

7 February 2014

Mr John Pierce Chairman Australian Energy Market Commission PO Box A2449 Sydney South NSW 1235

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By online submission

Dear Mr Pierce

National Electricity Amendment (Governance of Retail Market Procedures) Rule 2014 -ERC0162

AEMO appreciates the AEMC's decision to extend the consultation period prior to making a Draft Determination on the above rule change request, and the opportunity to make this supplementary submission to assist the AEMC in its considerations.

This submission outlines a modified approach to the implementation of the original rule change request, aimed at preserving its key objectives, while addressing significant concerns raised in some stakeholder responses to the AEMC's Consultation Paper. The modified approach has been developed through further consultation, in December 2013 and January 2014, between AEMO and all respondents to the AEMC's Consultation Paper.

AEMO would appreciate the AEMC considering the approach set out in this submission in reaching its Draft Determination on the rule change request.

Should you have any questions or wish to discuss this submission further, please contact Terry Grimwade on (03) 9609 8520 or terry.grimwade@aemo.com.au

Yours sincerely

Mike Cleary

Chief Operating Officer

Attachment:

AEMO Supplementary Submission in response to AEMC Consultation Paper:

National Electricity Amendment (Governance of retail market procedures)

Rule 2014 - ERC0162

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<u>AEMO Supplementary Submission to AEMC Consultation Paper: National Electricity</u> <u>Amendment (Governance of retail market procedures) Rule 2014 – ERC0162</u>

1. Purpose of this Submission

This submission presents a modified approach to that proposed in AEMO's rule change request for the implementation of a revised governance framework for electricity retail market procedures. The modified implementation approach addresses the key concerns raised in stakeholder responses to the AEMC's Consultation Paper. It has been developed in consultation with the Information Exchange Committee (IEC) and the retail and distribution businesses that made written submissions to the AEMC in November 2013.

2. Objectives of the Rule Change Request

The key objectives remain as stated in AEMO's initial rule change request:

- To establish a single governance framework for consultation and decision making for all NEM retail market procedures
- Improve the clarity of governance and accountability for retail market procedures
- Flexibility to ensure that the governance framework is capable of adaptation to meet the requirements of a dynamically changing retail energy market environment.

Consultation to date, including submissions to the AEMC's Consultation Paper, indicates general acceptance that the existing governance framework for retail market procedures under Chapter 7 of the National Electricity Rules (the Rules) is not "fit for purpose" to deliver the emerging retail market, metering and consumer reforms identified, for example, in the AEMC's Power of Choice Review.

The Power of Choice Review recognised that the energy retail market is changing rapidly and recommended a range of reforms that will support efficient markets by promoting innovation, greater demand side participation options for consumers, and efficiency in metering costs.

The range of providers seeking to offer new energy and metering services to customers in future will not only include retailers and distribution businesses, but also non-traditional market participants such as energy service companies, information service providers and demand-side aggregators (collectively referred to as third parties). The current governance arrangements for retail market procedures under Chapter 7 of the Rules do not adequately provide for these emerging new services and third party service providers.

The rule change proposal will contribute significantly to the National Electricity Objective (NEO) by ensuring there is an appropriate governance framework to oversee the development of retail market procedures needed to facilitate the efficient implementation and operation of the Power of Choice reforms. It will also ensure the governance arrangements are flexible enough to evolve with the market for these services. In particular, they allow for adequate representation and consideration of the views and requirements of third parties, without presenting unreasonable impediments to competition and innovation in service provision.

3. Stakeholder Submissions to AEMC Consultation Paper

There were 11 written submissions in response to the AEMC's Consultation Paper.

While these contained a range of views and raised a number of specific issues and concerns, retailer and distributor submissions generally supported the key objectives of the rule change request; i.e.:

- Accepted the need for change to the governance framework to address the requirement for broader stakeholder representation or access to the process for considering procedure proposals.
- Indicated a preference for a single framework for oversight of all retail market procedures.
- The need for the governance arrangements to be flexible and adaptable to changing requirements.

AEMO subsequently consulted with the respondents to the AEMC Consultation Paper to explore further their concerns and objections to the rule change request. These discussions established that, while expressed in different ways, the root of the more significant concerns was the desire for the proposed rules to contain specific provisions, in addition to the rules consultation procedures, preserving a high level of industry and stakeholder involvement in, and influence over, the process for making retail market procedures.

At its meeting on 12 December 2013, the IEC requested that AEMO convene a meeting of IEC members and all parties that had made submissions to AEMC on this matter, to explore options that would achieve the key objectives of the rule change request, while addressing the major concerns raised in those submissions.

This meeting took place on 14 January 2014 (a list of attendees is attached in Appendix 1) and considered a "strawman" proposal, developed jointly between AEMO and the Independent Chair of the IEC. The following section documents the key agreed outcomes from this meeting.

4. Outcomes from AEMO/retailer/distributor meeting on 14 January 2014

4.1 Approved Process/Establishment of a Committee

AEMO's rule change request proposed that the Rules require AEMO to establish, in accordance with the rules consultation procedures, an "approved process" for examining and assessing retail market procedures. The intent, as reflected in a draft of the approved process provided as Attachment B to the rule change request, was that the approved process would provide for AEMO to establish a committee of stakeholders to advise and make recommendations to AEMO on the development and operation of retail market procedures.

The meeting considered a revised approach under which key requirements concerning establishment, membership and operation of the committee, and consideration of its recommendations by AEMO, would be specified in the Rules. This would provide the required additional certainty to stakeholders regarding the level of their participation and influence in the development of retail market procedures.

The meeting agreed that in implementing the proposed rule change, the Rules should prescribe the following concepts. These have been expressed in the revised proposed draft rule (Appendix 2) as requirements for the 'retail consultation process', being the proposed revised name for the approved process:

- (i) A requirement for AEMO to establish a committee to advise and make recommendations to AEMO on Retail Market Procedures (clause 7.1.4A(d)(1))
- (ii) The committee's role in changes to the retail consultation process or the committee's membership and operation procedures (clause 7.1.4A(e)(6) and (f)(1)).

