



**Australian Energy Market Commission**

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## **DRAFT ADVICE**

Implementation advice on the shared market protocol

25 June 2015

**REVIEW**

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## **About the AEMC**

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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## Summary

This draft advice sets out the Australian Energy Market Commission's (AEMC) draft recommendations on implementing a shared market protocol. A shared market protocol is a standard for the communications sent between parties accessing the services available through advanced metering infrastructure. The concept also includes the electronic platform used to send the messages between parties.

This advice on implementing a shared market protocol is an important part of the suite of market reforms to the National Electricity Market (NEM) that are underway following the AEMC's Power of Choice review. These reforms are aimed at improving opportunities for consumers to make more informed decisions about the way they use energy services.

One of the ways consumer choice is being improved is by addressing the market processes and incentives required for distributors, retailers and other parties to offer demand side participation and respond to consumer choice. Following the Power of Choice review, the COAG Energy Council requested the AEMC provide advice on a framework for open access and common communication standards that would support competition in demand side management services available to consumers.

The open access advice recommended that a shared market protocol be adopted, to facilitate efficient communications between businesses offering services to consumers. Introducing a shared market protocol framework was expected to promote competition in the market for advanced metering services by reducing barriers to entry for new energy service companies while not inhibiting innovation in the method of communications.

However, as there were interdependencies with the competition in metering rule change process, a related reform from the Power of Choice review, the AEMC could not provide advice on how a shared market protocol could be implemented at that time. The COAG Energy Council agreed that supplementary advice on implementing a shared market protocol would be provided at a later date. The AEMC is now developing this supplementary advice for consideration by the COAG Energy Council.

### **Draft advice on implementing a shared market protocol**

A shared market protocol would complement the framework being introduced to expand competition in metering and related services that will facilitate the market led deployment of advanced meters. The competition in metering rule change request is currently being considered by the AEMC. This advice has been prepared on the basis of the AEMC's competition in metering draft rule determination, which was published in April 2015.

It is envisaged that communications for advanced metering services will need to be capable of 'near instant' responses. This would enable, among other things, retailers to obtain a meter read during a customer telephone inquiry or a DNSP to obtain a meter inquiry to determine the source of a power outage. The existing IT platform (the

business to business (B2B) e-hub) can be redeveloped to accommodate 'near instant' message capability. This could be done without significant change to the existing B2B framework in the NER. Therefore, implementing a shared market protocol would involve:

- expanding and updating the B2B procedures to provide for new B2B communications that support advanced metering services; and
- redeveloping the B2B e-hub to support the new B2B communications.

The key features of this draft advice on implementing a shared market protocol are set out below.

#### *Governance arrangements*

- The body responsible for maintaining the B2B procedures would be an updated Information Exchange Committee (IEC). The existing IEC framework in the NER would be amended to reflect a wider range of parties interested in B2B procedures.
- IEC membership would comprise of:
  - two independent members, one of whom would be the chairperson;
  - one DNSP representative;
  - one retailer representative;
  - one representative for metering coordinators, metering providers and metering data providers;
  - one third party B2B participant representative;
  - one consumer representative, appointed by AEMO in consultation with Energy Consumers Australia;
  - two discretionary members, appointed by AEMO in consultation with the two independent IEC members; and
  - one AEMO representative.

#### *B2B procedures*

- In addition to existing content requirements, the B2B procedures must support communications between parties relating to each of the services set out in the minimum services specification.<sup>1</sup> B2B procedures may also include performance requirements for the B2B e-hub.

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<sup>1</sup> The minimum services specification would be established as part of the competition in metering rule change process. See section 2.3.

- When making decisions about B2B procedures, the IEC must have regard to the national electricity objective (NEO) and the B2B principles. The B2B principles would include the existing B2B principles and new principles reflecting the change in parties that may be affected by B2B procedures.
- Before the IEC consults on a proposal to make a new B2B procedure or change the existing B2B procedures, it must seek AEMO's advice on whether there are any conflicts with MSATS procedures, whether the B2B e-hub can deliver the procedure change and the likely costs to be incurred by AEMO to ensure the B2B e-hub supports the procedure change.

#### *B2B e-hub*

- The B2B e-hub would be required to support the B2B communications listed in the B2B procedures. This would include communications for services in the minimum services specification. It would also be required to meet performance standards specified in the B2B procedures.

#### *Obligations on parties*

- DNSPs, retailers, metering coordinators, metering providers, metering data providers and B2B participants would be required to comply with the B2B procedures.
- DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants must use the B2B e-hub for B2B communications, unless they have agreed between themselves to use an alternative method of communication.
- A new accredited party role (B2B participant) would be established and all parties wishing to use the B2B e-hub would need to be accredited by AEMO as a B2B participant.
- Costs incurred by AEMO related to providing and operating the B2B e-hub, developing B2B procedures and establishing and operating the IEC would be recouped as B2B participant fees.
- B2B participants would be required to pay B2B participant fees as determined by AEMO.

#### **Submissions**

Submissions on any aspect of this draft advice should be provided to the AEMC electronically in writing by 5pm, Thursday 23 July 2015.

Following consultation on this draft advice, the AEMC will prepare a final advice for consideration by the COAG Energy Council.



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# 1 Introduction

The Australian Energy Market Commission's (AEMC or Commission) advice on implementing a shared market protocol is supplementary to the AEMC's advice on a framework for open access and communication standards (open access advice).<sup>2</sup> The open access advice, provided to the COAG Energy Council in March 2014, recommended the adoption of a shared market protocol to facilitate efficient communications between energy service companies offering services to consumers. However, as there were interdependencies with related reforms, the AEMC could not provide advice on how a shared market protocol should be implemented at the time. The AEMC recommended, and the COAG Energy Council agreed, that supplementary advice on implementing a shared market protocol would be provided at a later date.<sup>3</sup>

The COAG Energy Council also requested the Australian Energy Market Operator (AEMO) to provide advice on technical aspects of a shared market protocol, to help inform the development of a rule change request (see section 2.5 below). The AEMC has worked closely with AEMO to develop draft advice that is consistent with AEMO's advice on the technical requirements for a shared market protocol.

This draft advice on implementing a shared market protocol sets out the Commission's draft recommendations to the COAG Energy Council and seeks stakeholder feedback on those draft recommendations.

## 1.1 A shared market protocol

Parties that are involved in the supply of electricity to consumers (such as retailers and DNSPs) often need to communicate with each other about the services they are providing. The messages sent between companies could relate to a number of different functions, such as collecting data for the purposes of billing and settlement, or to provide customer services like arranging a new connection or switching retailer. When advanced meters become available to small customers, the number of services that will be available is likely to increase. The range of messages being sent between companies providing those services is also likely to increase.

A shared market protocol is an agreed standard for communications sent between parties accessing the services available through advanced metering infrastructure. For the purposes of this advice, the concept also includes the method of communication – the electronic platform used to send the messages between parties.

A shared market protocol is expected to promote competition in the market for advanced metering services by reducing barriers to entry for new energy service providers while not inhibiting innovative methods of communication. It would do this

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<sup>2</sup> AEMC 2014, Framework for open access and common communication standards, Report, 31 March 2014.

<sup>3</sup> COAG Energy Council 2014, COAG Energy Council response: Framework for open access and common communication standards, 1 May 2014.

by reducing the likelihood that a new entrant would need multiple systems to communicate with different parties in the market. A shared market protocol is also expected promote beneficial outcomes for consumers by supporting the delivery of products and services to them.

The AEMC's open access advice recommended that a shared market protocol could be implemented by expanding the current business to business (B2B) arrangements in the National Electricity Rules (NER) (described in section 2.6 below). However, it also noted that the current IT platform used for B2B communications, the B2B e-hub, may not be able to meet the requirements that may be necessary for advanced metering services. This is because advanced metering services are likely to require a higher delivery speed, increased volume of communications or increased congestion and security requirements.<sup>4</sup> AEMO and stakeholders have also expressed concern that the existing B2B e-hub would not be able to deliver the 'near instant' messages that are desirable to provide advanced metering services.

The B2B e-hub can be redeveloped to accommodate 'near instant' messages while still maintaining the general existing B2B framework in the NER. Therefore, implementing a shared market protocol will involve:

- expanding and updating the B2B procedures to provide for new B2B communications that support advanced metering services; and
- redeveloping the B2B e-hub to support the new B2B communications.

## **1.2 Consultation**

The Commission has consulted with stakeholders in the development of this draft advice.

