



# A NEW RULE FOR EMBEDDED NETWORKS

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*On 1 December 2017, an amendment to the National Electricity Rules by the Australian Energy Market Commission will take effect, reducing barriers to Embedded Network customers accessing retail competition in the National Electricity Market.*

An Embedded Network is a privately owned and operated electricity network confined within a multi-tenant development. Customers' consumption is consolidated to a single connection point, called the Parent Meter, which connects directly to the National Electricity Market (NEM) and is used to purchase all electricity. The electricity is then 'on-sold' to each of the customers at the site based on their measured consumption. A person who engages in the activity of owning, controlling or operating an Embedded Network is known as the Exempt Embedded Network Service Provider (EENSP).

When managed correctly, an Embedded Network can create financial benefits that can be utilised at the development; for example, to reduce customer electricity rates (better than those in the NEM) or invest in renewable initiatives. Unfortunately, these benefits do not always flow to the customer and sometimes a monopoly forms where a customer has no choice but to purchase electricity from the EENSP.

For a customer wishing to access retail competition, the absence of clear regulation makes the process difficult to navigate and the associated cost disproportionate to the benefit. For small consumers, such as residential customers, this has been a problem; however, for medium to large consumers, such as business customers, the scale of savings may warrant the cost. It is in response to these issues that the National Electricity Rules (NER) have been amended.

## WHAT IS THE NEW RULE?

The Australian Energy Market Commission's National Electricity Amendment (Embedded Networks) Rule 2015 No.15 (Rule) outlines a series of amendments to the NER specific to Embedded Networks that will commence on 1 December 2017. The Rule creates a new Australian Energy Market Operator (AEMO) accredited role called the Embedded Network Manager (ENM) that will be

appointed to an Embedded Network. The ENM will have the responsibility of performing the market interface functions that link Embedded Network customers to the NEM.

The amendments will enable Embedded Network customers to:

- Choose the price and structure of their electricity supply,
- Choose from a variety of products and services, and
- Gain easier access to government schemes and consumer protections.

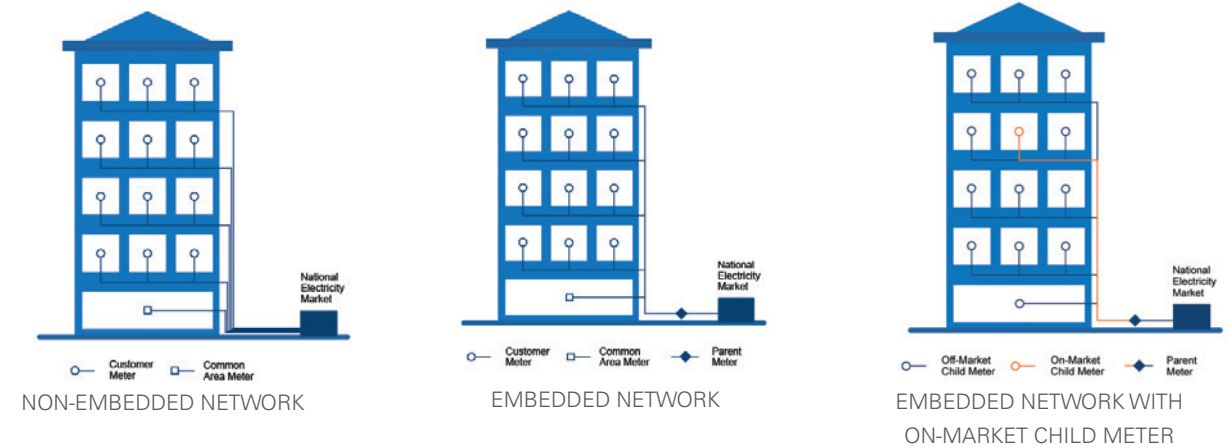
The changes will not prevent current EENSP's from continuing to sell electricity to customers. It will, however, increase the requirement on Embedded Networks to provide competitive rates and services in line with the NEM.

