

Wednesday, 19 June 2002

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Dear Dr Parry

**Proposed changes to the New South Wales Metrology Procedure -  
Types 5, 6, and 7 Metering Installations  
- EnergyAustralia's Comments**

EnergyAustralia appreciates the opportunity to comment on the proposed changes to the Metrology Procedure for types 5, 6 and 7 metering installations. EnergyAustralia believes the majority of proposed changes support practical outcomes. However, the proposals relating to the role of LNSP in embedded networks are impractical and EnergyAustralia strongly urges that an alternative approach be adopted.

EnergyAustralia is strongly supportive of changes to allow separate profiles for Off Peak 1 and Off Peak 1 controlled loads. This not only preserves the existing demand management signals in the market, but also removes pricing barriers to achieving greenhouse benefits through moving electricity hot water customers to solar and gas solutions.

Each of the issues raised in the paper are addressed below. EnergyAustralia would only seek a public meeting on these issues if:

- the embedded network proposals are not altered and LNSP would be given responsibility for embedded networks; or,
- the controlled load profiles proposals were changed to preclude separate profiles for Off Peak 1 and Off Peak 2.

#### **4.1.3 Embedded network definition proposed change**

**Comment is sought as to whether the definition for an “embedded network” in the Metrology Procedure should be amended as proposed. Are the definitions for “parent”, “child”, “master metering installation” and “slave metering installation” in the Metrology Procedure appropriate?**

The area of embedded networks is one of considerable complexity and confusion, as it does not fit comfortably within the framework for transfers and settlement established for Full Retail Competition.

The proposed definitions for “parent”, “child”, “master metering installation” and “slave metering installation” in the Metrology Procedure appear appropriate. The definition for an “embedded

network" in the Metrology Procedure should not be amended as proposed, as it creates potential problems. The proposed definition is:

*"Embedded network means a distribution network to which end-use customers are connected that is not owned, operated or controlled by a Local Network Service Provider, and which requires the energy data for the end-use customers which are connected to the embedded network, and which purchase electricity from a Retailer other than the parent's Retailer, to be deducted to be able to settle the energy for the parent's Retailer in the wholesale market."*

As written, the expanded definition includes appropriate consideration of master slave relationships, but goes further to only define as embedded networks those where the parent and children do not have consistent retailers. Hence, regardless of the physical connection arrangements an inset network can switch from being defined as an embedded network depending on the retailers chosen by the end-use customers involved.

As written, if a parent and all children remain with a local retailer then the arrangement is not defined as an embedded network. Similarly, if a parent and all children in an embedded network at any time all choose the same retailer, the embedded network ceases to be defined as such. If one or more end-users subsequently change retailer then the embedded network definition would reapply. While this may be appropriate in addressing issues of settlement, it is not necessarily appropriate for NMI discovery and standing data requirements.

A slight change in the definition to: *"... and may purchase electricity from a Retailer other than the parent's Retailer,..."* would allow a more inclusive definition of embedded network without being unduly proscriptive.

There is some confusion in the paper around the term 2nd tier. Section 4.1.4 on page 3 defines *"a child in an embedded network is considered to be a second tier customer when that customer purchases electricity from a retailer other than the parents retailer."* This is consistent with the definition of 1st tier and 2nd tier, that is, a 1st tier customer is one that purchases electricity from the local retailer and a 2nd tier customer is a customer that purchases electricity from a retailer other than the local retailer. For clarification the Local Retailer of an embedded network is the Financially Responsible Market Participant (FRMP) of the parent NMI (defined as ENLR in NEMMCO document CATS Procedures Part 1 Principles and Obligations, chapter 53).

The use to the term *"not first-tier"* is also confusing (page 5 is Section 4.1.4) as it is defined as *"for each metering installation where a customer has ever switched"*. If a customer has switched to a new retailer and then returns, on either a standard or negotiated contract, to their local retailer they are normally referred to as first tier. The confusion may be caused by attempting to apply the terms first and second tier to children within an embedded network compared to parents of an embedded network but unfortunately this is not consistent.