- (iii) Requirements for AEMO to consult with the committee and to consider its recommendations prior to making any retail market procedures (clause 7.1.4A(d)(3)).
- (iv) Principles for membership to ensure that, to the extent practicable, it provides for balanced representation of parties affected, or potentially affected, by retail market procedures. These principles should also provide for effective and efficient operation of the committee, with the meeting agreeing it would likely not be possible for all affected, or potentially affected, parties to be direct members of the committee. To preserve the ability to represent third parties as new services develop, the Rules should not prescribe the members of the committee (clause 7.1.4A(e)(1)).
- (v) Recognising that not all affected parties would be committee members, the Rules should also specify that the committee's operation and proceedings be open and transparent, with arrangements in place to provide access to meeting papers and to allow for input and attendance at meetings by parties who are able to demonstrate a material interest in the proceedings or outcomes (clause 7.1.4A(e)(3) and (4)).
- (vi) The Rules should allow for independent members of the Committee and require that, unless otherwise recommended by the Committee and agreed by AEMO, there is an independent chair (*clause 7.1.4A(e)(2) and (5)*).
- (vii) AEMO is only to make B2B procedures following a recommendation of the Committee (clause 7.1.4A(f)(1)).
- (viii) AEMO is to be able to refer a Committee recommendation on B2B procedures back to the committee for reconsideration if AEMO considers that:
 - (a) the committee had failed to have regard to the National Electricity Objective (and other principles that may be specified in the Approved Process),
 - (b) that following the recommendation would conflict with MSATS Procedures
 - (c) following the recommendation would have an adverse effect on the exercise of AEMO's powers or performance of its functions (clause 7.1.4A(f)(3)).
- (ix) For retail market procedures that are not B2B procedures, AEMO must consider the recommendations of the committee, but is not required to follow those recommendations (clause 7.1.4A(f)(2)).

The principles in (i) - (vi) above cover the establishment and operation of a stakeholder committee to advise and make recommendations to AEMO on retail market procedures.

The principles in (vii) - (ix) achieve an improved governance relationship between AEMO and the stakeholder committee than exists under the current provisions relating to the IEC in clause 7.2A of the Rules. This approach preserves stakeholder/industry control of B2B procedures, in that AEMO is unable to make B2B procedures except on a recommendation of the committee. It also achieves an outcome that is not as intrusive on the fiduciary responsibilities of the AEMO Board, in that the Board cannot be directed by a committee comprising a sub-set of its stakeholders to make procedures that it considers would have a material and detrimental impact on AEMO's powers, or performance of its functions.

4.2 Definition of B2B Procedures

The meeting also discussed the need to refine the definition of B2B Procedures.

Under the rule change request, it will still be necessary to differentiate B2B procedures from other retail market procedures, as AEMO will not be able to make B2B procedures other than in accordance with a Committee recommendation.

The rule change request submitted by AEMO in June 2013 did not propose any change to the B2B Procedures or B2B Communication definitions in Chapter 10 of the Rules. However, these current definitions are circular and limit B2B communications as being between Local Retailers, Market Customers and Distribution Network Service Providers. As ongoing energy market reforms will likely see the entry of new third party energy service providers, the B2B definitions in the Rules need amendment to provide for these parties.

The meeting agreed, in principle, that B2B Procedures should be defined as relating to communications or transactions between parties (excluding AEMO) under the Retail Market Procedures where those communications or transactions do not require the transfer of information or data that is required by AEMO to perform its market or system operational functions.

It was also agreed that communications or transactions would not be precluded from being categorised as B2B solely because they are undertaken through the B2B Hub, the MSATS system or other communications services provided by AEMO.

A proposed revised definition for B2B Communications to reflect these principles is included in Appendix 2 to this submission.

4.3 Civil Penalty Provisions for non-compliance with MSATS Procedures

In light of the AER submission in response to the AEMC's Consultation Paper, and consistent with written submissions to AEMC from AGL and Origin Energy on this matter, the meeting agreed that this rule change proposal should not seek to amend the civil penalty provisions for non-compliance with MSATS Procedures.

This issue was not a core consideration in the development of the rule change request. The meeting agreed that such a change would raise other significant issues that are outside of the scope and objectives of the rule change proposal.

The proposed draft rules in Appendix 2 have been amended from the original rule change request to reflect this position.

4.4 Transitional Rules

Should the AEMC's Final Determination result in changes to the current arrangements as proposed, the current arrangements, including the membership of the IEC, will need to stay in place for a transitional period until the new arrangements can be implemented, and to allow for completion of consultation and consideration of procedures that are "in flight" at that time.

The meeting discussed different options for those transitional arrangements without reaching an agreed position. This is a matter that would warrant further consideration following the AEMC's Draft Determination, when the likely requirements would be better understood.

4.5 Dispute resolution

Following the meeting held on 14 January 2014, it was identified that a number of subsequent amendments will need to be made to the B2B dispute proceedings under Chapter 8.

These amendments have not been reflected in the proposed draft rules in Appendix 2.

5. Proposed Rule

Appendix 2 to this submission provides a revised draft of the proposed rule. This includes additions and amendments to the draft rule included as part of AEMO's original rule change request, to reflect the principles set out in sections 4.1, 4.2 and 4.3 above.

Appendix 1: Attendees at AEMO/Distributor/Retailer meeting on 14 January 2014

Peter Carruthers IEC Chair
Terry Grimwade AEMO
Violette Mouchaileh AEMO

Fiona Savage Energy Australia
Darren Bailey Origin Energy

Alex Cruickshank AGL

Peter Ellis SP Ausnet

Verity Watson United Energy

Kevin Kehl Energex (by phone)

Charmain Martin Energex (by phone)

Ross McAlpine Ausgrid (by phone)

Trudy Fraser Ergon Energy (by phone)

Stephen Grant Red Energy
Stefanie Macri Lumo Energy
Julian Taylor Lumo Energy
James Barton Simply Energy

Appendix 2 : Draft Rules



Appendix 2: Revised Draft Rule - January 2014

This draft is based on version 60 of the National Electricity Rules.