## WHAT DOES THE EMBEDDED NETWORK MANAGER DO?

The ENM provides embedded network management services and maintains information about the Embedded Network. These services are only performed at a site for which an ENM is appointed.

The embedded network management services include facilitating the market interface for 'Off-Market' customers to become 'On-Market' and access retail competition. An 'On-Market' customer is a customer that purchases electricity from a retailer of their choice from within an Embedded Network, after being allocated a National Meter Identifier (NMI) by the ENM. The NMI enables the address of the customer to be identified in the NEM. Once a customer is 'On-Market', they may re-enter the Embedded Network, and become 'Off-Market', if they accept an offer from the EENSP.

The ENM acts as the Local Network Service Provider (LNSP) for 'On-Market' customers, and, as such, requires site-specific information to be maintained. Information that must be maintained for each Embedded Network includes: the type and configuration of metering installations, relevant Embedded Network wiring information, Distribution Loss Factors (DLF), Transmission Node Identity (TNI), and all



correspondence with persons. The maintained information will be utilised to support customers that wish to become 'On-Market', as well as assisting AEMO with the settlement process.

The ENM's obligations are set out within AEMO's Service Level Procedure – Embedded Network Manager.

## DO YOU NEED TO APPOINT AN ENM?

Under the National Electricity Law (NEL) and the National Electricity Rules (NER), any party that engages in the transmission or distribution of electricity must either be registered with the Australian Energy Market Operator (AEMO) as a network service provider (NSP), or gain an exemption from the requirement to be registered from the Australian Energy Regulator (AER).

Obtaining an exemption from the AER requires the EENSP to comply with certain 'conditions' pertaining to safety, dispute resolutions, network pricing, metering and retail competition. The extent to which these conditions are applicable is determined by the 'activity classes' the site has been registered for ('Registerable') or is deemed to be a part of ('Deemed'). Failure to comply with these conditions is a breach of the NEL and could invalidate the exemption and expose civil penalties.

The appointment of an ENM is a condition of the following 'applicable activity classes': ND10, NR1, NR2, NR3, NR5 and NR6.

All existing Embedded Networks that fall into an 'applicable activity class' that are equal to or greater than 30 customers, residential or commercial, must appoint an ENM by 1 December 2017, unless they are subject to a non-appointment or reversion entitlement. These conditions will extend to new sites once they commence operation. For all other classes, the AER has determined that the cost of appointing an ENM will outweigh the benefit.

If an ENM is not appointed at an Embedded Network due to the size or activity class, an ENM will still be required to be appointed if an 'ENM Trigger Event' occurs. An 'ENM Trigger Event' occurs when an Embedded Network customer, or their chosen retailer, provides notice that the customer wishes to access retail competition; a counter offer by the EENSP is not accepted by the customer; and, the cooling off period for the market retail contract has expired. If all three elements transpire, an ENM must be appointed at the Embedded Network.

## CONSIDERATIONS FOR EMBEDDED NETWORKS

The Rule change represents a substantial impost to Embedded Networks across the NEM. Not only will an ENM have to be appointed at each site, the EENSP will also have to ensure that their offering, through rates and services, are market compatible.

It will be important for Embedded Networks to understand:

- Site access for participants,
- Manual meter reading,
- Access to meter data,
- Recovery of network charges,
- Subtraction of energy charges,
- Costs associated with 'On-Market' Child Meters, and
- Meter leasing.

For operators of Embedded Networks, the ENM role represents an opportunity to increase revenue by providing additional services to their clients. It will be important to understand the responsibilities and requirements of the ENM before undertaking accreditation for commencement on 1 December 2017.

To find out how the changes will affect your Embedded Network, please contact us. **U**



ENM Solutions provides Embedded Network consultancy services and is undertaking accreditation as an independent Embedded Network Manager.

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