A consultation paper outlining the issues for consideration was released on 19 December 2014. Nineteen submissions were received and are published on the AEMC's website.

The Commission also held a stakeholder workshop on 15 April 2015 to engage with stakeholders on initial policy positions and the detail of some issues such as governance arrangements. The workshop included a presentation by AEMO on its advice to the COAG Energy Council on the technical requirements for a shared market protocol. Approximately 40 stakeholders attended this workshop.

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<sup>4</sup> AEMC 2014, Framework for open access and common communication standards, Report, 31 March 2014, pp20-21.

### **1.3 Structure of report**

This advice is structured as follows:

- Chapter 2 provides the background to this advice including related projects, AEMO's advice on a shared market protocol and the current B2B framework;
- Chapter 3 outlines the objective, principles and assessment framework that has guided this advice;
- Chapter 4 provides an assessment of the proposed arrangements against the national electricity objective (NEO) and the potential impacts of the proposed arrangements;
- Chapters 5 to 9 set out the draft advice, including the alternatives considered and rationale for the draft recommendations;
- Appendix A provides an overview of the draft recommendations, being the main changes that would be required to the NER; and
- Appendix B lists the issues raised in submissions that have not been addressed in the body of this draft advice and provides responses to those issues.

### **1.4 Lodging submissions**

Written submissions from stakeholders in response to this draft advice must be lodged with the AEMC no later than 5pm, Thursday 23 July 2015. Submissions should refer to the project number "EMO0029" and be sent electronically through the online lodgement facility at [www.aemc.gov.au](http://www.aemc.gov.au).

All submissions received will be published on the AEMC's website, unless specified to be a confidential submission. While the AEMC will have full regard to all submissions lodged within the specified timeframe, late submissions may not be afforded the same level of consideration.

## 2 Background

This chapter provides an overview of the previous reviews and related rule change requests that have led to this advice on implementing a shared market protocol. It also includes a short overview of AEMO's advice on a shared market protocol and the current B2B and Information Exchange Committee (IEC) arrangements in the NER that are relevant to this advice.

### 2.1 Power of choice

In December 2012, COAG endorsed a comprehensive package of national energy market reforms to support investment in market outcomes in the long term interests of consumers. One of the areas of reform seeks to address the impediments to, and promote the commercial adoption of, demand side participation in the National Electricity Market (NEM). The COAG Energy Council developed a work program to implement this reform, comprising three policy objectives:

- improve pricing signals for consumers to efficiently manage their energy demand and improve incentives for businesses to implement demand side participation;
- informing consumers and businesses so they can implement efficient demand options; and
- enabling response to market signals through a range of technologies, skills and frameworks.

As part of these reforms, COAG Energy Council agreed to implement a number of the recommendations in the AEMC's power of choice review.<sup>5</sup> This review identified opportunities for consumers to make more informed decisions about how they use electricity. The review also addressed the market conditions and incentives required for DNSPs, retailers and other parties to maximise the potential of efficient demand side participation and respond to consumer choice.

An area of focus of the power of choice review was the role of enabling technology, including advanced meters, in supporting these outcomes. Two of the recommendations involved introducing:<sup>6</sup>

- A framework in the NER that provides for competition in metering services for residential and small business consumers. Facilitating competition was expected to improve the range of demand side participation products and services available to consumers.

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<sup>5</sup> AEMC 2012, Power of choice review - giving consumers options in the way they use electricity, Final Report, 30 November 2012.

<sup>6</sup> *ibid*, p68.

- A framework for open access, interoperability and common communication standards. This was expected to support competition in demand side participation energy management services enabled by advanced meters and also improve the metering products and services available to consumers.

## 2.2 Open access advice

The AEMC's open access advice was published in March 2014.<sup>7</sup> In its advice, the Commission defined a new 'gatekeeper' role to manage access to the new services that will be provided by advanced metering infrastructure. As part of the competition in metering rule change process, the Commission is considering the nature and scope of the gatekeeper functions and how they will be assigned between the metering coordinator, metering provider and metering data provider (see section 2.3).

The open access advice also recommended that a shared market protocol be adopted. This shared market protocol would define a format of communications between the gatekeeper and the parties wishing to access the services from advanced metering infrastructure.

The advice recommended that the shared market protocol be services based. This is because the parties seeking access to the advanced metering infrastructure are primarily interested in the services that can be provided. Also, specifying the services to be provided, rather than the actual functionality, gives greater flexibility to metering service providers and is likely to promote innovation.

The open access advice also recommended that the gatekeeper would be required to communicate via the shared market protocol when requested by another party. This would improve the level of interoperability of the access arrangements for advanced metering services and reduce barriers to entry. However, parties should be free to agree to use other market communication methods so that any potential limitations of the shared market protocol would not limit innovation.

In order to facilitate an expedited development of the shared market protocol, the Commission recommended that the shared market protocol should be established by extending the existing B2B arrangements.<sup>8</sup> However, as implementing a shared market protocol was interrelated to the outcomes of the competition in metering rule change process, the Commission recommended that it provide supplementary advice on implementing a shared market protocol at a later date, which is the purpose of this advice.

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<sup>7</sup> AEMC 2014, Framework for open access and common communication standards, Report, 31 March 2014.

<sup>8</sup> *ibid*, pp20-21.

## 2.3 Competition in metering rule change

The AEMC's draft rule determination on expanding competition in metering and related services (competition in metering) was published on 26 March 2015.<sup>9</sup>

This draft advice on implementing a shared market protocol has been prepared on the assumption that the following key features of that draft rule determination will be included in the final rule determination for that rule change request:

- The role and responsibilities of the responsible person will be provided by a new type of registered participant - a 'metering coordinator'. The metering coordinator will also have a number of new responsibilities related to the provision of advanced metering services.
- All new and replacement metering installations installed for small customers must (subject to a limited exception) have remote access and be capable of providing the services set out in the 'minimum services specification' in the NER.
- The metering coordinator can only allow access to data and services provided by the metering installation:
  - to specific parties for services in the minimum services specification; or
  - to a party that has obtained consent from the small customer for other advanced metering services; or
  - to a party and for a purpose that is otherwise permitted under the NER.
- While the metering installation must meet the minimum services specification, there is no requirement for the metering coordinator to provide the services enabled by the meter. Access to services is a matter for commercial negotiation between parties.

Any changes to these arrangements in the final rule determination may have consequential effects for the final advice on implementing the shared market protocol.

## 2.4 Governance of retail market procedures rule change

In June 2013, AEMO submitted a rule change request to the AEMC with a proposed rule that, if made, would make AEMO responsible for the development and administration of B2B procedures. It would do this by introducing a single governance framework for the making of retail market procedures under Chapter 7 of the NER.<sup>10</sup> Under the proposed rule, the IEC would have a continued role of providing advice on matters related to B2B procedures.

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<sup>9</sup> AEMC 2015, Expanding competition in metering and related services, draft rule determination, 26 March 2015.

<sup>10</sup> AEMO 2013, Rule change request: electricity retail market procedure governance, 20 June 2013.

AEMO submitted this rule change request because it considered that having different processes for different procedures under Chapter 7 of the NER was inefficient. In AEMO's view, the current arrangements for B2B were not suited to rapid change, which might be necessary for a rapidly evolving market. AEMO was also concerned that under the existing B2B arrangements, there may be a conflict of interest for its Board where it is obliged to make (that is, approve and publish) a B2B procedure recommended by the IEC.<sup>11</sup>

In July 2014 the Commission decided not to make a rule in relation to AEMO's rule change request. It was not satisfied that the proposed rule would better promote the NEO than the existing arrangements, or that changes were warranted at the time. The Commission considered that the IEC members have a strong incentive to make efficient decisions, as they would primarily be the ones to bear the costs of implementing changes to the B2B procedures.

The Commission also stated that it may be premature to amend the NER in anticipation of future market developments and it wished to avoid making piecemeal amendments. Changes to Chapter 7 of the NER, for example through the competition in metering rule change process, might warrant changes to the B2B framework at a later date.<sup>12</sup>

Some of these issues are revisited in this draft advice, which considers the governance framework for B2B procedures.