Changes from the Draft Rule submitted with the original June 2013 rule change proposal are summarised below:

- All references to 'approved process' changed to 'retail consultation process'.
- Proposed clause 7,1.4(g) (compliance with retail market procedures) removed. Individual
 compliance requirements reinstated in clause 7.2.8 (MSATS) and 7,2A.4 (B2B), expanded
 to allow for a potentially broader group of participants that may be covered by those
 procedures.
- New requirements for the proposed 'retail consultation process' inserted in clause
 7.1.4A(d), (e) and (f), including the establishment and operation of a stakeholder committee and recommendations of that committee.
- Revised definition of 'B2B Communication' to allow for a potentially broader group of participants.

1 Renaming the Metering Chapter

- 7. Metering and Retail Markets
- 7.1 Introduction to the Metering Chapter 7

2 Amendments to Rule 7.1

2.1 Amend clause 7.1.1:

Renumber the second paragraph (a) as paragraph (b).

In the renumbered paragraph (b) -

- (8) metering data services database and the metering database; and
- (9) metering register requirements; and
- (10) other matters directed at facilitating the sale and *supply* of electricity to *retail* customers and the operation of retail electricity markets.

2.2 Delete clause 7.1.3:

7.1.3 [Deleted]

- (a) AEMO is responsible for the establishment and maintenance of procedures specified in Chapter 7 except for procedures established and maintained under Rule 7.2A.
- (b) The procedures authorised by AEMO must be established and maintained by AEMO in accordance with the Rules consultation procedures.

Comment [LT1]: The content of Chapter 7 is already broader than just metering. As this Chapter contains all of the existing procedures that are (or will be) defined as "Retail Market Procedures", it is helpful for the title of the Chapter to better reflect the subject matter.

Comment [LT2]: Clause 7.1.3 is unnecessary as these requirements are stated in respect of each set of procedures



- (e) The Information Exchange Committee is responsible for the establishment and maintenance of procedures specified in Rule 7.2A.
- (d) The procedures authorised by the Information Exchange Committee must be established and maintained in accordance with the requirements of Rule 7.2A.
- (e) The procedures established or maintained under this clause must be published by the party authorised to make the procedure.
- (f) AEMO must establish, maintain and publish a list of procedures authorised under the Rules relevant to this Chapter 7, irrespective of who authorised those procedures.
- 2.3 Amend clause 7.1.4 to provide for consultation in accordance with both the Rules consultation procedures and the Committee processes to be set out in a 'retail consultation process':

7.1.4 Amendment of Retail Market Pprocedures in the Metering Chapter

- (a) Subject to paragraph (e), AEMO may only make Retail Market Procedures in accordance with the retail consultation process and after consultation in accordance with the Rules consultation procedures.
- (b) Any person (the 'proponent') may submit to AEMO a proposal (the 'proposal') to make amend any Retail Market Pprocedures, other than the jurisdictional metrology material, including the metrology procedure except:
 - in relation to the jurisidictional metrology material which is contained within the metrology procedure; and(2) procedures specified in Rule 7-2A.

and must include reasons for the proposed change.

- (cb) <u>AEMO</u> may request a proponent to provide further information or reasons to support its proposal.
- (d) After receiving a proposal and any further information or reasons requested under paragraph (c), For proposals submitted under paragraph (a), AEMO must, subject to the retail consultation process, publish the proposal and either:
 - publish the proposal and initiate consultation on the proposed amendment in accordance with paragraph (a); orgive notice of receipt of the proposal to the proponent; and
 - (2) reject the proposal,

and must advise the proponent accordingly, giving reasons for any decision toreject a proposal of the action that AEMO proposals to undertake under paragraphs (c) or (e).

- (c) Where AEMO:
 - accepts the proposal, AEMO must conduct the Rules consultation procedures in relation to that proposal;
 - (2) requests further information from the proponent in relation to a proposal, on receiving that information AEMO must either accept, or reject the proposal;

Comment [LT3]: Note the intent is to delete and re-insert the definition of Retail Market Procedures as part of this proposed Rule, so that the definition will apply in all NEM jurisdictions. There appear to be no unintended consequences for jurisdictions that have not adopted the NECF. Other than this Chapter, the term is only used in Chapter 6B and in the definition of Electricity Procedures.

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Comment [LT4]: It is not proposed to continue to limit the right to propose B2B procedure changes.

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Comment [LT5]: This is covered by AEMO's ability to request further information/reasons, before starting consultation.

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- (3) rejects a proposal, AEMO must advise the proponent of its decision and reasons for the decision in writing.
- (d) AEMO may at the conclusion of the Rules consultation procedures amend the procedure (if necessary).
- (e) Where <u>AEMO</u> proposes to make <u>Retail Market Procedures</u> that, in <u>AEMO</u>'s reasonable opinion, a proposal referred to in paragraph (a) relates to amendments that are of a minor or administrative nature, <u>AEMO</u> is not required to undertake the <u>Rules consultation procedures</u> but must <u>comply with any relevant provisions</u> of the <u>approved retail consultation process</u> and:
 - (1) *publish* the proposed *Retail Market Procedures* including the accompanying reasons;
 - (2) issue a notice to Registered Participants, Metering Providers, Metering Data Providers, Ministers—and the AER advising that the proposed amendment to the procedures have has been published;
 - (3) invite submissions on the proposed proceduresal;
 - (4) allow at least 10 business days for the receipt of submissions;
 - (5) allow a reasonable extension of time for submissions if requested in writing by a *Registered Participant*, *Metering Provider* or *Metering Data Provider*;
 - (6) publish submissions as soon as practicable after submissions have been received;
 - (7) consider the submissions; and
 - (8) <u>publish</u> the reasons for its decision to make the relevant <u>Retail Market Procedures</u>, on or before the day of <u>publication</u> of those <u>procedures.publish</u>, on or before the day of <u>publication</u> of the procedure identified in paragraph (a), reasons for the amendments to the procedure.
 - (f) Where AEMO decides to make Retail Market Procedures after consultation in accordance with paragraph (a) or (e), AEMO must specify a commencement date for the procedures that is not less than 10 business days after the procedures are published, unless otherwise specified in this Chapter 7 or determined in accordance with the retail consultation process.
- 2.4 Insert a new clause 7.1.4A for the establishment of a process for consultation on retail market procedures

7.1.4A Retail consultation process for amending procedures in this Chapter

- (a) AEMO must establish, in accordance with the Rules consultation procedures, as process (the retail consultation process) for assessing and consulting on proposed Retail Market Procedures for the purposes of clause 7.1.4.
- (b) AEMO may amend the retail consultation process in accordance with the Rules consultation procedures and any additional requirements set out in the retail consultation process.
- (c) AEMO must publish the retail consultation process on its website.
- (d) The retail consultation process must include:

Comment [LT6]: Note that the process will specify whether and how AEMO is required to consult for minor and technical changes to specified procedures.

