Part B – Detailed Responses to Information Requests – Electricity Network Regulatory Frameworks

Reference	Information Requests	ENA Response
5.1	The Commission seeks feedback on whether Chapters 6 and 6A of the Rules should be harmonised to support a common and coherent treatment of transmission and distribution networks (with differences confined to those areas where the different characteristics of transmission and distribution networks made these absolutely essential). Would this reduce the complexity currently caused by having two sets of Rules, lower costs for the AER, the AEMO, the merits review body, and for consumers engaged in the regulatory process, and thus be more consistent with the National Electricity Objective? Would the benefits exceed the costs from any such transition?	Chapter 6 covering electricity distribution networks was originally drafted using the electricity transmission rules in Chapter 6A as a starting point, with differentiation based on relevant different characteristics. The AEMC's *Economic Regulation of Network Service Providers* rule change process has examined areas of further convergence closely over the past twelve months and has identified some areas where it consider convergence is warranted, as well as some areas of continuing differentiation. The rule change process allows specific proposals for convergences or divergence to be considered at any time on the basis of evolving experiences of stakeholders. The merits of such rule changes are assessed against the rule making test of whether such a change would promote the National Electricity Objective. This is a sound and appropriate arrangement.
10.1	The Commission seeks feedback on any improvements to the process proposed for smart meter roll-outs, and how distribution businesses can contribute to the AER's assessment of the costs and benefits.	ENA supports rollout of smart meters when supported by a positive business case. ENA sees value in acceptance of the minimum national smart meter infrastructure functionality specification (as approved by SCER) to build a common base for meter rollouts. Distribution businesses have undertaken pilots and trials of smart meters and can provide this information to the AER.
11.1	The Commission seeks further input from participants on the types of price paths that might be appropriate in transitioning to cost-reflective, time-based network pricing, including on: any impediments to the early extension of such pricing to all large commercial and industrial users the benefits and costs (including that of a smart meter) from initially extending the use of 'time-of-use' network prices — employing peak, shoulder and non-peak tariffs — to all households and small businesses any ways that such prices could be usefully and quickly improved to be more targeted — such as through seasonal loadings — to reflect the costs of providing network	Due to different cost drivers experienced by network businesses and the complexity and subjectivity of time based pricing it will be up to individual businesses to comment on this request.

	services at peak times how quickly it would be appropriate to introduce greater geographic differentiation in network prices what indicators should be used to review how well the price transition process is progressing. It is also seeking further input on how the nature and speed of the transitional price path might be influenced by the costs and benefits of technologies (other than the smart meter itself) to improve responsiveness to price signals and assist with informed energy use decisions, including: 'smart appliances' that are enabled with a demand response capability (chapter 10) (such as to allow direct load control with a customer's agreement) 'add-on' technologies, such as Home Area Networks, in-home displays, online portals and phone Apps, that draw on information provided by a smart meter to assist with a consumer's energy management information technology systems to communicate to customers, such as to provide notification of critical peak events.	
12.1	Given the package of draft recommendations in this report, the Commission seeks feedback on what (if any) barriers remain in the Rules (or the AER's application of the Rules) that could impede an efficient level of demand management.	In its response to the AEMC Power of Choice draft report, ENA has identified the need for improvements to the incentives available to networks for DSP services. ENA also supports removal of the barrier in the Rules to network businesses rolling out smart meters (i.e. the requirement in the rules for a retailer to act as the FRMP for type 4 meters). In addition there is a need for clarification that networks are able to participate directly in the provision of DSP services, including the ability to own and operate distributed generation where this is primarily required for network support. This is also the AEMC's intention in its Power of Choice review.
15.1	The Commission seeks information about the potential benefits and costs of introducing contestability into separable augmentations of the network, as currently occurs through the AEMO's procurement role in Victoria, and in parts of the United States. The Commission seeks evidence from participants regarding the costs and benefits of contestability including: administrative and compliance costs the depth of the market (present and potential) the extent of efficiency gains available from competitive pressures from contestability for solutions to constraints (as opposed to contestability in detailed construction of a	The ENA notes that Grid Australia intends to respond to this question in its separate submission.

	given solution) any ongoing cost inefficiencies caused by potentially additional separate owners and operators of the 'separable' assets connected to the network. The Commission also seeks participants' views regarding the costs and benefits of auditing facilities and processes in transmission networks. What alternative methods are there for the regulator to gain assurance about inherent reliability, in terms of whether transmission businesses are doing either, what they should do (for example maintenance), or whether they have done what they said they were going to do (for example augmentations)? What is international best practice in this respect? What powers should the regulator have if an audit suggests poor compliance? The Commission seeks further input on the potential advantages and disadvantages of the Commission's suggested alternative to the AEMC's hybrid planning model. How could the Commission's preferred model be improved? Since a key objective of a national planning framework is to avoid costly system-wide failures, to what extent do the different models vary in their capacity to achieve that goal?	
17.1	The Commission seeks further evidence, and participants' views, on the impact of price separations between regions in the NEM.	The ENA notes that Grid Australia intends to respond to this question in its separate submission.
18.1	The Commission seeks participants' views about the extent to which flaws in a state-based hedging market distort the locational incentives of generators and large loads.	The ENA notes that Grid Australia intends to respond to this question in its separate submission.
19.1	The Commission seeks participants' opinions as to whether the: RIT for Transmission should be applied to the replacement of existing assets AER could have an expanded role in the assessment of the RIT for Transmission RIT for Transmission could be used more formally in the AER's determinations.	The ENA notes that Grid Australia intends to respond to this question in its separate submission.
21.1	The Commission seeks participants' views on the costs and benefits of the following measures concerning the location and funding of the AER compared with the arrangements proposed in draft recommendation 21.2: removing the AER from the Australian Competition and Consumer Commission and creating a fully independent agency funding the AER through an industry (or NEM) levy.	ENA considers that the primary objective should be a well-resourced regulator able to consistently access high quality internal and external resources as appropriate to meet its functions and responsibilities and including electricity network engineering expertise. This objective could be consistent with both a more 'ring-fenced' and administratively independent standing within the ACCC, or as stand-alone industry-specific regulator. Such policy decisions fall within the clear remit of the Standing Council on Energy and Resources and the

		Council of Australian Governments to consider and resolve.