



27 November 2013

Mr Richard Khoe  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

By electronic lodgement

Dear Mr Khoe

### **National Electricity Amendment (Governance of retail market procedures) Rule 2014**

Origin Energy welcomes this opportunity to respond to the Australian Energy Market Commission's (the Commission's) consultation paper on the proposed rule change lodged by the Australian Energy Market Operator (AEMO) on the governance model relating to retail market procedures.

Origin believes that the proposed rule change significantly alters the current governance framework for the making of retail market (including business-to-business [B2B]) procedures. We understand AEMO's wish to make more efficient the existing processes and clarify accountability and liability for decisions made, however we do not believe the proposed rule change in its current form serves the National Electricity Objective (NEO) and the problems it seeks to address can be managed in other ways.

Our view is based on:

- The vesting of decision making power for B2B procedures and emerging technologies within AEMO only. While industry has been involved through consultation on the proposed rule change, it represents a significant dilution of decision-making contributions made by market participants at present, all of whom have made material investment in processes and systems to support retail market procedures. Furthermore, emerging technologies and new business models will impact existing and new market participants in ways that are uncertain; it is not clear that the proposed governance model will be able to manage these more efficiently than the current framework.
- The removal of a second round of consultation for B2B changes and other retail market procedures required under the National Electricity Rules (NER) reduces the effectiveness of the process to assess changes. However, Origin would support the consideration of a shortening of the consultation period if this would make the process more efficient.
- The aggregation of B2B and other retail market procedures (for example business-to-market [B2M]) at this time, while having appeal as an improvement to the efficient making of procedures will not necessarily result in better outcomes. Origin believes instead that industry should work closely with AEMO to focus the work of the IEC (Information Exchange Committee) with the aim of ensuring the most efficient use of AEMO and industry resources.

While Origin does not endorse the proposed rule, we do support some of the objectives AEMO identify aimed at improving the effectiveness of the governance model for B2B. Existing processes may provide solutions to some of the deficiencies and concerns identified by AEMO, without the need for changes to chapter 7 of the NER.

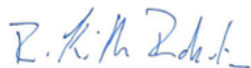
With respect to engagement with other market participants and AEMO's role with respect to IEC decisions, we note that:

- IEC proceedings are shared with interested parties, second-tier retailers can (and have been) represented on the IEC;
- Proceedings of IEC meetings are shared with market participants; and
- AEMO has powers to veto IEC recommendations under circumstances set out in 7.2A3 of the NER.

Improvements to the B2B change process and market rules more generally can and should be made, however Origin believes the rule change proposal goes beyond what is required to address the issues AEMO identifies.

Origin responds to questions raised in the issues paper below and we would welcome further discussion of our response with the Commission. Please contact Steve Clinch (Manager, Distribution Partner Relations) in the first instance on (03) 9652 5962 or Arun Wadhwa (Manager, Network Performance) on (03) 9821 8176.

Yours sincerely,



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## Issues for consultation

### Question 1- The assessment framework

- (a) Is the assessment framework outlined in section 4 appropriate for the consideration of this rule change request?

Origin believes the assessment framework set out in section 4 is appropriate for the consideration of the proposed rule change.

### Question 2- Is there a problem?

- (a) Do you consider that the governance framework for the development of B2B and other chapter 7 procedures is appropriate or could it be improved? In what way?
- (b) Could market developments in the future affect the appropriateness of governance arrangements? If so, how?

Origin is generally supportive of the existing governance framework set out in chapter 7. Improvements could be made, particularly to address AEMO's concerns with respect to clarifying accountability for AEMO and other IEC participants. In terms of representation, market participants have access to IEC consultations, decisions and papers already. Membership could be widened to accommodate concerns of non Local Retailers and other market participants if deemed necessary. A number of matters related to the governance framework can be detailed through existing IEC processes.

Future market developments may influence the governance framework for B2B, as the Commission notes on page 18 of the consultation paper, no incidents have occurred to date.