Also note proposed change in name, from "approved process" (in the original rule change request) to "retail consultation process"

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Comment [AEMO7]: See, for example, clause 7.14.1(b) - metrology procedures

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 a requirement for AEMO to establish a committee, consistent with theprovisions of paragraph (e), to advise and make recommendations to AEMO in relation to Retail Market Procedures and the retail consultation process;

5.

(2) the matters on which the committee is to advise or make recommendations;

(3) the stages at which AEMO must consult with the committee in relation to a proposal to make Retail Market Procedures, including as a minimum:

(i) before deciding to reject a proposal under clause 7.1.4(d);

- (ii) before deciding to make Retail Market Procedures that AEMO considers to be of a minor or administrative nature under paragraph 7.1.4(e); and
- (iii) before publishing any notice or report required under the Rules consultation procedures;
- (4) subject to paragraph (f), AEMO's obligations to consider recommendations of the committee, and to publish reasons for its decisions; and
- (5) the grounds on which AEMO may reject a proposal under clause 7.1.4(d)(2).
- (e) The following principles and requirements apply to the establishment and operation of the committee established under the retail consultation process:
 - (1) the membership of the committee should, to the extent reasonably practicable and having regard to the need for business efficacy, be representative of the persons likely to be affected by Retail Market Procedures and must include AEMO;
 - (2) the committee may include members that are independent of any person described in paragraph (1);
 - (3) subject to confidentiality obligations, the proceedings of the committee must be open and transparent;
 - (4) interested parties who are not committee members must have a reasonable opportunity to attend committee meetings and make representations to the committee on proposed Retail Market Procedures;
 - (5) AEMO must establish initial operating procedures for the committee, including requirements for:
 - (i) the membership of the committee;
 - (ii) nomination and appointment of members, the secretary and the chair;
 - (ii) the chair of the committee to be an independent member unless the committee otherwise recommends and AEMO agrees; and
 - (6) the operating procedures may only be amended by a resolution of the committee in accordance with those procedures.
- (f) The following principles and requirements apply in relation to recommendations of the committee:
 - (1) AEMO must not make:
 - (i) proposed B2B Procedures; or
 - (ii) any amendment to the retail consultation process,

other than in accordance with a recommendation of the committee;

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- (2) in deciding whether to make any other proposed Retail Market Procedures, AEMO must consider any applicable recommendation of the committee; and
- (3) AEMO may ask the committee to reconsider a recommendation on proposed B2B Procedures if AEMO considers (specifying its reasons) that:
 - the committee failed to have regard to the national electricity objective or any applicable principles in the rules of the committee; or
- (ii) implementing the recommendation would conflict with the Market Settlement and Transfer Solution Procedures or would adversely affect the exercise of AEMO's powers or the performance of its functions.
- (g) AEMO, Registered Participants and any other person to whom the retail consultation process is expressed to apply, must comply with the retail consultation process.

3 Amendments to Rule 7.2 – MSATS

- 3.1 Amend the heading of rule 7.2 for readability and to better reflect the general subject matter of the rule:
- 7.2 Responsibility for Metering Installations, and Metering Data and Market Settlement and Transfer Solution Procedures
- 3.2 Amend clause 7.2.8 for consistency with amended clause 7.1.4:

7.2.8 Market Settlement and Transfer Solution Procedures

- (a) AEMO, in consultation with Registered Participants in accordance with the Rules consultation procedures, must establish, maintain and publish Market Settlement and Transfer Solution Procedures.
- (b) [Deleted] AEMO may from time to time amend the Market Settlement and Transfer Solution Procedures in consultation with Registered Participants in accordance with the Rules consultation procedures. AEMO must publish any such amendment to the Market Settlement and Transfer Solution Procedures.
- (c) The Market Settlement and Transfer Solution Procedures may include roles and responsibilities for Metering Providers and Metering Data Providers.
- (d) All Registered Participants, Metering Providers, and Metering Data Providers and any other person to whom the Market Settlement and Transfer Solution Procedures are expressed to apply, must comply with those procedures the Market Settlement and Transfer Solution Procedures.

Note

This clause is classified as a civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

(e) If a Registered Participant breaches the requirements of the Market Settlement and Transfer Solution Procedures, AEMO may send to that Registered Participant a notice in writing setting out the nature of the breach.

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Comment [AEMO8]: Note: procedure change requirements are covered in 7.1.4 and are therefore not required here.



- (f) If the *Registered Participant* remains in breach for more than 5 *business days* after receipt of the notice from *AEMO*, *AEMO* must advise:
 - (1) the authority responsible for administering *jurisdictional electricity legislation* in the *participating jurisdiction* in which the *connection point* to which the breach relates is located; and
 - (2) the AER.

4 Amendments to Rule 7.2A – B2B

4.1 Delete clause 7.2A.2:

7.2A.2 [Deleted] Information Exchange Committee

- (a) AEMO must establish the Information Exchange Committee in accordance with the Information Exchange Committee Election Procedures.
- (b) The Information Exchange Committee must only be constituted by:
 - (1) three Distribution Network Service Provider Members;
 - (2) three Local Retailer/Market Customer Members; and
 - (3) two Independent Members.

Local Retailers and Market Customers together and Distribution Network Service Providers must, in relation to categories of Members in relation to which they are entitled to vote under the Information Exchange Committee Election Procedures, use their reasonable endeavours to ensure that the Information Exchange Committee is established in accordance with the Information Exchange Committee Election Procedures. Each Member must serve on the Information Exchange Committee For the term specified in the Information Exchange Committee Election Procedures and must only be removed or replaced in accordance with the Information Exchange Committee Election Procedures.

