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Mr Michael Rawstron
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Our Ref: R-00-214

Dear Mr Rawstron,

NATIONAL ELECTRICITY CODE CHANGES – FULL RETAIL COMPETITION

The attached submission details the comments of the National Retailers Forum ("the NRF") to the request for comment on the application for authorisation lodged with the Australian Competition and Consumer Commission ("the ACCC") by the National Electricity Code Administrator Limited ("NECA"), titled "*Full Retail Competition – Draft Code Changes*" ("the Request"). The NRF is an independent organisation whose members operate as Retailers of electricity throughout the National Electricity Market.

The NRF asks the ACCC to consider the views of its Members expressed in the attached submission. Members of the NRF would be pleased to either provide further comment upon any amended document, or clarify any comments made in this submission.

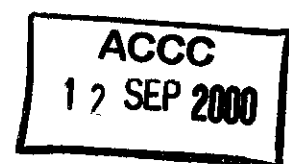
The following NRF members jointly support this submission:

- | | |
|--|--------------------------|
| 1. ACTEW Energy Pty Ltd | 2. Advance Energy |
| 3. AGL (including AGL South Australia) | 4. Citipower |
| 5. Energex Retail Pty Ltd | 6. Energy Australia |
| 7. Ergon Energy | 8. Great Southern Energy |
| 9. Integral Energy | 10. Origin Energy |
| 11. Powercor Australia | 12. TXU |
| 13. Australian Inland Energy | 14. United Energy |

Should you wish to discuss this submission in any way please feel free to contact the undersigned, who is acting as the NRF Coordinator on this submission, on (07) 3228 8116.

Yours faithfully,


Darren Barlow
Manager Regulation
Strategic Business Development Group



NATIONAL RETAILERS FORUM

**SUBMISSION ON NATIONAL
ELECTRICITY CODE CHANGES –
FULL RETAIL COMPETITION**

1.0 INTRODUCTION

This submission details the comments of the National Retailers Forum ("the NRF") to the request for comment on the application for authorisation lodged with the Australian Competition and Consumer Commission ("the ACCC") by the National Electricity Code Administrator Limited ("NECA"), titled *"Full Retail Competition – Draft Code Changes"* ("the Request").

The NRF is an independent organisation whose members operate as Retailers of electricity throughout the National Electricity Market.

Please accept this submission as the NRF's contribution to this aspect of the consultation process.

2.0 PROPOSED AMENDMENTS

While The NRF generally supports the Request, we do believe that the following amendments are required to ensure that the framework for metering arrangements under the revised infrastructure is clear:

- There is genuine concern that the Code could be interpreted to require NEMMCO to manage data through a centralised data store. This interpretation arises out of the combined reading of the following definitions and provisions:
 - The amended definition of *"metering installation"* that now reads *"the assembly of components and/or processes that are controlled for the purpose of metrology and which lie between the metering point(s) or non-metered connection point and the point of connection to the telecommunications network, as shown in schedule 7.1..."*.
 - The definition of *"metering data"* that reads *"the data obtained from a metering installation, the process data or substituted data"*.
 - The amended definition of *"metering database"* that reads *"a database of metering data and settlements ready data which may be supplied to NEMMCO under contract"*.
 - A new definition in the Code changes of *"settlements ready data"* which is *"the metering data that has undergone a validation and substitution process by NEMMCO for the purpose of settlements and is delivered to the metering database"*.
 - Clause 7.3.5(b) of the Code which provides that *"NEMMCO must establish processes for the collection of metering data for the metering database from each metering installation in accordance with the requirements of clause 7.9 of the Code"*. Noting that the reference is to the collection of metering data from each metering installation.
 - Clause 7.9.1(a) of the Code which provides that *"NEMMCO must create, maintain and administer a metering database containing information for each metering installation registered with NEMMCO"*. Noting again that the reference is to each metering installation.

- Clause 7.9.1(d) of the Code which provides that *"the metering database must include original energy readings where relevant, metering data and settlements ready data"*.
- Clause 7.9.4(a) of the Code which provides that *"NEMMCO is responsible for the validation and substitution of metering data using a method that produces settlements ready data"*.

Essentially, while the Code could be interpreted to allow for the delivery of aggregated data to NEMMCO for the purposes of validation and substitution, it could equally be argued that the Code should be interpreted to require the provision of half-hourly data per metering installation to NEMMCO.

Part of the problem is the combined effect of clause 7.3.5(b) where NEMMCO collects metering data for each metering installation and clause 7.9.1(a) where NEMMCO is required to establish a database containing information for each metering installation.