## **2.5 AEMO's advice on a shared market protocol**

To inform the development of a rule change request, the COAG Energy Council requested AEMO to prepare advice on the technical requirements for a shared market protocol.<sup>13</sup>

Stage 1 of AEMO's advice was provided on 11 March 2015 and included possible designs for the IT platform, including IT requirements, costs and timelines for implementing each design.<sup>14</sup> AEMO provided three design options:

- The basic model would replace the existing IT platform to enable delivery of near instant messages. It would be compatible with existing B2B functionality (such as file transfer protocol (FTP)) through converters. It would also support new services through the availability of free format messages (peer to peer). AEMO estimated that the basic model may cost \$6 to \$10 million for it to develop.
- The intermediate model includes all the functionality of the basic model and in addition would be capable of transactions. Transactions are a more sophisticated,

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<sup>11</sup> *ibid*, pp5-6.

<sup>12</sup> AEMC 2014, Governance of retail market procedures, rule determination, 31 July 2014, p8.

<sup>13</sup> The terms of reference is available on the COAG Energy Council website.

<sup>14</sup> AEMO 2015, Shared market protocol: part one - advice to the COAG Energy Council, 11 March 2015. Available on the COAG Energy Council website.

automated processing of requests that could make service delivery more efficient and less complicated for parties. For example, a service that requires a large number of messages to be sent between different parties could be reduced to several transactions. AEMO estimated that the intermediate model may cost \$8 to \$13 million for it to develop.

- The advanced model includes all the functionality of the intermediate model and in addition includes data store functionality that links the shared market protocol to other AEMO systems. It would provide a repository of data as a shared industry service, which would enable better validation of transactions and allow further automation of service delivery. AEMO estimated that the advanced model may cost \$12 to \$26 million for it to develop, but would take significantly longer to implement than the basic or intermediate models.

AEMO recommended that the intermediate model be pursued at this time, given the value to parties of near instant messages and transaction delivery. It is also lower cost and faster to implement than the advanced option. The key findings in relation to the IT requirements are explained further in section 7.1.2 of this draft advice.

Stage 2 of AEMO's advice was provided on 14 May 2015. It included how new metering services could be supported over time and opportunities to leverage the shared market protocol to provide additional services into the energy market.<sup>15</sup>

The AEMC has worked closely with AEMO to develop draft recommendations in this advice that are consistent with AEMO's advice on the technical requirements for a shared market protocol. In this way, AEMO's advice will inform the development of the final advice that will be provided to the COAG Energy Council.

## **2.6 B2B and the Information Exchange Committee**

Under the current B2B arrangements, communications between local retailers, market customers and DNSPs regarding the supply of electricity to end users occur through the B2B e-hub, an electronic information exchange platform provided and operated by AEMO.<sup>16</sup>

Local retailers, market customers and DNSPs must use the B2B e-hub for B2B communications,<sup>17</sup> except where they have agreed to communicate a B2B communication on a basis other than as set out in the B2B procedures.<sup>18</sup>

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<sup>15</sup> AEMO 2015, Shared market protocol: part two - advice to the COAG Energy Council, 14 May 2015. Available on the COAG Energy Council website.

<sup>16</sup> Clause 7.2A.1 of the NER.

<sup>17</sup> B2B communications are defined in Chapter 10 of the NER as 'communications between local retailers, market customers and DNSPs relating to an end-user or supply to an end user provided for in the B2B procedures'.

<sup>18</sup> See clauses 7.2A.1 and 7.2A.4(k) of the NER. Where such parties have agreed between themselves to communicate a B2B communication on a basis other than as set out in the B2B procedures, the

The B2B procedures include requirements for the content, format, delivery and timing for B2B communications.<sup>19</sup> Currently, local retailers, market customers, DNSPs, AEMO, metering providers and metering data providers must comply with the B2B procedures.<sup>20</sup>

Unlike other procedures provided for in Chapter 7 of the NER that are established and maintained by AEMO, B2B procedures are maintained by the IEC. The IEC consists of three DNSP members, three local retailer/market customer members and two independent members.<sup>21</sup> The nomination and appointment process for, and requisite qualifications of, members of the IEC are currently set out in the B2B Information Exchange Committee election procedures. Requirements with respect to the election and appointment (as the case may be) of the IEC chairperson and secretary and the conduct of IEC meetings are currently set out in the Information Exchange Committee operating manual.<sup>22</sup>

A new B2B procedure or a change to the existing B2B procedures can only be proposed by AEMO, a local retailer, a market customer or a DNSP. The IEC is responsible for consulting on any such proposal and making recommendations on the proposal to AEMO.<sup>23</sup> The IEC can conclude not to recommend the proposed new B2B procedure or change to the existing B2B procedures. Alternatively, the IEC may make a recommendation for a new procedure or change to the existing procedures, which may differ from the proposal.<sup>24</sup> In coming to a conclusion on whether or not to make a recommendation, the IEC must seek to achieve the B2B objective having regard to the B2B principles.<sup>25</sup>

A decision by the IEC to recommend a new B2B procedure or change to existing B2B procedures requires the support of six or more members of the IEC.<sup>26</sup> AEMO must approve the recommendation of the IEC unless it concludes that:<sup>27</sup>

- the IEC has failed to have regard to the B2B objective or the B2B principles;
- the IEC has not followed the rules consultation procedures;<sup>28</sup> or

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parties need not comply with the B2B procedures to the extent that the terms and conditions agreed between them are inconsistent with the B2B procedures.

19 Clause 7.2A.4 of the NER.

20 Clause 7.2A.4(i) of the NER.

21 Clause 7.2A.2 of the NER.

22 The IEC election procedures and operating manual are available on the AEMO website.

23 Clause 7.2A.3 of the NER.

24 Clause 7.2A.3(i) of the NER.

25 Clause 7.2A.3(j) of the NER. The B2B objective and principles are set out in full in section 6.3.2.

26 Clause 7.2A.2(m).

27 Clause 7.2A.3(k) of the NER.

28 The IEC must follow the rules consultation procedures (as supplemented by clause 7.2A.3 of the NER) in relation to a proposal for a new B2B procedure or change to the existing B2B procedures. See clause 7.2A.3(e).

- the recommendation would conflict with Market Settlement and Transfer Solutions (MSATS) procedures.

### 3 Assessment framework and principles

This chapter sets out the analytical framework that the Commission has used to develop its advice.

The Commission has had regard to the national electricity objective (NEO) in developing this advice, as a subsequent rule change could only be made if it is likely to contribute to the achievement of the NEO. The NEO, set out in s. 7 of the NEL, is to:

“promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.”

The following principles support the NEO and have guided the Commission's assessment and analysis:

- **Competition:** the framework for implementing a shared market protocol should promote competition and encourage parties to develop and offer services that support:
  - business and operational efficiency improvements for parties that provide these services to consumers, such as retailers and DNSPs; and
  - new services that provide benefit to consumers of electricity.
- **Innovation:** the framework should promote innovation in both the provision of new services, and in the means of the associated communications. This is likely to support:
  - business and operational efficiency improvements; and
  - additional direct benefits to consumers of electricity.
- **Consumer protection:** the framework should maintain and, where appropriate, introduce appropriate consumer protections.
- **Proportionality:** the framework should include a level of regulation that is proportional to the requirements of the market. In particular, the framework should not impose unnecessary administrative and compliance costs on those businesses providing demand side participation and related services.

## 4 Assessment

This chapter describes how the Commission's recommendations in this draft advice are likely to contribute to the achievement of the NEO and the impacts on parties.

### 4.1 Contributing to the achievement of the NEO

The framework for implementing a shared market protocol is intended to support the efficient uptake of products and services by small customers. It complements the draft rule for the competition in metering rule change process, which seeks to facilitate the market led roll out of advanced metering infrastructure. This advanced metering infrastructure would enable service providers to offer, and consumers to take up, a wider range of products and services that are enabled by advanced meters. A shared market protocol facilitates this by introducing a standard form of communication that parties can use to access the services available through advanced metering infrastructure.

Should this draft advice be implemented through a rule change, it would be likely to contribute to the NEO in the following ways.

#### *Efficient investment in services available through advanced metering infrastructure*

The draft recommendations are designed to improve interoperability for parties communicating about the services available through advanced metering infrastructure. Having a shared form and method of communication means that parties would not be required to have multiple systems to interact with each other. This is likely to lower barriers to entry and facilitate new participants entering the market, such as retailers or other service providers. It may also lead to greater efficiencies for existing retailers and DNSPs that communicate with multiple parties in the market.

Promoting efficient interactions between parties is likely to reduce their operating costs. These cost savings may be passed onto end users, including small customers, who may ultimately pay for the services provided in respect of their connection point.