- (e) Local Retailers, Market Customers and Distribution Network Service Providers must ensure that the Information Exchange Committee Election Procedures include provisions in respect of Member qualifications, procedures for voting for Members, the term of a Member, determination and publication of results of elections and the removal and resignation of a Member.
- (d) The first Information Exchange Committee Election Procedures must be published by the time this clause 7.2A.2 comes into operation. The Information Exchange Committee Election Procedures may only be amended in accordance with the procedure set out in the Information Exchange Committee Election Procedures and with the support of:
 - not less than 75% of all Registered Participants registered by AEMO as Distribution Network Service Providers under clause 2.5.1; and
 - (2) not less than 75% of that class of Registered Participants comprising:
 - (A) Registered Participants who are included on the list of Local Retailers published by AEMO; and
 - (B) Market Customers who are not included on the list of Local Retailers published by AEMO and who are not a related body corporate of a Local Retailer.

Comment [LT9]: The subject matter of this clause will be covered in the Election Procedures and Operating Manual



Neither a Registered Participant nor AEMO is obliged to comply with an amendment to the Information Exchange Committee Election Procedures unless that amendment is made in accordance with this clause. AEMO must publish the current version of the Information Exchange Committee Election Procedures.

- (e) A Registered Participant must ensure that a person it nominates as a Member for a category satisfies the requirements for that particular category of Member as set out in the Information Exchange Committee Election Procedures.
- (f) The first Information Exchange Committee Operating Manual must be published by the time this clause 7.2A.2 comes into operation. The Information Exchange Committee Operating Manual may only be amended in accordance with the procedure set out in the Information Exchange Committee Election Procedures and with the support of:
 - not less than 75% of all Registered Participants registered by AEMO as Distribution Network Service Providers under clause 2.5.1; and
 - (2) not less than 75% of that class of Registered Participants comprising:
 - (A) Registered Participants who are included on the list of Local Retailers published by AEMO; and
 - (B) Market Customers who are not included on the list of Local Retailers published by AEMO and who are not a related body corporate of a Local Retailer.

Neither a Registered Participant nor AEMO is obliged to comply with an amendment to the Information Exchange Committee Operating Manual unless that amendment is made in accordance with this clause. AEMO must publish the current version of the Information Exchange Committee Operating Manual.

- (g) The functions and powers of the Information Exchange Committee include:
 - developing, consulting on and making an Information Exchange Committee Recommendation;
 - (2) managing the ongoing development of the B2B-Procedures and any changes to them:
 - (3) establishing the Information Exchange Committee Working Groups;
 - (4) developing, consulting on and approving the Information Exchange Committee Works Programme;
 - (5) reviewing and considering work completed by the Information Exchange Committee Working Groups;
 - (6) developing proposed amendments to the Information Exchange Committee Election Procedures; and
 - (7) developing proposed amendments to the *Information Exchange Committee*Operating Manual.
- (h) The Information Exchange Committee must provide to AEMO the current version of the B2B Procedures and the Information Exchange Committee Works Programme.
- (i) AEMO must publish the B2B Procedures and the Information Exchange Committee Works Programme provided to it by the Information Exchange Committee:



- (j) The Information Exchange Committee, AEMO, Local Retailers, Market Customers and Distribution Network Service Providers must comply with the Information Exchange Committee Election Procedures and the Information Exchange Committee Operating Manual.
- (k) The Information Exchange Committee must meet at least once every three months.
- (l) The quorum for a meeting of the Information Exchange Committee is five Members comprising two Distribution Network Service Provider Members, two Local Retailer/Market Customer Members and one Independent Member.
- (m) A decision of the *Information Exchange Committee* is not valid and enforceable unless it is made as follows:
 - an Information Exchange Committee Recommendation requires the support of six or more Members;
 - (2) any decision that a proposal under clause 7.2A.3(a) should not be considered further after initial consideration under clause 7.2A.3(b), and any decision to not recommend B2B Procedures or a change to the B2B Procedures for approval by AEMO requires the support of six or more Members;
 - (3) any decision to approve the Information Exchange Committee Works Programme requires the support of six or more Members; and
 - (4) any other decision by the Information Exchange Committee requires the support of five or more Members.
- (n) Each Member in performing his or her duties or in exercising any right, power or discretion must have regard to the B2B Objective and the B2B Principles and must:
 - (1) at all times act honestly;
 - (2) exercise the degree of care and diligence that a reasonable person in a like position would exercise;
 - (3) not make improper use of information acquired by virtue of his or her position to gain, directly or indirectly, an advantage for himself or herself, or the Registered Participants by which he or she is employed and/or which nominated him or her to be a Member; and
 - (4) not make improper use of his or her position to gain, directly or indirectly, an advantage for himself or herself or the Registered Participants by which he or she is employed and/or which nominated him or her to be a Member.
- (o) Subject to clause 7.2A.2(n), a Distribution Network Service Provider Member may take into account the interests of Distribution Network Service Providers in performing his or her duties or in exercising any right, power or discretion.
- (p) Subject to clause 7.2A.2(n), a Local Retailer/Market Customer Member may take into account the interests of Local Retailers and Market Customers in performing his or her duties or in exercising any right, power or discretion.
- (q) The Information Exchange Committee must prepare the Information Exchange Committee Annual Report for the period ended 31 December in the first calendar year following the establishment of the Information Exchange Committee and the year ended 31 December in each year thereafter. The Information Exchange Committee must provide the Information Exchange Committee Annual Report to



- AEMO by the following 31 March and AEMO must publish that Information Exchange Committee Annual Report:
- (r) The Information Exchange Committee Annual Report must contain the information required by the Information Exchange Committee Operating Manual.
- (s) By 28 February each year the Information Exchange Committee must prepare a draft budget for the following financial year in a form which is consistent with the budget procedures of AEMO. Following discussion with AEMO the Information Exchange Committee must prepare a budget by 31 March and provide that budget to AEMO. When AEMO publishes its budget pursuant to clause 2.11.3, AEMO must advise the Information Exchange Committee of the final budget for the Information Exchange Committee for that financial year.