The result of this could be a metering database that contains half-hourly data for all meters. This combined with NEMMCO's validation and substitution role leads to the conclusion that NEMMCO would need to manage the accumulated data through a centralised data store.

We are extremely concerned that without amendment, there is a risk that the Code will be narrowly construed to require centralisation of the meter data store and in doing so, restrict industry to a data storage option that may prove both costly and unwarranted.

Meter Data Agents in maintaining decentralised data stores provide their services on a competitive basis. Any imposed centralisation of the data storage function carries with it the dual risks of eliminating pressure for competitive price restraints and reducing flexibility in the provision of services.

It is proposed that:

- The definition of *"metering data"* should be amended to read *"the data obtained from a metering installation, including for metering installation types 5, 6 and 7, aggregated data, the process data or substituted data"*.
- Clause 7.9.1(a) should be amended to provide that *"NEMMCO must have the ability to interface with a metering database containing information..."*.
- Clause 7.9.1(d) should be amended to provide that *"the metering database must include original energy readings... for metering installation types 1 to 4 inclusive and the data required for NEMMCO to perform settlements for metering installation types 5, 6 and 7"*.

These amendments would clarify that the metering data could be aggregated data and that the metering database could contain aggregated data for metering installation types 5, 6 and 7. We believe that NEMMCO would still be able to

comply with its Code obligation under clause 7.9.4(a) by validating and substituting on the aggregated data.

- For consistency in the terminology used, clause 7.3.1(a)(12) should refer to a “*type 7 metering installation*” rather than a “*non-metered connection point*”.
- An issue has been identified through the MSATS Stage 2 Procurement Process regarding the Code definition of “*metering data*” and its cost implications for data storage.

In particular, the storage of metering data in 30-minute trading intervals by NMI for all NMIs implies a data store of extreme size, and on advice received, a very high relative cost (in the order of \$10 million incrementally). The potentially high costs to the industry of including this functionality in MSATS and the requirement for data to be stored in 30-minute intervals is based on an interpretation of clauses 7.3.1, and 7.9.1 of the Code.

The Code defines “*metering data*” as:

“The data obtained from a metering installation, the processed data or substituted data.”

Clause 7.3.1(a)(5) requires a metering installation to have the facilities to collate “*metering data*” into trading interval data. Clause 7.9.1 requires NEMMCO or its agent to have a metering database containing information for each metering installation that includes original energy readings, substitutions and calculated values.

The current Request does not change this requirement. The metering installation definition remains the point at which metering data is obtained for the metering installation (ie. where interval data is obtained).

The National Electricity Market Settlement and Transfer Committee (“NEMSAT”) has accepted a recommendation from the MSATS Reference Group that a Code change proposal be developed to facilitate the storage of metering data for non-interval metered sites in an efficient manner based on the data collected. It is the NRF’s submission that the current Request should be amended to incorporate this change. Incorporation of this recommendation into the current Code changes would assist the MSATS Procurement Process by providing clarity as to the system storage requirements; reduce costs to industry; and strengthen the framework necessary for the introduction of full retail competition (“FRC”).

- The Code Change Panel in its Report appears to acknowledge that the appropriate allocation of risk arising from the approximation of data, and the trade-off between costs and benefits arising from new metering technology, are issues for consideration by the Metrology Coordinator. Despite this, the Code Change Panel has pursued amendments that could be said to be prescriptive of the manner in which the Metrology Coordinator carries out his or her functions.

The NRF is of the view that the obligations sought to be imposed on the Metrology Coordinator through the Code amendments are both overly prescriptive and is potentially inconsistent with jurisdictional responsibilities.

In particular, there are two areas with which we have concerns:

- Those areas where the level of required consultation are ambiguous.

For example, although clause 7.3.1(ba)(1) provides that NEMMCO must prepare and publish a metrology procedure in accordance with the Code consultation procedures, NEMMCO is subsequently permitted to *“revise and publish the metrology procedure at any time”*. We are of the view that NEMMCO should also be required to follow the Code consultation procedure for any variation of the metrology procedure.

- Those areas where the Code changes seek to impose an obligation on the Metrology Coordinator.

The Code changes have clarified that the Metrology Coordinator may not be a Code Participant however it should also be recognised that as such, the Metrology Coordinator cannot be bound by the Code.

