

Retail Competition Information Brief No. 3

Aggregation

As part of the Government's decision to join the National Electricity Market (NEM), competition in the retail sector will be introduced from 1 July 2006.

Competition will be phased in by progressively allowing certain groups of customers (**tranches**) - starting with the biggest power users - to choose their electricity supplier (**retailer**).

Customers who can choose their retailer are called **contestable customers**. Customers who are not yet classed as contestable - termed **non-contestable** - continue to be supplied by Aurora Energy Pty Ltd.

When do I become Contestable?

A customer is contestable if the consumption of electricity at an installation has been more than the given threshold limit for the relevant 12 month assessment period. For example, from 1 July 2006, if your previous year's electricity consumption was greater than 20 GWh, then you have met the criteria for contestability.

For details on the contestability timetable, see *Retail Competition Information Brief No. 1 – Retail Contestability in Tasmania*.

What is an "Installation"?

Generally, electricity is supplied from a single connection point or installation. A connection point is where the supply of electricity leaves a facility owned or operated by the distributor before being supplied to a customer. For most customers, this point is normally the meter. It may also include a substation or a high voltage switchroom.

What is a "site"?

Some customers have more than one installation at a site. For the purposes of aggregation, a "site" is a readily identifiable single geographic location, under single ownership, to which power is supplied, disregarding any intervening incidental interruption in physical contiguity such as rights of way, roads or title boundaries. This means that a site may include:

- Separate buildings on one title;
- Separate buildings on adjacent titles (that share a common boundary); or
- Separate buildings on titles that are only separated by a right of way or road.

What is "Aggregation"?

Some customers have existing arrangements to aggregate multiple installations for the purpose of their contractual arrangements with Aurora. These arrangements will continue to be recognised, and these customers will have their contestability eligibility assessed based on these aggregated loads.

What about other customers with more than one installation on a site?

If a customer has more than one installation at a site, then the customer may choose to combine the loads of each of the installations at that site in order to meet the contestability threshold. In this situation, each installation will need to have the appropriate code-compliant metering.

For more information regarding metering see *Retail Competition Information Brief No. 5 – Metering*.

Can I aggregate loads at different geographic locations?

No. Aggregation for the purposes of assessing eligibility to meet contestability thresholds will only be allowed where a customer has multiple installations at a single site.

Consumption at separate locations will not be able to be aggregated.

What is the basis of these rules about aggregation?

Any rule creating a distinction between contestable and non-contestable customers is necessarily somewhat arbitrary.

In order to have an orderly transition to contestability, it is important that customers and retailers can identify with some certainty who is and is not contestable. The classifications have been developed because they are relatively simple to administer, and enable the electricity supply industry to forecast more accurately non-contestable loads during the transition period. This will help to ensure that the staged introduction of contestability will occur in an orderly fashion.

I am not sure about how retail contestability will impact on my business. Do I have to aggregate installations at a single site, or can I choose to keep them as separate, non-contestable loads?

If a customer has a number of separate installations providing electricity to a site, the customer may choose to aggregate the loads and thereby become contestable at an earlier stage. Alternatively, a customer may choose not to aggregate the loads, and thereby become contestable at a later stage. The choice will be one for customers to make, after consideration of the relative costs and benefits to their businesses.

What about shopping centres and other multi-tenanted buildings?

Some multi-tenanted buildings may have one installation at the boundary of the property. In these cases, the building owner/manager has a network that supplies electricity to the different tenants. In this case, the owner/manager is the customer and on-sells electricity to the various tenants. In these situations, the building owner/manager is not required to have a retail licence under the *Electricity Supply Industry Act 1995*. If the total load at an installation is above the relevant threshold, then the building owner/manager becomes a contestable customer.

Other multi-tenanted buildings may have separate metering arrangements for each tenant. Because each tenant is a separate customer with a separate installation, the loads may not be aggregated for the purposes of meeting an earlier threshold of contestability.

Can I add together consumption to increase my buying power?

Yes, but only in respect of sites that satisfy the contestability thresholds.

Once a customer's separate sites have become contestable, irrespective of their location, the sites can be aggregated in order to increase the customer's buying power. This may assist the customer in negotiating a better energy deal with a retailer.

Even for non-contestable customers there is still the capacity to contract outside the tariff. Customers with multiple sites who are not yet contestable may wish to contact Aurora Energy Pty Ltd to discuss electricity supply arrangements that will best suit their business.

It should be noted that the aggregation restrictions will only apply for the life of the contestability timetable. As the load at each separate site becomes contestable, a customer will be able to negotiate a single supply contract covering its contestable sites. Further, the aggregation restrictions are only for the purpose of determining the timing of contestability, and they do not put into place any restrictions on billing or other contractual arrangements that may be negotiated between customers and Aurora as the incumbent retailer.

It is important to note that customers wishing to negotiate contracts with the incumbent retailer may do so at any stage. This means that, even though a customer may not yet be contestable, the customer can enter into a contract with Aurora for supply of electricity to a number of different sites. That contract could commence at any time.

Where can I get further information?

Further information on Tasmania's energy reform framework is available on the Internet at www.treasury.tas.gov.au.

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Issued: 18 October 2004