Minimising barriers to entry for new participants provides an environment that is conducive to competition. Improving competition in the market for services that can be provided by advanced metering infrastructure may lead to a wider variety of services being available to consumers and other parties. Service providers would be encouraged to innovate and invest in new products and services that can be tailored to the needs of their customers. If competition leads to differentiation in price and quality, customers may have access to services that better meet their individual needs, such as better quality services (for example, comprehensive energy management systems) or lower cost services (for example, simple access to energy usage data).

The draft recommendations also support investment and innovation in new products and services by allowing parties to agree to use an alternative method of communicating with each other. This allows the market to determine the most efficient

way of communicating about a particular service. As mentioned above, supporting innovation may lead to a wider range of products and services being offered and will allow parties to select products and services that best suit their needs. Using an alternative, more efficient form of communication should also be expected to flow through to the prices being paid by end users.

#### *IEC - governance arrangements*

Given the shared market protocol arrangements relate to communications between businesses, the Commission considers that having an industry body maintain the B2B procedures (an updated IEC) is consistent with the NEO.

Industry members (and ultimately, their customers) will bear the costs and receive the benefits of decisions about B2B procedures and are likely to make the most effective and efficient decisions. Promoting efficient decision making and investment in communications would be expected to place a downward pressure on costs that are ultimately paid by end users.

Placing responsibilities on industry to determine suitable communication standards is common in other sectors such as banking and telecommunications. While there are some key differences between these arrangements and the B2B arrangements, such as the involvement of AEMO as operator of the IT platform, it indicates that other sectors have recognised the benefits of industry determining its own communication standards.

#### *Reducing the costs of maintaining quality, reliability and security of the supply of electricity*

While it would be possible for parties to provide advanced metering services without the introduction of a shared market protocol, having a shared method of communication is likely to be less complicated and costly than dealing with parties across multiple platforms. This is expected to result in the increased uptake of services that can be provided by advanced metering infrastructure.

The potential increased uptake of services by DNSPs related to network functions is expected to assist them to monitor reliability, security and quality of electricity supply. For example, access to supply status and voltage monitoring may enable DNSPs to respond more promptly to power outages or poor quality supply. In addition, access to direct load control, remote disconnection and remote reconnection by DNSPs may enable them to manage the use of the network more efficiently and make more efficient decisions on network investment. Deferring unnecessary investment in networks would save costs for consumers.

## **4.2 Impacts on parties**

This section outlines the key impacts on parties should the draft recommendations be implemented in the NER.

#### *End use customers*

- Introducing a shared market protocol framework may facilitate an increased range of services being offered to consumers, allowing greater choice in products and services that are tailored to suit their needs. For example, services may be offered to inform consumers of their electricity usage or manage their electricity usage, which may assist consumers to save on electricity costs.
- There may be increased competition for services in the short term, and increased innovation in the long term. This may lead to lower cost services being available.

#### *DNSPs and retailers*

- DNSPs and retailers must become an accredited B2B participant if they wish to use the B2B e-hub.
- B2B participants are required to comply with B2B procedures and pay B2B participant fees as determined by AEMO.
- Having access to a shared communications platform may lead to greater operational efficiencies.

#### *Market customers that are not retailers*

- Currently, local retailers and market customers are represented on the IEC. Under the draft recommendations this membership category would be changed to retailers (see section 5.3.2 of this draft advice). As a result, market customers that are not retailers will no longer have a representative member on the IEC and will not participate in nomination and voting for IEC representatives.
- Market customers that are not retailers will no longer be required to comply with B2B procedures or use the B2B e-hub for B2B communications.
- However, market customers that are not retailers but have otherwise decided to become an accredited B2B participant (to use the B2B e-hub) are required to comply with B2B procedures and pay B2B participant fees as determined by AEMO. They may also nominate and elect the third party B2B participant representative and the independent IEC representatives.

#### *Metering coordinators, metering providers and metering data providers:*

- Metering coordinators, metering providers and metering data providers will have a representative member on the IEC and can participate in nomination and election of the metering coordinator/ metering provider/ metering data provider IEC representative and the independent IEC representatives.
- Metering coordinators, metering providers and metering data providers must become an accredited B2B participant to use the B2B e-hub.

- B2B participants are required to comply with B2B procedures and pay B2B participant fees as determined by AEMO.
- Having access to a shared communications platform may lead to greater operational efficiencies and provide for efficient entry of new service providers.

#### *Third party energy service companies*

- Third party B2B participants will have a representative member on the IEC and can participate in nomination and election of the third party B2B participant IEC representative and the independent IEC representatives.
- Third party energy service companies must become an accredited B2B participant to use the B2B e-hub.
- B2B participants are required to comply with B2B procedures and pay B2B participant fees as determined by AEMO.
- Having access to a shared communications platform may lead to greater operational efficiencies and lower barriers to entry for these new parties.

#### *AEMO*

- AEMO would be required to incur upfront and ongoing costs related to providing and operating the B2B e-hub and establishing and operating the IEC. These costs may be subsequently recouped through B2B participant fees. Specific tasks include:
  - developing the first IEC election procedures and operating manual;
  - providing and operating the new B2B e-hub;
  - establishing and applying an accreditation process for B2B participants; and
  - developing a structure for B2B participant fees.

#### *IEC*

- The IEC would be reformed in accordance with the draft recommendations.
- The new IEC would be responsible for developing and maintaining the B2B procedures.
- The IEC would need to have regard to the NEO and an expanded list of B2B principles when making decisions about B2B procedures.

## 5 Governance arrangements

### Box 5.1 Draft recommendations

The Commission's draft recommendation is that the shared market protocol be implemented through amending the current B2B procedures and redeveloping the B2B e-hub.

The Commission recommends that the Information Exchange Committee (IEC) continues to be responsible for developing and maintaining the B2B procedures. Membership of the IEC would be expanded to include the wider range of stakeholders impacted by the B2B procedures.

Membership would include two independent members, one DNSP representative, one retailer representative,<sup>29</sup> one metering coordinator/metering provider/metering data provider representative, one third party B2B participant representative,<sup>30</sup> one consumer representative, two discretionary members and an AEMO representative.

The independent members and the representatives for DNSPs, retailers, metering coordinators/metering providers/metering data providers, and third party B2B participants would be nominated and elected by the category of registered participants or accredited parties the relevant member is representing. The consumer representative and discretionary members would be appointed by AEMO.

### 5.1 Introduction

Given that the shared market protocol would be implemented through amending the current B2B procedures and redeveloping the B2B e-hub, a significant issue in this advice is who should be responsible for establishing and maintaining the updated B2B procedures.

The IEC currently makes recommendations on B2B procedures.<sup>31</sup> However, the current membership of the IEC would no longer represent the range of stakeholders that will be impacted by B2B procedures in the future, particularly communications related to services available from advanced metering installations.

Governance of B2B procedures has been previously considered by the Commission in the governance of retail market procedures rule determination (see section 2.4). At the

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<sup>29</sup> As defined under Chapter 10 of the NER, being persons who hold a retailer authorisation or, in the case of participating jurisdictions that have not introduced the NECF, a person who is registered by AEMO as a customer who engages in the activity of selling electricity to end users.

<sup>30</sup> For the purposes of this advice, a third party B2B participant is a party that is accredited to use the B2B e-hub (see section 8.2) that is not a DNSP, retailer, metering coordinator, metering provider or metering data provider.

<sup>31</sup> AEMO must approve such recommendations subject to a limited veto power. See section 2.5.

time, the Commission did not consider that there was good reason to change the governance of all retail market procedures (including B2B procedures) such that AEMO would be responsible for making and maintaining all retail market procedures. However, it was noted the arrangements could be reviewed once the outcomes of the competition in metering rule change were more certain.<sup>32</sup> As this advice is also considering the governance arrangements for B2B procedures, it presents an opportunity to revisit the arguments put forward in the governance of retail market procedures rule determination.

This chapter covers:

- stakeholder views on the preferred governing body for B2B procedures, expressed in submissions to the consultation paper and in the stakeholder workshop;
- options considered by Commission; and
- the Commission's draft recommendations and its rationale.

## 5.2 Stakeholder views

The consultation paper sought feedback from stakeholders on whether they generally supported an industry body or AEMO being responsible for maintaining B2B procedures. At the AEMC workshop in April 2015 stakeholders discussed the AEMO model and a range of industry models based on the current IEC framework and alternative frameworks.

Submissions to the consultation paper showed divergent views on whether AEMO or an industry body should be responsible for implementing the shared market protocol through B2B procedures. Broadly, large retailers and DNSPs supported an industry body being responsible for developing B2B procedures, while small retailers, energy service companies and consumer groups supported AEMO being responsible for the B2B procedures.