While the high-level principles contained in clause 7.3.1(bc) can act as guidance for the Metrology Coordinator when preparing the metrology procedure, we question the value of including these *“obligations”* when they carry with them the inherent risk of creating uncertainty as to their effect and the level of weight to be apportioned to them. We believe that all guidance to the Metrology Coordinator in discharging his or her functions should be left to the discretion of the relevant jurisdiction.

Amendments are required to more appropriately reflect the role and responsibilities of the Metrology Coordinator in preparing metrology procedures.

- Clause 7.3.4(d) provides that *“the accuracy of a type 6 metering installation must be in accordance with regulations issued under the National Measurements Act or in the absence of any regulations, the appropriate methodology [metrology?] procedure by the Metrology Coordinator”*.

This clause replicates the broader requirements of clauses 7.3.1(ba)(3)(iii) and 7.3.1(bb) that require the metrology procedure to be prepared in accordance with guidelines established in consultation with the National Standards Commission to clarify application of the *National Measurement Act* to metering installations (therefore including type 6). Clause 7.3.1(bb) further provides that, for the purposes of interpretation, the *National Measurements Act* is to prevail.

As such, the accuracy of a type 6 metering installation must already be in accordance with regulations issued under the *National Measurements Act* through the combined effect of clauses 7.3.1(ba)(3)(iii) and 7.3.1(bb).

The NRF is of the view that clause 7.3.4(d) is not required and should be removed from the Code changes.

- Clause 7.4.2(ca) should provide for indemnification of the Network Service Provider for loss or damage in circumstances where the terms of clause 7.2.3(a)(1) are not complied with. Aside from the risk of financial loss to the Network Service Provider that the Code changes create, there is also a need to ensure that the Network

Service Provider is not disadvantaged by any breach of these clauses of the Code. For example, in its compliance reporting or through the damage to its reputation that may result.

- It is our understanding that the Metrology Coordinator will determine the terms of the metrology procedure (clauses 7.3.1(ba)(2)(i) and (ii)) and that NEMMCO merely advises the Metrology Coordinator of any inconsistency identified under clause 7.3.1(2)(bd). We query therefore the circumstances in which the "agreement" between NEMMCO and the Metrology Coordinator referred to in clause 7.9.3 is required to be obtained and incorporated into the metrology procedure.

The interaction of these clauses should be clarified and clause 7.9.3 amended to reflect that the agreement referred to is only required in relation to the operation of that particular clause.

- In relation to the provisions of clause 7.13, we comment that:
 - The areas listed in sub-clause (e) are phrased in terms of an additional report to be produced rather than as an expansion of the existing report's scope as indicated by NECA.
 - Sub-clause (e) in all respects replicates existing Code requirements with no added benefit for the additional costs to Market Participants it creates:

Sub-clause (e)(1) replicates NEMMCO's general Chapter 1 Code objectives and functions with regard to developing market efficiencies and which are already supported by a requirement to annually publish performance indicators with respect to these objectives.

Sub-clause (e)(2) replicates the report to be prepared in accordance with clause 7.13(c).

Sub-clause (e)(3) replicates a requirement on the Metrology Coordinator under clause 7.3.4(e) to advise annually of how much longer the Metrology Coordinator proposes to continue allowing its metrology procedures to contain type 6 metering installations.

Sub-clause (e)(4) replicates the report to be prepared in accordance with clause 7.13(d).

- The reporting proposed under sub-clause (e) is intended to provide information on the impact of the introduction of FRC. It is The NRF's view that an examination of FRC in the context of Chapters 2 and 7 of the Code and the costs to Market Participants associated with this, are outside of NEMMCO's objectives. NEMMCO, in the reporting proposed, clearly intends to undertake a comparative assessment of the retail versus the wholesale market in circumstances where the Code only charges NEMMCO with an assessment of wholesale market functions.

It is the NRF's view that the inclusion of clause 7.13(e) as proposed is inappropriate both because it replicates existing Code requirements and more importantly, because the assessment of the retail market that is proposed is beyond NEMMCO's

role under the Code. As such, it is proposed that clause 7.13(e) be removed from the Code changes.

3.0 CONCLUSION

As stated above, while The NRF supports that majority of amendments proposed by the Code Change Panel in its Request, we do believe that clarification on a number of issues and in particular, the accountability of the Metrology Coordinator and the flexibility to deal with alternative storage options, is required prior to a grant of authorisation by the ACCC.

The NRF welcomes the opportunity to comment and would appreciate the opportunity to participate in any subsequent consultation by the ACCC on the issues raised in the Request.