#### **4.1.4 Responsible Person discussion**

The LNSP of a parent NMI is not the network service provider for a child NMI within an exempt network (contrary to the section 4.1.4 page 6). The LNSP of a parent NMI has no physical or financial relationship with a child NMI in an inset/embedded network or with the FRMP of the child. Beyond the connection point between the two networks, the LNSP has no knowledge of

the embedded network, there is no customer connection contract with an embedded child NMI and correspondingly there are no network charges from the LNSP of the parent NMI to the FRMP of the child NMI. There is no mechanism for LNSP's of parent NMI's to recover costs associated with the provision, installation, maintenance, routine testing and inspection of type 5, 6 and 7 metering installations for child NMI's within an embedded network owned and operated by another party (refer to the derogation to the Code Section 9.17A2 Payment for metering (Clause 7.3.6)). There is also no mechanism for LNSP's of parent NMI's to recover other costs associated with the management of the Responsible Person (RP) role.

EnergyAustralia interprets the interim authorisation of the derogation to Chapter 9 of the Code (that assigns the LNSP as RP for <100 MWh per annum type 5, type 6 and 7 metering installations) does not apply to customers that are not connected to the LNSP's network, that is, child NMI's in an exempt network.

EnergyAustralia agrees that confusion arises regarding the RP role for the scenarios where a parent NMI consumes less than 100MWh per annum and has type 5, 6 or 7 meter installation types. The interim authorisation of the derogation to the Chapter 9 of the Code, in conjunction with the Metrology procedure for installation types 5, 6 and 7 means in this scenario the LNSP of the parent NMI could be seen to be assigned as the RP for the child NMI. For the reasons outlined above this is not appropriate.

EnergyAustralia proposes that the Metrology procedure Clause 1.2.5 be extended for the period of the derogation (during which the Local Network Service Providers are, pursuant to Chapter 9 of the Code, the exclusive RP for types 5, 6 or 7 metering installations consuming less than 100MWh per annum). In these instances, EnergyAustralia proposes the Responsible Person for metering installations of a child NMI is the FRMP for the child NMI (normally the end users retailer of choice).

This remains consistent with the derogation because the LNSP remains the RP for sites below 100MWh per annum with meter installation types 5, 6 and 7 connected to the LNSP's network.

For the case of a first tier parent, there is no RP for the parent NMI, but there is also no LNSP for the child NMI. Hence EnergyAustralia proposes that the RP for the child NMI should also be the FRMP of the child NMI.

#### 4.1.5 Responsible Person proposed changes

**Comment is sought as to whether the changes proposed to promote consistency between the Metrology Procedure and the Code as to the identity of the Responsible Person for 'children' in embedded networks are required.**

As discussed above, this proposal would place a burden on the LNSP for which the LNSP would not be in a position to control or manage. This proposal is not acceptable and the RP role for children in an embedded network should be held with the FRMP for the end use customers not the LNSP.

EnergyAustralia believes that while the LNSP has role to play with the parent in embedded networks, including that of RP if required, but as outlined above, we do not believe that the LNSP has any role to play with children in embedded networks including that of RP. The derogation, which makes the LNSP the RP, preserves existing pre-FRC arrangements and

promotes simplicity and efficiency. The proposed amendment creates additional obligations on LNSP's and increases complexity.

The Metrology Procedure and/or derogation should make clear the difference between a customer consuming less than 100Mwh connected to an LNSP's network and other customers consuming less than 100Mwh. LNSP should be the RP for only those sites below 100Mwh connected to the LNSP's network.

As presented above, EnergyAustralia proposes the following modification to the existing clause 1.2.5 of the Metrology procedure;

*1.2.5 For the purposes of this Metrology Procedure, the Responsible Person for a metering installation of a child is the Responsible Person for the metering installation of that child's parent with the following exception:*

- *For the period during which the Local Network Service Providers are, pursuant to Chapter 9 of the Code, the exclusive Responsible Persons for metering installations installed at a connection point consuming less than 100MWh per annum and:
  - *where a parent has metering installation types 5, 6 or 7 installed, then the Responsible Person for metering installations of a child is the Financially Responsible Market Participant for that child.**

EnergyAustralia has indicated previously that the LNSP as RP exclusivity provisions should be reviewed, and if necessary extended, before the exclusivity period expires.