4.2 Delete clause 7.2A.3:

7.2A.3 [Deleted]B2B Procedures

- (a) AEMO, a Local Retailer, a Market Customer or a Distribution Network Service Provider may propose B2B Procedures, or a change to the B2B Procedures, to the Information Exchange Committee. The proposal must be submitted in writing to the Information Exchange Committee and must provide details of the proposal and supporting information, including reasons for any change or B2B Procedure.
- (b) Within 25 business days of receipt by the Information Exchange Committee of a proposal under clause 7.2A.3(a), the Information Exchange Committee must meet to determine whether on a prima facie basis making new B2B Procedures and/or changing the B2B Procedures is warranted having regard to the B2B Objective and the B2B Principles.
- (c) If, after its consideration under clause 7.2A.3(b), the Information Exchange Committee decides that the proposal made under clause 7.2A.3(a) should not be considered further, the Information Exchange Committee must within five business days provide written reasons for that decision to whichever of AEMO; the Local Retailer, Market Customer or Distribution Network Service Provider who made the proposal.
- (d) If, after its consideration under clause 7.2A.3(b), the Information Exchange Committee decides that the proposal made under clause 7.2A.3(a) should be considered further, the Information Exchange Committee must develop the proposal into a B2B Proposal (which may differ from the proposal originally made) and an accompanying B2B Procedures Change Pack for consultation. The Information Exchange Committee must seek AEMO's advice on whether a conflict with the Market Settlement and Transfer Solution Procedures arises from the B2B Proposal and include any such advice in the B2B Procedures Change Pack.
- (e) The Information Exchange Committee must comply with the Rules consultation procedures in relation to the B2B Proposal. For the purposes of rule 8.9(b), the nominated persons to whom notice must be given are Local Retailers, Market Customers, Distribution Network Service Providers and AEMO. For the purposes of the notice, the particulars of the matters under consultation must include a copy of the B2B Procedures Change Pack.
- (f) AEMO must publish the notice of consultation within 3 business days of its receipt and must notify all Local Retailers, Market Customers and Distribution Network Service Providers of the consultation.

Comment [LT10]: The subject matter of this clause (to the extent still required) will be covered in the [RMC] Operating Manual



- (g) In addition to the matters which rule 8.9(g) requires be included in the draft report, the draft report must contain details of the *Information Exchange* Committee's consideration of the B2B Objective and each of the B2B Principles and how the *Information Exchange Committee* has considered each submission made having regard to the B2B Objective and the B2B Principles.
- (h) In addition to the matters which rule 8.9(k) requires be included in the final report, the final report must contain details of the Information Exchange Committee's consideration of the B2B Objective and each of the B2B Principles and how the Information Exchange Committee has considered each submission having regard to the B2B Objective and the B2B Principles.
- (i) The Information Exchange Committee can conclude not to recommend the proposed B2B Procedures be made or not to recommend a change to the B2B Procedures. Alternatively, the Information Exchange Committee may make an Information Exchange Committee Recommendation and in doing so may recommend a different B2B Procedure or change to the B2B Procedures from that originally proposed under clause 7.2A.3(a). A conclusion not to recommend the proposed B2B Procedures be made or not to recommend a change to the B2B Procedures, or the making of an Information Exchange Committee Recommendation, must be included in the final report required under rule 8.9(k).
- (j) In coming to a conclusion not to recommend the proposed B2B Procedures or not to recommend a change to the B2B Procedures, or in making an Information Exchange Committee Recommendation, the Information Exchange Committee must seek to achieve the B2B Objective and, in seeking to achieve the B2B Objective, must have regard to the B2B Principles. To the extent of any conflict between the B2B Principles, the Information Exchange Committee may determine the manner in which those principles can best be reconciled or which of them should prevail.
- (k) If the Information Exchange Committee recommends not to make the proposed B2B Procedures or not to change the B2B Procedures, AEMO must take no further action in respect of the proposal. If the Information Exchange Committee makes an Information Exchange Committee Recommendation, AEMO must consider the Information Exchange Committee Recommendation and must approve that Information Exchange Committee Recommendation, unless it concludes that:
 - (1) the *Information Exchange Committee* has failed to have regard to the *B2B Objective* and/or the *B2B Principles*;
 - (2) the Information Exchange Committee Recommendation would conflict with the Market Settlement and Transfer Solution Procedures; or
 - (3) the Information Exchange Committee has not followed the Rules consultation procedures (as supplemented by this clause 7.2A.3).
- (1) In considering an Information Exchange Committee Recommendation, AEMO must not consider:
 - (1) the manner in which the Information Exchange Committee considered the B2B Objective and the B2B Principles or the weight given by the Information Exchange Committee to the different B2B Principles or the balancing between them; or
 - (2) the merits of the Information Exchange Committee Recommendation.



- (m) AEMO must not amend the Information Exchange Committee Recommendation and must not conduct any further consultation on the Information Exchange Committee Recommendation prior to making its B2B Decision.
- (n) AEMO must publish and make available on its website its B2B Decision, with reasons, within 10 business days of receiving an Information Exchange Committee Recommendation from the Information Exchange Committee.
- (o) If AEMO decides not to approve an Information Exchange Committee Recommendation, the reasons for the B2B Decision which are to be published and made available in accordance with clause 7.2A.3(n) must include an explanation of the following, where applicable:
 - to which of the B2B Objective and/or the B2B Principles AEMO considers the Information Exchange Committee failed to have regard;
 - (2) how the Information Exchange Committee Recommendation would give rise to a conflict with the Market Settlement and Transfer Solution Procedures; or
 - (3) how the Information Exchange Committee did not follow the Rules consultation procedures (as supplemented by this clause 7.2A.3).