Submissions in support of expanding the IEC membership considered that efficient decisions will be made by those bearing the costs and benefits of decisions.<sup>33</sup> These parties considered that the IEC framework could be updated to better reflect parties that would use the shared market protocol.<sup>34</sup>

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<sup>32</sup> AEMC 2014, Governance of retail market procedures, rule determination, 31 July 2014, p8.

<sup>33</sup> AGL, submission to the consultation paper, pp2-3; Energy Australia, submission to the consultation paper, p3.

<sup>34</sup> Energex, submission to the consultation paper, pp1-2; ENA, submission to the consultation paper, p3; Origin, submission to the consultation paper, p1.

Submissions in support of an AEMO model were primarily concerned with providing an equal opportunity for smaller businesses to participate in decision making.<sup>35</sup> Some stakeholders considered that an industry decision maker would have conflicts of interests in making decisions that may lower barriers to entry or may benefit the long term interests of consumers.<sup>36</sup> Red Energy considered that an AEMO model would lead to greater consistency with other retail market procedures.<sup>37</sup>

Some stakeholders considered that if an AEMO model were introduced, there should be more formal requirements around consultation and engagement and improved transparency and accountability.<sup>38</sup>

Some stakeholders noted that the IEC has improved its accessibility, transparency and accountability over the last year, for example by introducing an open meeting format, and that these efforts could go further. This would enable interested parties to observe IEC meetings and participate by presenting their views.<sup>39</sup>

Landis+Gyr suggested that a hybrid model could be considered, where an industry group proposes decisions to AEMO and AEMO decides whether the decision is equitable.<sup>40</sup> United noted that another alternative would be for industry to establish their own governance arrangements and IT platform, but this option was previously discounted in favour of the IEC.<sup>41</sup>

At the workshop on 15 April 2015, stakeholders were presented with a range of different AEMO and industry models for discussion. While some supported having an industry governance model with weighted industry membership, it was noted that this may facilitate voting blocks. The benefits of having both independent members and industry members were also noted, as were the benefits of having an independent chairperson. Consumer groups expressed a strong interest in having a consumer representative, considering the impacts that advanced metering services are likely to have on consumers.

Nevertheless, there was still concern from some stakeholders that it would be difficult to determine a representative membership for an industry group, and that a membership defined in the NER would be inflexible and lag behind the market conditions. These stakeholders considered that AEMO decision making would avoid these issues.

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35 ATA, submission to the consultation paper, p3; ERM, submission to the consultation paper, pp4-5; Simply Energy, submission to the consultation paper, p2.

36 ATA, submission to the consultation paper, p3; EnerNOC, submission to the consultation paper, p1.

37 Red Energy, submission to the consultation paper, p1.

38 ENA, submission to the consultation paper, p4; Energex, submission to the consultation paper, p2; EnerNOC submission to the consultation paper, p2.

39 IEC, submission to the consultation paper, p3; Origin, submission to the consultation paper, p1; Simply Energy, submission to the consultation paper, p2.

40 Landis+Gyr, submission to the consultation paper, p1.

41 United Energy, submission to the consultation paper, p6.

## 5.3 Commission's assessment

This section sets out the governance options considered by the Commission, the Commission's draft recommendation and the rationale for the draft recommendation.

### 5.3.1 Options considered

The Commission has closely considered a number of governance options for establishing and maintaining the B2B procedures. Several of these are set out below.

#### *AEMO governance model*

Under the AEMO model, AEMO would be responsible for establishing and maintaining the B2B procedures in accordance with the requirements set out in Chapter 6 of this draft advice. AEMO would be required to undertake formal consultation under the rules consultation procedures. As with its management of other procedures, the Commission anticipates that under this framework, AEMO would set up a working group or consultative forum to provide early input on issues before formal consultation is carried out.

#### *Industry governance models*

Various adaptations to the existing IEC framework and other frameworks such as the Reliability Panel<sup>42</sup> have been considered. Two of these models are described in the table below.

**Table 5.1 Industry governance models**

	<b>B2B Panel</b>	<b>Updated IEC</b>
Description	Modelled on the Reliability Panel arrangements (see rule 8.8 of the NER).	Modelled on the existing IEC arrangements, updated to provide for new interested parties and avoiding voting blocks.
Chair	AEMO	Independent
Secretariat	AEMO	AEMO
Appointer of members	AEMO	Industry and AEMO
Decision maker	Recommendation made by B2B panel, with AEMO approving recommendation subject to a limited veto power.	Recommendation made by IEC, with AEMO approving recommendation subject to a limited veto power.

<sup>42</sup> Set out in rule 8.8 of the NER.

	<b>B2B Panel</b>	<b>Updated IEC</b>
Members	1 DNSP representative 1 retailer representative <sup>1</sup> 1 metering coordinator/ metering provider/ metering data provider representative 1 third party B2B participant representative <sup>2</sup> 1 consumer representative 2 discretionary members	2 independent representatives 1 DNSP representative 1 retailer representative <sup>1</sup> 1 metering coordinator/ metering provider/ metering data provider representative 1 third party B2B participant representative <sup>2</sup> 1 consumer representative 2 discretionary members 1 AEMO representative

<sup>1</sup> A person who holds a retailer authorisation or, in the case of participating jurisdictions that have not adopted the NECF, a person who is registered by AEMO as a customer who engages in the activity of selling electricity to end users.

<sup>2</sup> A party that is accredited to use the B2B e-hub (see section 8.2) that is not a DNSP, retailer, metering coordinator, metering provider or metering data provider.

#### *B2B Panel nomination and appointment requirements*

Under the B2B Panel option, AEMO would be responsible for nominating and appointing all of the members. However, the representatives for DNSPs, retailers, metering coordinators/metering providers/metering data providers and third party B2B participants must have the support of at least one third of the relevant class of registered participant or accredited service provider. The consumer representative would be appointed by AEMO in consultation with Energy Consumers Australia.<sup>43</sup> The discretionary members would be appointed by AEMO.

When making appointments, AEMO must give effect to the intention that the B2B Panel be broadly representative, both geographically and by reference to participating jurisdictions, with respect to parties that have an interest in B2B procedures.

Recommendations about B2B procedures would be agreed by majority vote, or where members are equally divided on a matter, the chairperson would have a casting vote.

#### *Updated IEC nomination and election requirements*

Under the updated IEC model, the representatives for DNSPs, retailers, metering coordinators/metering providers/metering data providers and third party B2B participants would be nominated and elected by their relevant class of registered

<sup>43</sup> A consumer advocate on national energy market matters, established by the COAG Energy Council in January 2015. See [www.energyconsumersaustralia.com.au](http://www.energyconsumersaustralia.com.au).

participant or accredited service provider. Independent members would be nominated and elected by all parties who are registered or accredited (as the case may be) as DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.

The consumer representative would be appointed by AEMO in consultation with Energy Consumers Australia. The discretionary members would be appointed by AEMO in consultation with the independent IEC members.

As with the B2B Panel option above and the current IEC framework, AEMO would have a limited veto power over IEC recommendations.

### **5.3.2 Draft recommendations and rationale**

The Commission considers that the updated IEC model best achieves the objectives of this advice and can be designed in a way that mitigates concerns raised by stakeholders around representation and flexibility to changing market conditions. This section provides an explanation of the draft recommendations regarding the IEC framework in the NER. It should be read in light of the full IEC framework in rule 7.2A of the NER, as this section only raises the key aspects of the existing framework.

There are significant benefits to industry led decision making. Given the potential for changes to B2B procedures to have cost impacts for industry participants, the incentives on industry to make responsible and efficient decisions is likely to be stronger than those on AEMO. Industry is best placed to determine what it wants and is willing to pay for, as they will bear the costs of implementing an IEC decision. It is not necessary for AEMO to assess the merits of an IEC decision.

In addition, B2B procedures relate to communications between certain registered participants and accredited service providers regarding the supply of electricity to end users. They are distinctive from business to market (B2M) communications contained in MSATS procedures, which relate to data communications with AEMO for settlement purposes. While both B2B and B2M communications are supported through the B2B e-hub, B2B communications and B2B procedures are considered industry tools and do not otherwise directly affect the wholesale market or settlement process. Such a function suggests that industry-led decision making would be appropriate.

