energy generation by wind, photo voltaic solar or gas turbine is a challenging area. WINenergy believes that this generation should be able to be sold

within the building on an exempt basis, but it should be subject to the same conditions as “purchased” energy.

The provisions for exporting back to the NEM are reasonable but subject to a host of considerations by the DNSP's, some of whom are reluctant to accommodate exports.

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

We do not have a position on electronic vehicles.

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

It is essential to apply the network distribution loss factor to energy delivered to the gate meter. We assume that there is no loss factor within the embedded network. This assumption may require revision for a large (broad acre) embedded network but it is likely to be an exceptional case.

Sites that have their own transformers and are feed with high voltage supply need a different mechanism for applying distribution loss factors.

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

*“The AER considers therefore that external 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”*

WINenergy challenges the above sentence and in particular the word *apportionment*. The treatment of network charges within an embedded network must accommodate the fact that they may be children meters of the NEM within the network. The existing best practice is to charge small customers a bundled bill as described in Charge Group A table 3. Bundled tariffs are calibrated by reference to the standing tariffs of local retailers. It is not feasible to strip out these tariffs to apply

“apportioned” network charges. In the case of larger customers (above 160 MWh p.a.) the embedded network operator has the option of offering an unbundled tariff, and the best practise is to base the network component of this on whatever is the most favourable tariff that the consumer could attain in the market place.

In cases where a child is large customer (eg: a supermarket) they want consistent NUoS tariff charges; apportionment will lead to variations which such customers cannot accommodate in their bill review systems.

Similarly, licensed Retailers with whom WINenergy has use of system agreements depend on published DNSP NUoS tariffs to reimburse us for network charges of child customers. Apportionment is not workable such situations.

WINenergy subscribes to the intent of the AER retail on-selling guidelines that pricing within and embedded network should not disadvantage the consumer. It is our practice to offer at least 10% off the standing tariffs. Those guidelines discuss the reasonableness of recovering administrative costs and deriving a profit from the bundled tariff to the consumer.

With respect to “internal network charges”, an embedded network should not charge for use of the infrastructure within the building or complex. WINenergy agrees with the position of the AER.

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

***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 Guidelines which stakeholders believe should be addressed?***

“Charge Group A covers bundled energy and network tariffs. Most energy users are ultimately concerned with the overall expense of their energy consumption. The AER expects a large proportion of on-sellers will offer a bundled price inclusive of all external network charges. The critical point of comparison for the consumer is the bundled price of energy and network charges to alternative energy supply options.”

WINenergy agrees with the above statement and consider that it needs to be reconciled to the commentary pertaining to question 19 on network charge recovery.

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

### **DNSP recognition of embedded networks.**

The metering records in MSATS are very important in maintaining the integrity of the NEM. The manner in which this is achieved is different with every DNSP. This is particularly problematic when an existing building is converted into an embedded network and existing metering records have to change. Some DNSP's state that "they make the rules", and they attempt to deny property owners the ability to install an embedded network. They claim that embedded network guidelines of AEMO are not rules and can be ignored by DNSP's. It is essential that the proposed AER guidelines are enforceable.

One DNSP is on the record as saying that embedded networks don't exist.

Other DNSP's complain that their position as a Responsible Person in EN sites is burdensome and uneconomic. All the services they actually provide are:

1. Register the parent meter with an EN code on MSATS
2. organize metering and meter reading for Child customers in the embedded network
3. Register Child NMI's as EN customers & assign them to the parent meter EN code

A far better solution would be for the parent meter FRMP to assume responsibility as the RP for Child meters within the EN. This will ensure that DNSPs have no more responsibility past the connection point and can treat an EN just like any other market customer.

## Special Embedded Network Tariffs

We refer to the conversation on network charges:

*“External network charges are those charges which may be levied by a registered NEM NSP and charged to the parent meter of an exempt network. These charges are known variously as ‘transmission use of system charges’ (TUOS), ‘distribution use of system charges’ (DUOS) and ‘network use of system charges’ (NUOS) charges depending on the jurisdiction in which the network is located.”*

Network charges are of course set by the AER following lengthy submissions of the DNSP's and DNSP's have varying tariffs depending on load and demand. What we believe unjustifiable is that they can charge different tariffs to premises with identical load characteristics just because one building hosts an embedded network. Some DNSPs have created EN network tariffs, which are generally about 8% higher than non-EN tariffs for a similar load connection. DNSPs apply these tariffs across all EN sites, irrespective of whether there are any CHD customers in the EN.

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