### Question 3- Flexibility and responsiveness

- (a) Do you think that the governance arrangements for chapter 7 procedures have been sufficiently flexible to date?
- (b) Have any participants been excluded by how the B2B governance framework, including the IEC, has been structured under the rules? In what way?

Origin believes that existing governance arrangements have proven flexible to date- for example the convergence of Retail Market Executive Committee (RMEC) and IEC issues leading to aligned meetings of these groups. This is a welcome outcome given the overlap between some of the work of the IEC and RMEC.

#### **Question 4- Uniformity of process**

- (a) Do you agree that there is increasing cross over, or likelihood of cross over, in different procedural areas occurring such that B2B procedures should not longer be treated separately from other chapter 7 procedures?
- (b) Is there justification for a continuation of greater industry control over B2B procedures than other chapter 7 procedures?

Origin believes there will be additional cross over between distinct procedural areas in the future, but this does not justify the removal of B2B from chapter 7 of the NER.

The B2B procedures are important and distinct processes as they determine the interactions between market participants. AEMO's role is important as the provider of the B2B hub to facilitate these interactions. Because of the wide-ranging impacts of the B2B processes, there remains justification for industry influence over the making and altering of B2B procedures.

#### **Question 5- Accountability**

- (a) Is there an accountability problem to be addressed in relation to B2B procedures where AEMO is required to make decisions based on recommendations of the IEC?
- (b) Which body should be making decisions on B2B matters?

AEMO has grounds to reject the making of B2B procedures at present. However AEMO should not make decisions on B2B matters alone. Origin thinks that the IEC should continue to make decisions on B2B matters, with input from AEMO.

#### **Question 6- Governance of procedure making process**

- (a) Should greater flexibility be introduced into the governance framework for chapter 7 procedures by moving it into AEMO procedures? Are there other ways of achieving this?
- (b) Is it appropriate for AEMO to be able to determine and change its own process for making chapter 7 procedures, subject to the rules consultation procedures, or should there be greater or additional oversight of this process?
- (c) Would there be any difference in the impacts on participants if the governance framework was located outside of the NER in AEMO procedures?

Retaining the governance framework in the NER does not prevent further flexibility being introduced. Relaxing some of the requirements contained within chapter 7 at present may be an alternate approach.

Origin does not believe the process where AEMO determines and changes retail market procedures, (particularly B2B procedures) is appropriate given the impact that such changes can have on market participants.

The impact on participants if the B2B governance framework was located outside of the NER would increase uncertainty around the future work program related to B2B and weaken industry say on proposed changes (regardless of where these changes are initiated).

**Question 7- Compliance and enforcement**

- (a) Should civil penalties be available for breaches of any or all of the chapter 7 procedures or none?

Civil penalties should not apply to breaches of procedures. Breaches of procedures should not require the application of a civil penalty regime and Origin does not believe the proposed rule change is the appropriate vehicle to consider this matter.

**Question 8- Opt out provisions**

- (a) Is it appropriate that the opt out provision be retained in the B2B procedures? Why?

Origin believes the opt-out provisions should be retained to allow continued flexibility should market participants identify reasons to develop a bilateral, agreed B2B solution.

**Question 9- Evolving technologies and processes**

- (a) Do you think that this additional power, for AEMO to authorise new and evolving technologies through procedures, is necessary or desirable?

Origin does not consider the authorisation of new technologies through AEMO to be supportive of the NEO. Market participants, third parties and consumers are best placed to put forward technologies for authorisation via procedures. We note that AEMO questions the need to *allow* or *approve* new technologies in its proposed changes to B2B governance procedures in its response to the consultation paper.<sup>1</sup> Origin agrees with this view, though believes the inclusion of clause 7.13(b1) is premature.

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<sup>1</sup> AEMO (2013), response to *National Electricity Amendment (Governance of Retail Market Procedures) Rule 2014 - ERC0162*, page 5.