4.3 Amend clause 7.2A.4:

7.2A.4 Content of the B2B Procedures

- (a) The B2B Procedures may provide for B2B Communications.
- (b) For each B2B Communication, the B2B Procedures must contain:
 - (1) the required B2B Data inputs and B2B Data outputs;
 - (2) the required business process flows and related timing requirements;
 - (3) the required content and format;
 - (4) the required delivery method; and
 - (5) the back-up delivery method to be used where the required delivery method cannot be used.
- (c) The *B2B Procedures* may include obligations in relation to the information to be maintained and provided to support *B2B Communications*.
- (d) For each B2B Communication the B2B Procedures may also include:
 - (1) details for testing and certification;
 - (2) provisions relating to contingency arrangements;
 - (3) examples of how a B2B Communication may operate in practice; and
 - (4) the method for dealing with a dispute (which may include provisions deferring the use of the dispute resolution procedures in the *Rules* and access to the courts); and
 - (5) any other matters relevant to the operation of the B2B e-hub.
- (e) [Deleted] The B2B Procedures or a change to the B2B Procedures must also include a date for the commencement of the B2B Procedures or the change. That date must be not less than 10 business days after the related B2B Decision is published. The Information Exchange Committee may extend that date following consultation with AEMO and affected Registered Participants. If the date is

Comment [LT11]: See clause 7.1.4(f)



- extended by the Information Exchange Committee, the Information Exchange Committee must provide AEMO with that date and AEMO must publish that date.
- (f) [Deleted] A change to the B2B Procedures may also include provisions relating to a date for the end of a process related to a B2B Communication. That date may be after the date of commencement of the change and may be left to the discretion of the Information Exchange Committee. If the date is set by the Information Exchange Committee, the Information Exchange Committee must provide AEMO with that date and AEMO must publish that date.
- (g) [Deleted] The B2B Procedures may be constituted by one or more separate
- (h) The B2B Procedures may include roles and responsibilities for Metering Providers and Metering Data Providers.
- (i) Registered Participants, AEMO, Metering Providers, Metering Data Providers and any other person to whom the B2B Procedures are expressed to apply, must comply with those procedures. Subject to the Information Exchange Committee following the requirements placed upon it in the Rules in relation to the B2B Procedures, Local Retailers, Market Customers, Distribution Network Service Providers, AEMO, Metering Providers and Metering Data Providers must comply with the B2B Procedures.
- (k) Persons to whom the B2B Procedures apply Local Retailers, Market Customers and Distribution Network Service Providers may, on such terms and conditions as agreed between them, makecommunicate a B2B Communication on a basis other than as set out in the B2B Procedures, in which case the parties to the agreement need not comply with the B2B Procedures to the extent that the terms and conditions agreed between them are inconsistent with the B2B Procedures.
- (1) B2B Data is confidential information and may only be disclosed as permitted by the Rules.
- (m) [Deleted]If a change to the B2B Procedures is of a minor or procedural nature or is necessary to correct a manifest error in the B2B Procedures, the Information Exchange Committee may recommend the change to AEMO and need not consult on the change in accordance with the Rules consultation procedures. Clauses 7.2A.3(i) to (o) (inclusive) and clauses 7.2A.4(e) and (f) apply to such a change (with any necessary modifications). In addition to publishing its B2B Decision in relation to such a change, AEMO must notify all Local Retailers Market Customers and Distribution Network Service Providers of the change.

4.4 Delete clause 7.2A.6:

7.2A.6 [Deleted] Cost Recovery

(a) The costs of the development of the B2B Procedures, the costs of the establishment and operation of the Information Exchange Committee (including the engagement costs of specialist advisers, and the remuneration and payment of the reasonable expenses of the Independent Members), all of which must be set out in the budget prepared by the Information Exchange Committee pursuant to clause 7.2A.2(s) and the Information Exchange Committee Annual Report, and the operational costs associated with any service provided by AEMO to facilitate B2B Communications (including providing and operating a B2B e Hub) must be paid by AEMO in the first instance and recouped by AEMO as Participant fees.

Comment [LT12]: This is unnecessary and is not specified for other procedures, eg MSATS.



- (b) Subject to clause 7.2A.6(a), the cost of any Member (other than an Independent Member) and involvement of individuals in the Information Exchange Committee Working Groups is not to be borne by AEMO.
- (c) The cost to a Local Retailer, Market Customer and Distribution Network Service Provider of implementing and maintaining the necessary systems and processes to ensure compliance with B2B Procedures must be met by that Local Retailer, Market Customer or Distribution Network Service Provider.

5 Amendment of Rule 7.13

7.13 Evolving Technologies and Processes and Development of the Market

- (a) Evolving New technologies or processes that:
 - (1) meet or improve the performance and functional requirements of this Chapter; or
 - (2) facilitate the development of the market,

may be used if provided for in procedures made by AEMO under paragraph (b1) or other relevant Retail Market Procedures, or as agreed between the relevant Market Participant(s), the Local Network Service Provider and AEMO, and the agreement of the Local Network Service Provider and AEMO must not be unreasonably withheld.

(b) No agreement contemplated by rule 7.13(a) can be entered into if it materially and adversely affects the interests of persons other than the *Market Participant(s)* and the *Local Network Service Provider* who are parties to the agreement.

Note

This rule is classified as a civil penalty provision under the National Electricity (South Australia) Regulations. (See clause 6(1) and Schedule 1 of the National Electricity (South Australia) Regulations.)

- (b1) AEMO may establish and maintain procedures for the use of new technologies and processes, and must publish those procedures.
- (c) AEMO must, at least annually, publish a report on the application of <u>newevolving</u> technologies and processes.
- (d) AEMO must, at least annually, submit a written report to the AEMC on the extent to which this Chapter 7 may need to be amended in order to accommodate the new or evolving technologies and processes or the development of the market.
- (e) AEMO must, at least annually, prepare and *publish* a report on the impact of the introduction of retail competition on the wholesale market, including:
 - (1) the scope for improvement in the operation of wholesale market settlements;
 - developments in metering technology suited to more timely operation of the market; and
 - (3) the effectiveness of the provisions of this Chapter 7.
- (f) Having regard to the need to remove barriers to the adoption of economically efficient metering solutions and other economically efficient technology ('efficient solutions'), AEMO must:
 - (1) monitor developments in the Australian metering standards; and



(2) consult with the *participating jurisdictions* and other interested parties on any changes proposed to be made to the Australian metering standards that may have the potential to create such barriers,

and include any relevant findings in its report under paragraph (c).