#### **4.1.6 Metering requirements discussion**

The term *'host retailer'* is used in this section. This term is not defined in the Metrology Procedure or proposed changes and it is assumed that the term *"local retailer"* is intended.

This section appears to have difficulty with the term *"Second tier"* stating that *"a child could be second tier and still be with the host (local) retailer"*.

Section 4.1.6 on page 7 states *"For sake of clarity..."* however seems to confuse this definition. A child *"elect[ing] to transfer to a retailer other than the parent's retailer"* is not, as suggested, different from *"when the child becomes 2nd tier"*. A child cannot be second tier and still be with the local retailer. Conversely a child cannot be first tier and have a retailer other than the local retailer.

The point is made that *"it is the difference in child and parent retailer combined with different metering installations that create risks for the parent"*. This is potentially true for the retailer of the parent end user customer but for the parent end use customer, it is the difference in metering alone that can create the settlement risk as described above.

#### **4.1.7 Metering requirements proposed change**

<b>Comment is sought as to whether the changes to the requirements for metering in embedded networks are appropriate.</b>
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Consistent with the above discussion in 4.1.4, the LNSP has no physical or financial relationship with a child NMI and no mechanism to recover costs associated with the RP role. Any additional costs associated with requirement to alter metering to match the parents metering installation would also need to be borne inappropriately by the LNSP of the parent NMI.

The proposed changes appear unnecessarily convoluted and complex. A blanket statement that variation by agreement of the relevant parties is permitted under this clause would be simpler. Similarly, a statement could be made that a transition period up to 1 January 2003 is allowed for customers who find that their metering arrangement no longer comply with the revised Metrology Procedure.

We note that, as a result of the changes there may be a contention issue between the revised / new clauses 2.2.1 through to 2.2.6 and the existing clause 2.3.3 which states that type 6 metering installation can revert to type 5 "at any time". There may need to be a comment in 2.3.3 that gives precedence to clause 2.2. A similar issue may need to be addressed in clause 2.3.4.

#### **4.1.8 Access to energy data discussion**

For settlements purposes, the energy measured at both parent and child NMI's must be forwarded to the MSATS system. This allows 'differencing' to occur correctly and the residual load of an embedded network to be assigned to the local retailer of the embedded network. This means that no deduction of energy data is required for market settlements.

#### **4.1.9 Access to energy data proposed change**

**Comment is sought as to whether the parent's retailer should calculate the energy consumption for the parent by deducting the energy data for the children who have transferred retailer, or whether the deduction should be done by the Responsible Person or distributor prior to providing access to the retailer to that data. Assuming that it is the parent's retailer that deducts the energy data for the children who have transferred retailer, comment is sought as to whether clause 3.7.1 of the Metrology Procedure should be amended as proposed.**

Consistent with the discussion in 4.1.4 above, the LNSP has no physical or financial relationship with a child NMI and no mechanism to recover costs associated with the suggested additional requirements of a Responsible Person role.

As stated in Section 4.1.8, the requirement for deduction of energy data from a child NMI from the parent NMI is a billing requirement of the retailer. Agreements made between FRMP's and their customers (embedded network operators and perhaps 1st tier child NMI's) regarding billing could also require various deductions. Both are FRMP functions. EnergyAustralia views it as inappropriate that the RP should be obliged to provide a function solely for a retailer's billing purposes. The deducted energy does not represent a NMI in the market and the RP should not be required to play this role.

While EnergyAustralia supports the intention of modification, the modification to clause 3.7.1 would read better with the following minor change: "... to energy data in the metering

installation database for each metering...". This wording is more consistent with clauses 3.7.2 and 3.7.3.

