

30 January 2014

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

Electronic submission: lodged online via www.aemc.gov.au

Dear Mr Pierce

Draft Report: Framework for Open Access and Common Communications Standards Review

Momentum Energy welcomes the opportunity to provide comments in response to the Draft Report: Framework for Open Access and Common Communications Standards Review.

Momentum Energy is a second tier retailer with current retail electricity licences in Victoria, New South Wales, South Australia, Queensland and the Australian Capital Territory. Momentum Energy is fully owned by Hydro Tasmania, one of the largest clean energy producers in Australia. We are represented on the Energy Retailers Association of Australia's Smart Meter Working Group, which is the conduit through which the retailer representatives on the Framework's stakeholder advisory working group have sought industry input and provided updates on the progress of the development of the Framework.

General comments

Smart meters are the pivot for empowering customers to take control of their energy consumption and for retailers and other energy service providers to be able to develop the necessary tariffs and services to meet consumers' needs. Momentum supports contestability in the roll out of smart meters and in the provision of demand side participation other services enabled by smart meters. The Framework for Open Access and Common Communications Standards (the Framework) that comes into being off the back of this Review, and in particular the decisions made as to technology arrangements and communication standards, will be a decisive influence on whether the jurisdictional roll outs of smart meters succeed in unlocking DSP and other services, or even whether the roll outs creates enough benefit to make their costs worthwhile. This is, therefore, one of the more important reviews currently being undertaken by the AEMC.

While this Review necessarily delves into the technical detail of the arrangements or rules for open access to the smart meter communication network, including relevant security arrangements and appropriate accreditation requirements, it is very important that all involved keep uppermost in their minds this is all about services to consumers. Momentum believes a balance needs to be struck between over-specification ensuring the delivery of services at least cost to consumers.

In order for the roll outs of smart meters are to unlock value at efficient prices, it is imperative that the Framework insures competitive neutrality between all players.

Momentum would also like to make the point that, to the greatest extent possible, a consistent approach across states would be preferable because it would reduce costs and increase innovation and certainty.

Finally, it is important to note that there are numerous *Power of Choice*-driven and other related regulatory processes in train at the same time. Momentum is concerned about the fact that each of these reform processes seems to presume that the others will be implemented as drafted. In a sense, this situation makes the various processes self-reinforcing. This Review must avoid this pitfall. We note that the terms of reference for this Review includes that the AEMC has regards to establishing a framework that ensures the framework for open access and common communication standard is reviewed in light of proposed rules changes that might impact on any framework proposed. Even so, there would appear to be greater coordination required between agencies and consultation process to articulate how reform options under consideration in different review processes would work together.

The remainder of this submission addresses the key issues specifically raised in the Draft Report and concludes with comments that Momentum makes as a second-tier retailer with no related metering business.

Role of the SMP

The Draft Report contemplates the creation of a new market role of 'Smart Meter Provider' (SMP). Momentum questions whether, if other processes proceed, a proven need for this new role will be established. If there really are additional responsibilities that have not to date been allocated, and it is possible to allocate those additional responsibilities to existing roles, that would be preferable. In making this particular decision, the AEMC should give considerable weight to the substantial rule changes and costly systems changes that would be required to accommodate the new role of SMP.

Common market protocol

Momentum supports the recommendation in the Draft Report "that a common communications standard be used for the communications between the accredited parties and the 'point of entry' to the smart metering infrastructure. "The adoption of a common market protocol will indeed "reduce development costs for parties interacting with smart meters, reduce unnecessary meter replacement, and not inhibit consumers' ability to switch retailers." Obviously, as a challenger brand that wants the option of increasing its focus on New South Wales, Queensland and South Australia as market conditions in those states evolve, Momentum is particularly interested in ensuring that the Framework does not inhibit consumers' ability to switch retailers but it is a slightly different point, and equally does not have the effect of placing any retailer at a competitive disadvantage.

Momentum believes that, rather than moving straight onto the question of what that common communication standard should be, the Review should consider how the common meter protocol should be determined, maintained and added to as new innovation comes to market.

How should the common market protocol be determined?