There appears to be no reason to transfer responsibility for B2B procedures from industry to AEMO. As noted in the governance of retail market procedures rule determination, transferring responsibility to AEMO may be appropriate if the IEC were unable to make efficient decisions or the benefits of industry decision making were outweighed by the costs associated with the practicalities of implementing the IEC.<sup>44</sup>

The most efficient decisions will be made where commercial interests of the decision maker are aligned with the interests of other parties affected by the decision, such as

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<sup>44</sup> AEMC 2014, Governance of retail market procedures, rule determination, 31 July 2014, pp9-10.

consumers. Currently, minimising costs for DNSPs and retailers is beneficial for consumers, as lower costs are passed through to charges faced by consumers.

In the future there will likely be a wider range of interests to consider and the benefits to consumers of metering services may no longer relate solely to costs. There may be consumer benefits from increased innovation in the market for metering services, as it may result in parties providing a wider variety of metering services that are suited to a variety of consumer needs. There may also be benefits from lower barriers to entry and competition in the market for metering services placing a downward pressure on prices for services. The Commission has been mindful that the proposed governance framework in this draft advice addresses these interests.

#### *IEC membership*

The range of stakeholders that may be impacted by B2B procedures is expected to increase in the future. These changing interests can be addressed by amending and updating the current IEC framework.

One of the challenges in considering industry decision making models is determining a membership that adequately includes these new interests:

- Metering coordinators and other energy service providers may wish to provide advanced metering services. These parties may be new to the market.
- Metering providers and metering data providers will work closely with metering coordinators to provide advanced metering services. This may result in them sending significantly more communications through the B2B e-hub than they currently do.
- Consumers may also have an increased interest in B2B procedures. New services may be created and offered to consumers and the costs of providing these services may be passed on to consumers.

As discussed above, this draft advice recommends that IEC membership would include two independent members (one of which would be elected the chairperson), one DNSP representative, one retailer representative, one metering coordinator/metering provider/metering data provider representative, one third party B2B participant representative, one consumer representative, two discretionary members and an AEMO representative.

Some stakeholders raised concerns that incumbent users of the B2B e-hub may not make decisions in the long term interests of consumers or that would reduce barriers to entry for new entrants. The Commission considers that having members that represent a wide range of interests on the IEC will provide a more balanced consideration of issues and help to address these concerns. This has been effective in the Reliability Panel, which includes a broad representation of members making decisions to achieve the NEO.

Having only one IEC member from each of these groups of registered participant and accredited service provider reduces the likelihood that members will form voting blocks. Each member will bring their unique market experience to engage in a balanced consideration of issues within the decision making framework set out in the NER.

The Commission also considers that any concerns around industry decision making are addressed by providing a decision making framework (discussed in Chapter 6 of this draft advice) that outlines clear objectives for decision making and improves consultation and transparency.

Each of the categories of IEC members would need to be defined in the NER. The following paragraphs explain the draft recommendations related to each IEC member.

The two independent members must be independent of DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and AEMO. A definition of independence would be incorporated into the NER (rather than being in the IEC election procedures, as is currently the case), to provide certainty and clarity. A member would be independent from another party if they are not:

- an employee or director of that party; or
- an adviser or consultant to that party where the relationship is a significant source of income for that adviser or consultant.

As noted by stakeholders, there is significant value in having an independent chairperson. The Commission proposes that the requirement for IEC members to elect one of the independent members to perform the role of chairperson be elevated from the IEC election procedures to the NER.

The DNSP representative is a person who is nominated and elected by registered DNSPs.<sup>45</sup>

The retailer representative is a person who is nominated and elected by retailers. A retailer is defined as a party that holds a retailer authorisation or, in the case of participating jurisdictions that have not introduced the NECF, a person who is registered by AEMO as a customer who engages in the activity of selling electricity to end users.<sup>46</sup>

It is recommended that the retailer representative replace the existing local retailer/market customer representative as the new member better reflects the parties that would be impacted by B2B procedures. There are now many retailers that are not local retailers as a result of retail competition. There are also market customers that are not retailers, such as aluminium smelters and other large users that are not likely to be impacted by B2B procedures. B2B communications are more likely to relate to

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<sup>45</sup> Chapter 10 of the NER defines DNSPs as parties that engage in the activity of owning, controlling, or operating a distribution system.

<sup>46</sup> See definition of retailer in Chapter 10 of the NER.

connection points for small customers, while large customers are more likely to arrange alternative services that suit their specific needs. However, an interested market customer could still participate in IEC decision making as an independent member, a third party B2B participant member or a discretionary member if it were eligible and elected or appointed into one of those positions.

The Commission considers that one member can represent the interests of metering coordinators, metering providers and metering data providers collectively as these companies will work closely together to provide advanced metering services. Unlike retailers and third party service providers, they generally would not provide services directly to small customers.<sup>47</sup>

For the purposes of this draft advice, the third party B2B participant is a B2B participant (see section 8.2) that is not otherwise a DNSP, retailer, metering coordinator, metering provider or metering data provider. The member for this group would represent the interests of other parties providing new services that are enabled by advanced meters.

The draft recommendations include a consumer representative in the IEC membership to represent the interests of small customers of electricity. Going forward, small customers are likely to become more interested in B2B procedures as some may wish to access advanced metering services, such as data. They may also be interested in the way in which DNSPs or retailers use advanced metering services with respect to their connection point. Any cost impact of decisions by the IEC is very likely to impact consumer electricity prices or the cost of services provided by third parties. For these reasons, it is important to include a consumer representative on the IEC to allow direct consumer input on these decisions. The consumer representative is also likely to have useful insights into which new services a significant proportion of consumers are likely to value and should therefore be supported by the B2B procedures.

Two discretionary members are proposed to be included in the IEC. This provides a degree of flexibility in membership and enables the IEC to be representative, both geographically and of parties with an interest in B2B procedures. The discretionary members could be registered participants or accredited service providers that can provide a different point of view to other members, such as a small/large retailer or DNSPs in different jurisdictions. Alternatively, it could be a party not yet envisaged that can provide new or particular expertise considered desirable by the IEC. Discretionary members must be independent of AEMO, being the same definition proposed above.

The draft recommendations also include an AEMO representative on the IEC, which would be the CEO or his/her delegate. AEMO has wide ranging industry experience that would be useful to represent the interests of any party not directly represented on the IEC, such as potential new entrants. It has a broad view of developments within the sector and could provide input on opportunities for synergies with other AEMO work

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<sup>47</sup> There are some exceptions. For example, in NSW metering providers can install metering installations.

where appropriate, such as the gas e-hub. Having an AEMO representative on the IEC also allows direct AEMO advice on the interactions between B2B procedures, MSATS and the B2B e-hub for the IEC.

AEMO would also have a role in developing the initial IEC election procedures and operating manual, it may be the IEC secretariat and it would have a limited veto power over IEC recommendations. There may be perceived or actual conflicts of interest with AEMO undertaking multiple roles. However, these risks are small and would be outweighed by the benefits of having an AEMO representative on the IEC.

#### *Nomination and appointment*

Certain requirements regarding the nomination and appointment process for IEC members would be incorporated into the NER (rather than the IEC election procedures, as is currently the case), to provide certainty and clarity of the process. These particular requirements are an important feature of the overall framework as they balance the membership of the IEC between different interests.

Similar to the current arrangements, the representatives for DNSPs, retailers, metering coordinators/metering providers/metering data providers and third party B2B participants would be nominated and elected by their relevant class of registered participant or accredited service provider. The two independent members would be nominated and elected by persons who are registered or accredited (as the case may be) as DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.

The number of third party B2B participants may be small, particularly in the early years of the updated IEC. In addition, third party B2B participants may be smaller businesses that may not have resources to be an IEC member. There is some risk that no third party B2B participant agrees to be an IEC member. The IEC may have some scope to address this risk by making the requirements in the IEC election procedures and operating manual conducive to smaller IEC representatives. This risk may reduce as the market develops if the number and size of third party B2B participants increases. However, the IEC may need to be prepared to operate for some periods without a full membership, and the NER would allow for this possibility.

The consumer representative would be appointed by AEMO in consultation with Energy Consumers Australia. Energy Consumers Australia has been selected for this task because it is a national energy consumer advocacy body on national energy market matters of strategic importance and material consequence for energy consumers, in particular household and small business consumers.

The discretionary members would be appointed by AEMO in consultation with the two independent IEC members. In appointing the discretionary members, AEMO must give effect to the intention that the IEC be broadly representative, both geographically and by reference to participating jurisdictions, with respect to parties that have an interest in B2B procedures. The discretionary members must be independent of AEMO.