#### 4.1.10 Standing data discussion

**Comment is sought as to the appropriate party to issue NMIs for children in embedded networks, and to register the NMIs in the MSATS system.**

Consistent with the above discussion in 4.1.4, the LNSP of a parent NMI is not the network service provider for a child within an exempt network. NEMMCO document CATS Procedures Part 1 Principles and Obligations, chapter 53 explains "*because the [exempt] network is not a code participant, it is therefore not required to fulfil any of the requirements that a network service provider must normally meet.*"

The participant with access to information relating to the connection points within an exempt network is the party with a relationship with the exempt network operator, that is the retailer of the parent, in the case of customers who have not switched this is the Local Retailer. Hence the Local Retailer of the embedded network (the FRMP for the parent NMI) should be responsible for the initial issue of the NMI and creation of standing data in the MSATS system when prompted by either a parent or child in an embedded network. Pre population of NMI standing data for embedded networks would represent an unnecessary complication in market operations for which no regulatory requirements or cost recovery mechanisms exist.

#### 4.2.2 Sample Meters Proposed change

**Comment is sought as to whether the placing of additional obligations on Responsible Persons in relation to sample meters is required.**

Customers may change their consumption patterns if they are settled on the basis of interval data. Thus, the proposed amendment to ensure that customers with sample meters at their premises are settled on the basis of type 6 data will probably help with the long-term statistical accuracy of the controlled load profile. This issue is however of secondary importance and we assume that any added cost to maintain the sample meter population would be recoverable.

EnergyAustralia believe that the placing of additional obligations on Responsible Persons in relation to sample meters is not required, however if done it should be done in a non-intrusive manner with annual reviews of the sample rather than constant monitoring and adjustment.

#### 4.3.2 Meter Reading Frequency Proposed change

**Comment is sought as to whether the proposed modification to meter reading frequency is required.**

The Lock Down period for the initial settlement of the market under full FRC period has been extended beyond 14 weeks as the operation of the lockdown is yet to stabilise. A period of "fourteen weeks or the lockdown period whichever is the greater" will allow for flexibility until the operation of the lockdown period and profiling is firmly in place.

#### 4.4.2 Tests and inspections requirements proposed change

**Comment is sought as to whether clauses 2.4.2 and 2.4.3 of the Metrology Procedure should be replaced with the proposed new clauses. If so, should clause 7.4.3(b) of the Metering MOR also be replaced with the proposed new clause?**

EnergyAustralia via TCA participated in the debate and vote relating to AS1284 part 13. There will be a review of the standard in 12 months after the industry has collected sufficient meter test data to consider the impact of temperature and voltage on meter accuracy.

Changes proposed in this section are acceptable.

#### 4.4.4 Actions in the event of non-compliance proposed change

**Comment is sought as to whether the proposed additional actions in event of nonconformance should be added to each of Schedules 1, 2, 3, 4 and 5 of the Metrology Procedure.**

The two additional amendment clauses proposed are sensible, practical measures and are acceptable.

#### 4.5.2 Estimated Reads Proposed change

**Comment is sought as to whether the proposed amendment to the definition of 'estimated read' is required.**

The amendment proposal for the definition of "*estimated read*" basically states that a Type 6 estimate is always a substitute for the purposes of the Metrology Procedure. This change is acceptable within the Metrology Procedure but it should be recognised that outside Metrology Procedure there are situations where Type 6 estimation will not be a substitution, eg: forward estimates to MSATS.

#### 4.6.2 Substitution Proposed change

**Comment is sought as to whether the proposed addition of a Substitution Type 5 for metering installation type 6 is required.**

Changing substituted data prior to the 2nd settlement revision is acceptable if the original substitute was incorrect.

#### 4.7.2 Inventory Tables Proposed change

**Comment is sought as to whether the proposed changes to the maintenance of Inventory Tables for type 7 metering installations are required.**

The proposed changes to the maintenance of Inventory Tables for type 7 metering installations are of relatively minor impact but appear appropriate.

