

Energy Consumers Australia

**Updating the electricity B2B
framework**

**Submission on the AEMC
consultation paper**

January 2016

Updating the electricity B2B framework: Submission on the AEMC consultation paper

Background

On 8 October 2015 the Australian Energy Market Commission (the AEMC) published its final advice on *Implementation advice on the shared market protocol*. This advice followed a COAG Energy Council (EC) request for the AEMC to provide advice on “a framework for open access and common communication standards (open access advice) that would support competition in demand side management services available to consumers.” This EC request had followed the AEMC Power of Choice Review.

On 17 December 2015 the Australian Energy Market Commission (the AEMC) published its Consultation Paper *National Electricity Amendment (Updating the electricity B2B framework) Rule 2015* (the Paper). The Paper consults on two rule proposals, one from the EC and one from Red/Lumo, to give effect to the proposals in the shared market protocol advice.

One of the issues raised in both rule changes is the governance arrangements for the B2B systems that support the procedures required for metering contestability as well as the shared market communications required for other potential service offerings.

This submission by Energy Consumers Australia (ECA) will focus on the governance arrangements with a particular reference to how B2B systems and the governance arrangements promote the long term interests of consumers.

The Long Term Interests of Consumers

The overall energy market arrangements as underpinned by the Australia Energy Market Agreement is to promote the long term interests of consumers of energy services. The National Electricity Objective and the National Electricity Retail Objective state that the objective of the relevant laws is the promotion of the long term interests of consumers through economic efficiency.

Where practical efficiency is delivered by the operation of effectively competitive markets. In electricity this means promoting competition in the market for retail grid-delivered services and the emerging market for “next-gen” energy services. Both these markets will be facilitated by “a framework for open access and common communications standards.” Communications services are an essential precondition for the development of these services, but not all will require communication through the B2B service.

The development of an effective and competitive market for next-gen services is therefore seen by ECA to be critical. The incumbent retailers may be less inclined to embrace an increase in competitiveness with the same vigour. Similarly the regulated network businesses may be less embracing, because they are required to vigorously argue the case for every dollar they spend when proposing revenue determinations. Networks could also hope development of the market fails as it might result in a relaxation of regulatory rules to allow them to participate.

Accordingly the governance arrangements for the B2B systems, incorporated in the Information Exchange Committee (IEC) are of critical importance in promoting the long term interests of consumers.

Governance Arrangements

The Paper outlines the two proposed membership structures of the IEC in the different rule proposals.

ECA supports the appointment of a chair by AEMO. The proposition that the chair be also a Board member of AEMO should ensure that the position is occupied by someone who can adopt a strategic approach. The difficulty is that, unless otherwise explicitly authorised by the AEMO Board, a director cannot make commitments on behalf of AEMO.

In general limiting the number of members of the committee to ten is also a good governance principle.

A further critical issue is the expectation of committee members who are selected to be “representative” of a group. The rules need to be explicit that the individuals sourced by and from the relevant group are selected on this basis for the expertise they bring, not to be the voice of a sectoral group. Nor should there be any obligation or expectation that the people chosen will canvas the opinion of the sector they represent.

To ensure that the representatives of industry groups are supported by their employing organisations and that they also will address the strategic issues before the committee, the rules should require that nomination procedures specify that nominations are signed by the organisation’s CEO.

Retailers and DNSPs are still the parties most directly affected by B2B procedures. A diversity of expertise from these organisations should be sought that is not possible under the EC proposal of only one from each. ECA proposes that there should be 2 retail members, but on the proviso that one of them should be from one of the retailers with the four highest market shares, and one from the other retailers. As there can be two retail representatives there should be two DNSP representatives with the provision that both cannot be from the same jurisdiction.

ECA supports the EC proposal for one member from each of the metering industry and up to one third party B2B participant.

ECA supports the selection of a consumer representative. However rather than the proposal that that person be selected by AEMO after consultation with ECA, the appointment should be made on the nomination of ECA. That is, AEMO can decide not to appoint the EDCA nominee if AEMO is of the view they are not sufficiently qualified. ECA in turn commits that it will ensure that it can provide a nominee with the requisite skills and abilities to provide a focus on the long term interests of consumers in the context of decisions about B2B communication systems. That could be an existing ECA staff member, an experienced industry volunteer or require ECA hiring an individual on a part-time or consulting basis.

With the balance provided thus far, the AEMO should have the discretion to appoint up to 2 discretionary or independent members in consultation with the IEC. How many members might be appointed would in part depend on whether there are one or two retail representatives.

In addition the work of the IEC should not unnecessarily stop then start for a replacement of personnel. Accordingly, the rule change should permit for any of the new member categories to be appointed immediately the rule is made, with an end date by which the selection of candidates representing retail, DNSP and independents (if any) can occur.

Conclusion

The development of B2B systems to support the development of the next-gen services market is a critical element in promoting the long term interests of consumers. ECA believes that consumer representation, through nomination and support by ECA, is a critical element in achieving that outcome.