### *IEC procedures*

There is currently further detail on nomination and election requirements and IEC operation in the IEC election procedures and operating manual. These documents would need to be updated following any amendments to the IEC framework in the NER. The Commission's draft recommendation is that a transitional provision be introduced that would require AEMO to develop the first election procedures and operating manual for the new IEC (see Chapter 9 of this draft advice).

The draft recommendation is that subsequent changes to the IEC election procedures and operating manual would remain subject to voting by industry, but slightly modified from the current arrangements to take account of the new IEC membership. Changes to the IEC election procedures or operating manual would require the support of at least 75 per cent of the registered participants or accredited parties (as the case may be) in each of at least three of the following four groups:

- DNSPs;
- retailers;
- metering coordinators/ metering providers/ metering data providers; and
- B2B participants that are not DNSPs, retailers, metering coordinators, metering providers or metering data providers.

While this is modelled on the current arrangements in clause 7.2A.2 of the NER, it may be appropriate to consider reducing the required level of support (75 per cent from at least three of the stakeholder groups), if this was considered to be overly difficult to achieve.

The Commission does not consider it necessary to give consumers a vote on the IEC election procedures and operating manual. There would be practical difficulties in determining which consumers should participate in the voting. Instead, consumer views on the IEC election procedures and operating manual will be part of the IEC considerations prior to voting, through input by the consumer representative.

### *Meetings and decision making*

Currently, the quorum for IEC meetings is five (out of eight) members, comprising two DNSP members, two local retailer/market customer members, and one independent member.<sup>48</sup>

The new IEC will have ten members when all positions are filled. The Commission's draft recommendation is that the quorum for a meeting would be six (out of ten) members, one of which must be an independent member. This will provide a chairperson at each meeting. As there is generally only one IEC member from each

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<sup>48</sup> Clause 7.2A.2 (l) of the NER.

stakeholder group, it is not necessary to specify that any other particular members attend the meeting, as is currently the case.

The NER also currently sets out the number of members that must support particular IEC decisions.<sup>49</sup> The Commission's draft recommendation is to retain an approach that is proportional to the current requirements. Given the number of members on the IEC would be increasing from eight to ten members, a decision of the IEC to recommend a new B2B procedure, a change to existing B2B procedures or the approval of an IEC works program<sup>50</sup> would require the support of seven or more members. Any other decision of the IEC would require the support of six or more members.

Similar to the current IEC framework, AEMO would have a limited veto power over IEC recommendations.<sup>51</sup> AEMO may only veto an IEC recommendation where it considers that the NEO or B2B principles have not been considered, there is an inconsistency with MSATS procedures, or the rules consultation procedures have not been followed. While these occurrences may be unlikely, particularly given AEMO's membership on the new IEC, it is an important safeguard given AEMO's responsibility as the party that approves and makes the B2B procedures and operates the B2B e-hub.

#### *Administrative efficiencies*

There are interactions between B2B procedures and other procedures and infrastructure operated by AEMO. Some stakeholders consider that if AEMO were responsible for all of these, there may be increased consistencies and efficiencies with regard to decision making and implementation. These include:

- MSATS procedures;
- procedures related to the minimum services specification (as part of the proposed competition in metering framework); and
- the B2B e-hub.

The Commission considers that the potential benefits of industry decision making on B2B procedures outweighs the potential benefits from streamlining B2B procedures with other AEMO procedures and infrastructure. The risks associated with these interactions are mitigated by having AEMO as an IEC member and clearly setting out the IEC decision making framework in the NER.

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<sup>49</sup> See clause 7.2A.2(m) of the NER.

<sup>50</sup> The work program prepared by the IEC in respect of the development, implementation and operation of the B2B procedures and other matters which are incidental to effective and efficient B2B communications.

<sup>51</sup> Clause 7.2A.3(k) of the NER.

## 6 Making and amending procedures

### Box 6.1 Draft recommendations

The Commission's draft recommendation is that B2B procedures must, in addition to the existing content requirements set out in clause 7.2A.4 of the NER, prescribe the content of, the process for, and the information to be provided to support, communications between B2B participants relating to each of the services set out in the minimum services specification.

The IEC may include communications relating to other services in the B2B procedures where they relate to 'an end user or supply to an end user'.

The IEC must have regard to the NEO and B2B principles when determining recommendations for new B2B procedures or changes to existing B2B procedures.

The existing B2B principles would be updated and new B2B principles added to reflect the new users of and services provided through the B2B e-hub. The new principles would require the IEC to have regard to:

- the reasonable costs of compliance by DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants with the B2B procedures compared to the likely benefits from B2B communications;
- the likely impacts on innovation in, and barriers to entry to, the market for metering services compared to the costs incurred by B2B participants in using the B2B e-hub; and
- the likely costs that would be incurred by, and the implementation timeframe necessary for, AEMO to ensure the B2B e-hub supports any new B2B procedure or change to existing B2B procedures.

For the purposes of complying with the rules consultation procedures when consulting on a new B2B procedure or change to an existing B2B procedure, the IEC would be required to:

- notify the following parties about consultation: DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and other persons who, in the IEC's reasonable opinion, have, or have identified themselves to the IEC as having, an interest in the B2B procedures; and
- include in the draft and final reports that are published as part of the rules consultation process, details of the IEC's consideration of the NEO and B2B principles.

## 6.1 Introduction

Given the Commission's draft recommendations that the shared market protocol would be implemented by updating the existing IEC and B2B framework in the NER, this chapter outlines the draft recommendations on how the IEC would maintain the B2B procedures.

This chapter covers:

- stakeholders' views on the criteria for decision making, expressed in submissions to the consultation paper and in the stakeholder workshop; and
- the Commission's draft recommendations and rationale for the proposed content of B2B procedures, objectives for IEC decision making and process for decision making.

## 6.2 Stakeholder views

In submissions to the consultation paper, stakeholders generally considered that an objective and principles were important to guide the decision making of the body that would be responsible for maintaining the B2B procedures. These views were reinforced at the stakeholder workshop where stakeholders agreed that the NER should set out a clear process and criteria for decision making.

Stakeholders generally supported the NEO as a consideration for the decision maker.<sup>52</sup> Some stakeholders noted the existing B2B principles are still important.<sup>53</sup> Others noted that the B2B objective and principles as currently drafted would no longer represent the expected range of users and evolving nature of services.<sup>54</sup> Some of the new principles that could be included were:

- cost impacts for B2B users;<sup>55</sup>
- consumers' interests;<sup>56</sup>

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<sup>52</sup> ERM, submission to the consultation paper, p6; Lumo, submission to the consultation paper, p2; Metropolis, submission to the consultation paper, p3; Red Energy, submission to the consultation paper, p1.

<sup>53</sup> Ergon, submission to the consultation paper; Energex, submission to the consultation paper, p3; Landis+Gyr, submission to the consultation paper, p2; Simply Energy, submission to the consultation paper, p4.

<sup>54</sup> Energy Australia, submission to the consultation paper, p4; IEC, submission to the consultation paper, p2; Origin Energy, submission to the consultation paper, p1; Simply Energy, submission to the consultation paper, p3.

<sup>55</sup> AGL, submission to the consultation paper, p3; Energy Australia, submission to the consultation paper, p4; Simply Energy, submission to the consultation paper, p3.

<sup>56</sup> AGL, submission to the consultation paper, p4; ATA, submission to the consultation paper, p4; Lumo, submission to the consultation paper, p2; Red Energy, submission to the consultation paper, p1.

- supporting innovation;<sup>57</sup>
- making decisions in a timely manner;<sup>58</sup>
- improved transparency of decision making;<sup>59</sup>
- ensuring reliability, safety and security of supply (recognition of network obligations);<sup>60</sup> and
- compliance with jurisdictional safety regulation.<sup>61</sup>

Vector suggested that the body responsible for maintaining the B2B procedures could be responsible for developing the principles for decision making.<sup>62</sup>

Some small retailers suggested that having a suitable decision making process and criteria is more important than the identity of the body responsible for maintaining B2B procedures, as a comprehensive framework should guide any decision maker to an appropriate outcome. These parties and the IEC also noted that parties that are not part of the relevant working group are unable to provide input on issues prior to formal consultation under the rules consultation procedures. Early consultation could be broader and more formalised.<sup>63</sup>

In addition, several stakeholders considered that an 'expedited change management process' should be available to enable the shared market protocol to quickly support new services. This may be useful where there are rapidly changing market conditions.<sup>64</sup>

### 6.3 Commission's assessment

This section discusses whether the content requirements for B2B procedures in the NER should be amended, whether the existing B2B objectives and principles are suitable, and whether the IEC's current decision making process for B2B procedures is suitable.

