

Open access and common communication standards

Final Report

The review into open access and common communication standards for smart meters is a first step towards implementing the recommendations under the Power of Choice review. An open access and common communication standards framework provides a key component to establishing a competitive market for services enabled by smart metering technology. It provides the ability for service providers to offer new products and services to consumers, which would empower consumers to better manage their electricity consumption. Our final report includes recommendations that are linked to outcomes in other ongoing projects.

Recommendations

This review considered whether communication standards should be adopted to support the ability for parties to communicate with each other to access smart meter functionality. We also considered whether the provision of such access and any associated charges should be subject to regulation. Our final report makes three recommendations:

1. Shared market protocol

We recommend a **shared market protocol** be adopted, which would define the format of the communications between authorised service providers and the parties (“gate keepers”) that manage access to a smart meter’s functionality. The shared market protocol should be a services-based standard that is built on extending the existing business-to-business systems maintained by the Australian Energy Market Operator (AEMO).

The availability of a shared market protocol could promote competition by reducing communication software development costs; reducing unnecessary meter replacement; and not inhibiting a consumer’s ability to switch retailers. In order not to stifle innovation, we also recommend that the use of other communication protocols should be allowed.

2. Energy services to be market driven

We recommend that the market for energy services enabled by smart meters should be able to develop without the need for further regulation. That is, we recommend no regulation of access to smart meter functionality or the charges for such access.

Under market arrangements there are commercial incentives that can be expected to promote efficient outcomes. There is insufficient evidence at this time to suggest there would be inefficiencies that would outweigh the costs that would be imposed by regulation.

3. Competition review of the energy services market

We recommend that we would conduct a competition review of the energy services market in three years’ time.¹ The competition review would assess whether the market is operating as envisaged or whether some form of access regulation is required.

Inter-related projects

There are a number of interdependencies between this review and the rule change request the Standing Council on Energy and Resources (SCER) submitted to the AEMC on expanding competition in metering and related services (the competition in metering rule change request). SCER’s ongoing considerations on the role of third party energy service providers in the National Electricity Market will also have an impact on our recommendations. We have developed an implementation plan for our recommendations, which takes into account these interdependencies.

¹ The competition review would be conducted three years after the commencement of any rules made under the competition in metering rule change.

The open access review is a first step towards implementing the recommendations from the Power of Choice review. Our implementation plan takes into account linkages with other ongoing projects.

Implementation of open access recommendations

The recommendations under this review will be implemented as follows:

1. Supplementary implementation advice on the shared market protocol²

A change to the National Electricity Rules will be required to implement the shared market protocol. The competition in metering rule change request will have a direct bearing on the parties that would need to be involved in the implementation and maintenance of the protocol. For this reason, we will prepare 'supplementary implementation advice' following the final determination on the competition in metering rule change in April 2015. This supplementary advice will include a draft rule change request to implement the shared market protocol for SCER's consideration.

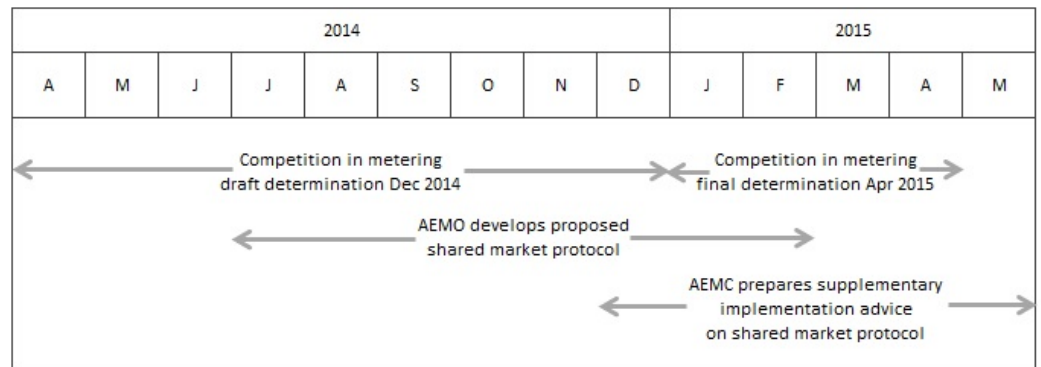
To promote timely implementation of the shared market protocol, we have also recommended that SCER request AEMO to undertake the development of a proposed shared market protocol in consultation with all interested parties. The proposed shared market protocol would be a key input to our development of the draft rule change request to implement the protocol. We propose that AEMO be requested to initiate this work before June 2014 for completion by February 2015.

2. Regulatory arrangements and transitional issues considered under the competition in metering rule change request

Our recommendation that there be no regulation of access to smart meter functionality and the charges for such access is based on two key assumptions. These assumptions are that the role of the 'metering coordinator' proposed under the competition in metering rule change request is adopted and consumers have the choice of appointing the metering coordinator. As a part of the competition in metering rule change request the AEMC will review whether these assumptions remain valid. If not, the AEMC will reconsider whether regulation of the rights to access smart meter functionality and regulation of access charges is required and, if so, what form.

The competition in metering rule change request will also define the role of the gate keeper and any required accreditation requirements for persons undertaking this role.

The AEMC will also consider transitional arrangements for the regulatory framework as a part of the competition in metering rule change request. Transitional arrangements are particularly relevant in Victoria and for distribution businesses that have already installed smart meters or implemented direct load control services using smart meters.



3. Competition review

SCER would direct the AEMC to undertake the competition review three years after the commencement of any rules made under the competition in metering rule change request.

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² The shared market protocol is different to our draft recommendation of a 'common market protocol'. A common protocol refers to one single protocol that would be used by all parties at all times. However, our final recommendation provides that the shared market protocol would essentially be the 'default' protocol and, in order not to inhibit innovation, allows other market protocols to be used.