

UFE Reporting Guidelines

FIRST STAGE CONSULTATION PARTICIPANT RESPONSE TEMPLATE

Participant: Shell Energy

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1. Context

This template is to assist stakeholders in giving feedback on the content of the initial draft version of the *UFE reporting guidelines* that will form the basis of UFE Trends Reports in accordance with NER 3.15.5B.

2. Questions

Section	Description	Participant Comments
1.1	<p>Purpose and scope</p> <p>AEMO intends to publish each UFE Trends Report by 1 June each year covering a 12 month reporting period (For the (year “x”) UFE Trends Report the reporting period is 1 May (year “x-1”) to 30 April (year “x”).</p> <p>Q1. Do stakeholders require a different reporting timeframe? Q2. If so, what reporting timeframe is appropriate? What benefits will be realised through a different reporting timeframe?</p>	<p>Q1 -Yes.</p> <p>Q2- Preference would be for the report to be provided at least quarterly; provided one month after the end of the quarter. This will:</p> <ul style="list-style-type: none"> • Allow for more real time response to mitigate the drivers of UFE – providing clear benefits to customers who are impacted by the costs of UFE; • Allow for tailored response through identification of seasonal swings • Provide a rolling picture of UFE trend, hence as more information becomes available this will provide even further guidance as to the drivers
2	<p>Summary of analysis of UFE</p> <p>Charts in this section provide a summary of the UFE calculation components for each local area. The current proposal is to provide UFE component charts for the current reporting</p>	<p>We are supportive of UFE charts providing an analysis of the movement of UFE between settlement versions, particularly final and revision versions.</p> <p>Q 1 -To assist with the theme of greater transparency and granularity of reporting, Shell Energy proposes the charts show a weekly view to help with</p>

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	<p>period based on FINAL version metering data. Q1. Should the corresponding charts for the previous reporting period also be included? If so, what benefits will be realised?</p>	<p>relevancy and trend analysis. Such reporting can also assist with accurate identification of trends when these are material but also for short-term anomalies or significant swings or events, as we have recently experienced.</p> <p>Shell Energy also proposes that AEMO provide previous reporting period charts. Historical periods are useful in overall trend analysis and issue tracking. Analysis should compare the trends identified between previous periods of reporting and the current rolling 12-month period in the report.</p>
3	<p>UFE benchmark analysis</p> <p>AEMO proposes to publish the median, average, upper limit and lower limit UFE values as benchmarks for each local area per reporting period. Q1. Is there a better methodology to determine benchmarking for a <i>local area</i>? If so, provide details of that methodology.</p>	
4	<p>UFE source analysis</p> <p>Areas of UFE source analysis are related to variables that modify metering data, as identified in section 4 of the Initial Draft <i>UFE reporting guidelines</i>. Q1. Are there other variables that modify metering data that should be included in the <i>UFE reporting guidelines</i>? If so, provide details of the other variables and their effect on metering data Q2. Should the importance/effect of these variables be ranked? If so, which variables should be analysed initially?</p>	<p>Shell Energy considers that illegal consumption, unmetered load, metering inaccuracies and any identified missing meter registers should be included and could be extracted from distributor / network reporting for granularity.</p> <p>Further analysis should be conducted to investigate the extent to which interval verses non interval metering are drivers of UFE. This was one of the key reasons provided by AEMO as a proponent to the rule change - metering accuracy and incentivising retailers to roll out advanced metering systems. If metering type is indeed the predominant driver of UFE, then it is particularly important that retailers be provided with sufficient analysis and tools to track this.</p>

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		Further analysis should look to seasonal drivers of UFE and the extent to which this impacts technical losses (or other drivers).
5	<p>Recommendations – UFE visibility improvements</p> <p>Q1. What are the benefits in reporting UFE values at a more granular level than at the local area? Noting that reporting at TNI level is not meaningful for local areas that have virtual TNIs.</p> <p>Q2. Should the seasonal variance information be presented in another way? If so, how should this information be presented and what will be the benefits of presenting the information in this alternative way?</p>	<p>Shell Energy believes any factors that impacts the generation and consumption of energy should be considered as a factor for potential analysis of UFE trend.</p> <p>This would include analysis on the varying conditions to ascertain the likely impacts on UFE. These include but are not limited to solar increase/decrease, daylight hours or isolated or ongoing changing conditions such as the weather.</p> <p>We note that AEMO nominated that a move to global settlements would enable commercial losses to be “identified, measured and fairly allocated over a trading period, and tracked over the long term”¹ Shell Energy believes it is therefore crucial to report UFE factors at the TNI level rather than the local level, in order to better reconcile UFE factors and identify localised drivers of UFE such as metering inaccuracies.</p> <p>We note that the need for TNI level analysis and reporting was supported in the AEMC Draft Decision on global settlement changes, as it was noted that “AEMO proposed in its rule change request that UFE be calculated for each TNI”. Further, the AEMC observed that</p> <p>“Calculating UFE at the TNI level would also focus industry efforts to reduce it. For example, issues such as the misallocation of NMIs to TNIs, large undetected commercial losses, and the poor estimation of technical loss factors, would either require UFE to be calculated at the TNI level, or be significantly harder to identify if it was calculated at a higher level.”²</p>