#### 4.8 Increasing the number of Controlled Load Profiles per profile area

**Comment is sought as to whether the Metrology Procedure should be amended to provide for a controlled load 1 and controlled load 2 in EnergyAustralia, Integral Energy and Country Energy's profile areas. Can this be justified in all of these LNSP areas? Where possible, actual costs and benefits of the proposal should be quantified by market participants. Have all the required changes to the Metrology Procedure been identified if 2 CLPs are to be provided for?**

EnergyAustralia strongly supports the proposed amendments. Further to the points made in the paper EnergyAustralia would like to note that:

- the proposal preserves existing arrangement in regulated tariffs for demand management;
- the change supports the development to green options (by improving the price competitiveness of solar and gas hot water); and,
- the proposal is linked to proposed changes in regulated retail prices.

Increasing the cost reflectiveness of Off Peak tariffs is a key element of in EnergyAustralia's retail strategies as outlined in our recent "Submission to IPART's mid-term review of retail price regulation" which states:

*"The reason for the additional increase for customers with controlled load is that EnergyAustralia's off peak tariffs are currently below market cost, which is hindering the development of competition and restricting the ability of EnergyAustralia to positively respond to the Government's greenhouse gas abatement initiative....."*

*Off peak hot water systems potentially provide the greatest opportunity to implement greenhouse gas abatement activities in NSW. In view of this, EnergyAustralia believes that more flexibility should be provided in relation to Off Peak 1 and Off Peak 2 customers in order to allow the off peak tariffs to reach their respective market costs of supply within the remaining period of the determination...."*

*EnergyAustralia has also proposed that it increase its off peak tariffs by greater than CPI in order to improve the cost-reflectiveness of these tariffs and to send appropriate pricing signals with regard to the use of electric hot water systems. As was stated at the forum, off peak prices set too low will artificially encourage the use of electric hot water systems at the expense of the more environmentally friendly solar or gas systems. EnergyAustralia's experience with its solar hot water initiative in the past year has shown that, for all but a few customers, there are not sufficient pricing signals in the market at the moment to encourage the conversion of hot water systems from electric to solar.*

*The current Determination, with a single target for controlled load tariffs, encourages the convergence of EnergyAustralia's Off Peak 1 and Off Peak 2 tariffs to a level that is below the true cost of supplying the energy. EnergyAustralia has therefore proposed new, cost reflective targets for these tariffs. The current Determination also however restricts the ability of standard suppliers to increase prices beyond CPI in order to 'catch-up' to cost reflective targets. For this reason, EnergyAustralia has proposed that an additional 3% be allowed in the side constraints of customers receiving supply on an off-peak tariff."*



Allowing cost reflectivity in the profiles for market settlement of Off peak tariffs is an a necessary step to ensure that regulated price signals cannot be bypassed through cost smearing under profile settlement arrangements.

EnergyAustralia would also like to note as a general comment on Schedule 10:

- the term "*weighting factor*" is used in the CLP algorithm but it is not clearly defined in the procedure. A more comprehensive definition of "*weighting factor*" should be included in the definitions section of the Metrology Procedure.
- Clause 2.2 includes new definitions for "*start date*" and "*end date*". These are certainly clearer definitions but will be subject to further change if the amendments in section 4.9 are accepted.

#### 4.9.3 Amending dates for the application of profiles proposed change

**Comment is sought as to whether the start date and end date for applying the NSLP and CLP, as specified in Schedule 10, clause 2.2 and Schedule 10 clause 3.2 of the Metrology Procedure, respectively, should be amended as proposed.**

EnergyAustralia supports the proposed amendment of the change date in the Metrology Procedures. This change is consistent with the CATS Procedures and would have no significant impact to any internal backoffice systems.

EnergyAustralia would be pleased to discuss these issues or the comments made in this submission at your convenience. Should you require further information or assistance please feel free to contact Robert Smith on 9269 2133 or myself on 9269 2145.

Yours faithfully,

(GEORGE MALTABAROW)  
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EnergyAustralia