It was somewhat surprising that the Draft Report focused so much on DLSP/COSEM as an option for the common meter protocol. We understand that this particular meter protocol has not been discussed in great detail by the stakeholder advisory working group and that, in fact, the working group focused on other options including expansion of the existing business to business (B2B) procedures.

Momentum imagines that it is the latter option that would be chosen by industry (because it would be a service-based protocol designed specifically for the National Electricity Market, which would be compatible with retailers' existing systems), but that is what should happen. The common market protocol should be determined by industry, specifically the Information Exchange Committee (IEC), supported by the Australian Energy Market Operator (AEMO). Momentum reserves the right to refine this position if the outcome of the AEMC's rule change determination on AEMO Review of Retail Market Procedures were to diminish industry control of the IEC or its successor body. Custodianship of the common market protocol sits with the industry, with AEMO as facilitator and provider.

If we do have the opportunity to contribute to industry determination of the common market protocol, Momentum will point out that enhancement of the B2B procedures would have the advantage of allowing retailers to focus on what they want to procure from SMPs (ie services) rather than the detailed technical operation of smart meters.

Who should maintain the common market protocol?

Again, this should be determined by industry, through the IEC or its successor body. If the common market protocol is determined by industry to be a B2B procedure, then the IEC will be responsible for overseeing maintenance of the common market protocol by AEMO. This would result in the most efficient development of the common market protocol and thus the most cost effective outcome for participants and consumers. Again, Momentum reserves the right to refine this position if the outcome of the AEMC's rule change determination on AEMO Review of Retail Market Procedures were to diminish industry control of the IEC or its successor body. The outcome of that Review of Retail Market Procedures should be that AEMO's role in relation to B2B procedures continues to be one of facilitation, accountable to an industry-led body (whether the IEC continues or is replaced somehow). So long as that outcome comes to pass, the suggestion raised in the Draft Report that AEMO would be not be sufficiently neutral to have accountability for maintenance of the common market protocol could be dismissed.

Addition of new functions

As new innovations come into the market Momentum believes it would be preferable if the IEC, or its successor, as opposed to the AEMC or AEMO had the responsibility for overseeing a framework for determining a common market protocol for new services. Momentum notes that there is the potential for the involvement of the IEC to slow, and potentially inhibit new innovations, coming into the market and therefore would suggest that if the IEC it is given such a role, it is required to have a clear process and timeframes for engaging with participants in order to not act as a barrier to innovations entering the market.

Meter protocol

Momentum does not support the adoption of a common meter protocol being proposed by the AEMC, and therefore endorses the approach of the ERAA for “a framework that allows the market to choose technologies and protocols to deliver the most efficient and cost effective service to the required participants, which will result in the best commercial outcomes for industry and ultimately consumers.”

It is possible that a common meter protocol might develop over time but that should be up to the market participants.

Market development

We fully endorse the Standing Council on Energy and Resources (SCER) decision to support competitive smart meter roll outs, rather than mandated roll outs. Momentum believes the competitive roll-out of smart meters and believes this approach will deliver the best outcome for customers in relation to innovation and minimising costs.

In allowing the market for smart metering, services and infrastructure to develop Momentum believes that some oversight will be required to ensure there is an appropriate level of competition to protect customers. Momentum notes that the AEMC has regards to establishing a framework that ensures competitive neutrality amongst all participants (inclusive of third parties) is maintained. In order to ensure there is sufficient competitive neutrality within the market, Momentum would propose that the AEMC undertake a review of the market for contestable meter services within 3 years of meter contestability being introduced to assure itself and the SCER that the market is delivering the best outcomes for customers.

3rd Party Providers

We share the view expressed in the ERAA submission that, in the context of the Framework, third party providers need to be properly defined and that, at the very least, third party providers should be subject to some form of accreditation or registration with AEMO. This is necessary in order to support the Draft Report’s definition of an accredited party as being “any entity that is entitled to access the smart meter’s data and functions. This would include the customer’s retailer, associated network business, the MDP, MP and third party energy service companies.”

If you would like to discuss this submission or any other matter, please contact Momentum’s Regulatory Manager Luke Brown on (03) 8612 6437 or luke.brown@momentum.com.au.

Yours sincerely



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