¹ Ibid

² AEMC, Global Settlement and Market Reconciliation, Draft rule determination, 30 August 2018 page 26.

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		<p>It would therefore be advantageous for TNI level analysis to be included as part of UFE reporting. This analysis will allow for losses identification, supporting one of the key reasons the global settlement approach was introduced in the first place.</p>
6	<p>Recommendations – UFE reduction actions</p> <p>Q1. Are there other actions which should be explored to reduce UFE?</p> <p>Q2. Who holds the information to support these actions?</p>	<p>The industry should have access to granular data and sources of information relating to UFE. This would be consistent with the transparency and granularity that Shell Energy seeks through this consultation. We believe that retailers and other market customers impacted by UFE should be consulted with respect to any actions proposed or planned to reduce UFE.</p>
Appendix A.1	<p>UFE analysis supporting information.</p> <p>Additional information to support UFE analysis in each local area. These charts are:</p> <ul style="list-style-type: none"> • UFE for the local area • UFE for the local area as a percentage of local area ADME • UFE for the local area by metering data version, i.e. Prelim, Final, Rev 1 and Rev 2. <p>Q1. Do the proposed charts, provide sufficient information, in conjunction with the charts in Section 2. to facilitate UFE analysis?</p> <p>Q2. If not, which other additional information is required? Provide details of other additional information required and the benefits of providing the additional information.</p> <p>Q3. Who holds the additional information?</p>	

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3. Other Issues Related to the UFE Reporting Guidelines

Stakeholders to provide details of other UFE related aspects that have not been included in the proposed *UFE reporting guidelines* and provide details of the benefits of these additional reporting items.

Participant Comments
<p>UFE has experienced extreme volatility since the introduction of global settlements. To date, participants have very little information from AEMO to identify the reasons behind these significant swings or indeed if the issues are the accuracy of the settlement of the market itself.</p> <p>For confidence in market settlement and to ensure that participants are responding appropriately, we encourage AEMO to undertake detailed analysis of UFE and provide regular updates to those that are liable for UFE payments. Shell Energy believes yearly reporting is insufficient and provides little information to retailers for the purposes of responding to UFE drivers, and importantly, provide accurate information to retail customers.</p> <p>Tier 1 retailers have been the beneficiaries of the introduction to global settlements, particularly with the advantages of scale to spread UFE costs across a large customer base. Other lower tiered retailers that have a small number of customers with greater load are bearing the substantial volatility in UFE costs, with distribution of costs across a smaller number of customers. Facing significant UFE cost swings, customers are rightly expecting information on the source of UFE. This is a key reason as to why it is so important that the industry is provided with transparency around UFE and that the report contains detailed analysis, provided frequently to retailers and market customers.</p> <p>We note that, as the proponent of the global settlement rule change, AEMO rationalised the significant system spend imposed on the industry from its introduction as providing incentives to reduce commercial losses, encouraging the adoption of advance metering and enabling AEMO</p>

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to report on the effect of market initiatives on the accuracy of electricity settlement. It is therefore imperative that AEMO provides sufficient analysis to the industry so that it can identify the root causes of UFE, the degree to which advance metering will alleviate UFE, the proposed corrective measures to ensure UFE is mitigated and the historic trends of UFE to ensure any mitigation adopted is effective.

Significantly, Shell Energy's year to date UFE cost makes up \$23 million of our total settlement costs. Shell Energy also advises that approximately 95% of its electricity sales are attributed to customers who have invested in advanced interval metering and are most likely not material contributors to UFE. With such a significant cost impact, it is important that we are provided with full and detailed analysis substantiating these socialised market costs so that our affected customers have adequate information, particularly when it is likely they would not be a material contributor to the incidence of UFE.

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