- (g) The *Ministers of participating jurisdictions* must, by 30 June 2009, conduct and complete a review of type 5 and 6 *metering installations* and the *metrology procedure*.
- (h) In undertaking the review referred to in paragraph (g), the *Ministers of the participating jurisdictions* may:
 - review the outcomes from the Joint Jurisdictional Review of Metrology Procedures: Final Report of October 2004 ('the JJR report') and identify any outstanding issues from the JJR report;
 - (2) make recommendations to resolve any outstanding issues from the JJR report;
 - identify any additional barriers to the adoption of efficient solutions and make recommendations to reduce those barriers; and
 - (4) have regard to the need to maintain the regulatory certainty, in recognition that regulatory uncertainty is itself a major barrier to the adoption of efficient solutions.

6 Amendment of Rule 7.14 – Metrology and service level procedures

6.1 Amend clause 7.14.1

7.14.1 Requirements of the metrology procedure

- (a) AEMO must establish, maintain and publish the metrology procedure that will apply to metering installations in accordance with this rule 7.14 and this Chapter
- 6.2 Amend clause 7.14.1A:

7.14.1A Requirements of the service level procedures

- (a) AEMO must establish, maintain and publish the service level procedures that will apply to the relevant categories of registration that apply to Metering Providers and Metering Data Providers, in accordance with this Chapter 7 and this rule 7.14.
- (b) [Deleted] AEMO must establish and publish the service level procedures in accordance with clause 7.1.3.

Comment [AEMO13]: This is unnecessary and is not specified for MSATS or metrology procedures

7 Amendment of Chapter 10

7.1 Insert the following definitions, in alphabetical order:

retail consultation process

The process established under clause 7.1.4A.

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Retail Market Procedures

Procedures made under these *Rules* for or in connection with the sale and *supply* of electricity to *retail customers* or the operation of retail electricity markets, including:

- (a) B2B Procedures; and
- (b) Market Settlement and Transfer Solution Procedures; and
- (c) metrology procedure; and
- (d) service level procedures; and
- (e) procedures referred to in clause 7.13(b1) in relation to new technologies or processes; and
- (f) other procedures dealing with, or incidental to, the sale or supply of electricity or related services.

7.2 Amend the following definition:

B2B Communications

Communications or transactions between parties other than AEMO (but which may be made using systems operated by AEMO) Local Retailers, Market Customers and Distribution Network Service Providers relating to an end-user or supply to an end-user, excluding communications or transactions containing information that is required by AEMO for the purposes of AEMO's market or system functions provided for in the B2B Procedures.

7.3 Delete the following definitions:

B2B Decision

A decision of AEMO to approve or not approve an $Information\ Exchange\ Committee\ Recommendation.$

B2B Determination Dispute

A dispute in relation to either a B2B Decision or an Information Exchange Committee Recommendation.

B2B Objective

The benefits from B2B Communications to Local Retailers, Market Customers and Distribution Network Service Providers as a whole should outweigh the detriments to Local Retailers, Market Customers and Distribution Network Service Providers as a whole.

B2B Principles

The following principles:

- (a) B2B Procedures should provide a uniform approach to B2B Communications in participating jurisdictions in which there are no franchise customers;
- (b) B2B Procedures should detail operational and procedural matters and technical requirements that result in efficient, effective and reliable B2B Communications;

Comment [LT14]: Note: this is intended to replace the existing definition so that the definition inserted by this rule is applicable in all NEM jurisdictions

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Comment [LT15]: AEMO considers that the B2B principles and the B2B objective (to the extent they remain relevant) are adequately covered by the NEO or other provisions of the regulatory framework. Accordingly there seems to be no justification for retaining multiple objectives in the NER.



- (c) B2B Procedures should avoid unreasonable discrimination between Local Retailers, Market Customers and Distribution Network Service Providers; and
- (d) B2B Procedures should protect the confidentiality of commercially sensitive information.

B2B Procedures Change Pack

A document consisting of:

- (a) a B2B Proposal;
- (b) a report setting out an overview of the likely impact of the B2B Proposal on AEMO, Local Retailers, Market Customers and Distribution Network Service Providers;
- (c) draft B2B Procedures (incorporating proposed changes in mark up, where appropriate); and
- (d) an issues paper explaining why the B2B Proposal is being presented.

B2B Proposal

A proposal for B2B Procedures, or a change to the B2B Procedures, which is the subject of consultation by the Information Exchange Committee.

Distribution Network Service Provider Member

A Member appointed to the Information Exchange Committee in that membership category as set out in the Information Exchange Committee Election Procedures.

Independent Member

A Member appointed to the Information Exchange Committee in that membership category as set out in the Information Exchange Committee Election Procedures.

Information Exchange Committee

The committee established under clause 7.2A.2(a).

Information Exchange Committee Annual Report

The annual report prepared by the *Information Exchange Committee* in accordance with the *Information Exchange Committee Operating Manual*.

Information Exchange Committee Election Procedures

The procedures of that title which set out the process for election of *Members*.

Information Exchange Committee Operating Manual

The manual of that title prepared by the *Information Exchange Committee* which sets out the processes pursuant to which the *Information Exchange Committee* operates.

Information Exchange Committee Recommendation

A recommendation made by the *Information Exchange Committee* to *AEMO* to make *B2B Procedures* or to *change* the *B2B Procedures*.

Information Exchange Committee Working Groups

The groups established by the *Information Exchange Committee* to assist with the *Information Exchange Committee Works Programme*.



Information Exchange Committee Works Programme

The work programme prepared by the *Information Exchange Committee* in respect of the development, implementation and operation of the *B2B Procedures* and other matters which are incidental to effective and efficient *B2B Communications*.

Local Retailer/Market Customer Member

A Member appointed to the Information Exchange Committee in that membership category as set out in the Information Exchange Committee Election Procedures.

Member

A person appointed to the *Information Exchange Committee* pursuant to the *Information Exchange Committee Election Procedures*, and includes all membership categories, unless a contrary intention appears.