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57 ATA, submission to the consultation paper, pp3-4.

58 ERM, submission to the consultation paper, p6; Red Energy, submission to the consultation paper, p2; Simply Energy, submission to the consultation paper, p4.

59 Energex, submission to the consultation paper, p3; Lumo, submission to the consultation paper, p2; Red Energy, submission to the consultation paper, p2.

60 ENA, submission to the consultation paper, p2.

61 United Energy, submission to the consultation paper, p1.

62 Vector, submission to the consultation paper, p3.

63 IEC, submission to the consultation paper, p4.

64 ERM, submission to the consultation paper, p5; Simply, submission to the consultation paper, p3.

### 6.3.1 Content of B2B procedures

The NER currently includes requirements for the content of B2B procedures, such as the ability to impose obligations on parties under the procedures and content and format requirements for B2B communications.<sup>65</sup> B2B communications are broadly defined as communications between parties relating to an end-user or supply to an end user.<sup>66</sup>

The Commission's draft recommendation is that a new requirement be introduced in the NER to ensure that B2B procedures prescribe the content of, the process for, and the information to be provided to support, communications between B2B participants relating to each of the services set out in the minimum services specification (as proposed in the competition in metering draft determination).

These services should be supported as a minimum as they are the services most likely to be accessed by parties. They are expected to deliver benefits to the majority of small customers receiving those services and all new and replacement metering installations must be capable of providing these services under the competition in metering draft rule determination.<sup>67</sup>

The IEC may also include content related to other communications in the B2B procedures where they relate to 'an end user or supply to and end user'. This definition is broad enough to include communications related to advanced metering services as well as continuing to include the existing B2B communications contained in the B2B procedures. The Commission expects that the IEC would consider whether to also include in the B2B procedures content related to other commonly available advanced metering services that are not contained in the minimum services specification, such as load control. As explained in AEMO's first advice, the shared market protocol is also expected to support free format requests that could be used for any service, and the Commission expects that the IEC would include content related to those communications in the B2B procedures.

B2B procedures would be able to include performance requirements for the B2B e-hub.<sup>68</sup> The advanced metering services that will be offered through the B2B e-hub will rely more heavily on near instant delivery times, meaning that the performance of the hub may be vital for some services (see section 7.3.2).

The B2B procedures must also allow parties to communicate outside the B2B e-hub if they agree to do so. Further details regarding the requirements on parties to comply with B2B procedures and use the B2B e-hub are set out in section 8.3.

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<sup>65</sup> Clause 7.2A.4 of the NER.

<sup>66</sup> B2B communications are defined in Chapter 10 of the NER as communications between local retailers, market customers and DNSPs relating to an end-user or supply to an end-user provided for in the B2B Procedures.

<sup>67</sup> See Appendix C1 in the competition in metering draft rule determination for a full explanation of the proposed requirements related to the minimum services specification.

<sup>68</sup> Such as the speed at which the B2B e-hub is required to process communications.

### 6.3.2 B2B objective and principles

Currently, IEC members must have regard to the B2B objective and principles in exercising any right, power or discretion under the B2B arrangements.<sup>69</sup> In addition, when making decisions about B2B procedures, the IEC must seek to achieve the B2B objective and have regard to the B2B principles.<sup>70</sup>

The current B2B objective states that "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".<sup>71</sup>

The current B2B principles are that the B2B procedures should:

- provide a uniform approach to B2B communications in participating jurisdictions in which there are no franchise customers;<sup>72</sup>
- detail operational and procedural matters and technical requirements that result in efficient effective and reliable B2B communications;
- avoid unreasonable discrimination between local retailers, market customers and distribution network service providers; and
- protect the confidentiality of commercially sensitive information.

The draft recommendation is to amend the decision making framework such that the IEC must have regard to the NEO as well as the revised B2B principles in exercising any right, power or discretion. This includes decisions on whether or not to recommend a new B2B procedure or a change to existing B2B procedures.

As a result, the current B2B objective would no longer apply. However, the consideration of cost impacts (included in the current objective) would instead become a B2B principle (see below).

The Commission recommends removing the reference to franchise customers in the first B2B principle. The principle would be that "B2B procedures should provide a uniform approach to B2B communications in participating jurisdictions". When this principle was first applied, franchise customers were relevant as not all jurisdictions had applied retail competition. Now that there are very few franchise customers, it is not necessary to treat those jurisdictions differently with regard to the approach to B2B communications.

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<sup>69</sup> Clause 7.2A.2(n) of the NER.

<sup>70</sup> Clause 7.2A.3(j) of the NER.

<sup>71</sup> Chapter 10 of the NER.

<sup>72</sup> A franchise customer is a customer that must purchase electricity from its local retailer as retail competition does not apply.

The other existing B2B principles would be updated to reflect the new set of users of the B2B e-hub.

The revised B2B principles would be:

- B2B procedures should provide a uniform approach to B2B communications in participating jurisdictions.
- B2B procedures should detail operational and procedural matters and technical requirements that result in efficient, effective and reliable B2B communications.
- B2B procedures should avoid unreasonable discrimination between DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.
- B2B procedures should protect the confidentiality of commercially sensitive information.
- Regard should be had to the reasonable costs of compliance by DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants with the B2B procedures compared to the likely benefits from B2B communications.
- Regard should be had to the likely impacts on innovation in, and barriers to entry to, the markets for metering services and services enabled by advanced meters, compared to the costs incurred by B2B participants in using the B2B e-hub.
- Regard should be had to the likely costs that would be incurred by, and the implementation timeframe necessary for, AEMO to implement any new B2B procedure or change to existing B2B procedures in the B2B e-hub.

These B2B principles provide specific guidance to the IEC to assist it in making decisions that are consistent with the NEO. The IEC would be able to weigh up the B2B principles against each other to achieve the best outcome for B2B participants and consumers as a whole. It is expected that the B2B principle related to benefits to consumers from improved innovation and lower barriers to entry will guide the IEC to consider the interests of new entrants to the market.

While a principle on making decisions in a timely manner has not been recommended, there is a new B2B principle on considering the impacts of implementation timeframes. This should guide the IEC to have regard to whether it should initially make a smaller B2B procedure covering a reduced set of services that can be quickly implemented, or a larger B2B procedure that may take longer to implement.

### **6.3.3 Procedural requirements for decision making**

The method for making and amending B2B procedures is currently contained in clause 7.2A.3 of the NER. The Commission is not recommending significant change to this

process, but notes it will need to be updated to reflect the wider group of B2B participants that may be impacted by B2B procedures.

Before the IEC consults on a proposal to amend the B2B procedures, it must seek AEMO's advice on whether there are any conflicts with MSATS procedures.<sup>73</sup> This requirement would be expanded to include consulting with AEMO on whether the B2B e-hub can deliver the procedure change and the likely costs involved, for inclusion in the consultation documents. This will enable stakeholder feedback on whether they see value in the amendment compared to the potential implementation costs.

The IEC is currently required to comply with the rules consultation procedures set out in rule 8.9 of the NER and supplemented by clause 7.2A.3 of the NER.

Local retailers, market customers, DNSPs and AEMO are currently nominated as the parties that must be notified of a consultation process. The draft recommendation is that this be amended to delete local retailers and market customers, but include retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and such other persons who, in the IEC's reasonable opinion, have, or have identified themselves to the IEC as having, an interest in B2B procedures. This revised requirement would provide some flexibility for the IEC to notify a particular party if it considers the party may have an interest in the outcome of a decision.

The IEC is currently required to publish draft and final reports as part of the consultation process. Among other things, these are required to include details on how the IEC has considered the B2B objective and principles and how it has considered each submission having regard to the B2B objective and principles.<sup>74</sup> It is recommended that the nature of this obligation be changed to require the IEC to provide details on how it has considered the NEO and each of the B2B principles (as listed above) and how the IEC has considered each submission having regard to the NEO and the B2B principles.

With regard to the introduction of an expedited change management process, this may not be necessary given the expected availability of free format requests within the B2B e-hub. AEMO has advised that an upgraded B2B e-hub would support both defined format requests (for specific B2B communications) and free format requests (essentially peer to peer communications).<sup>75</sup> While there would be some defined fields to enable routing, the message itself would likely have flexible free text elements. Parties would be able to use free format requests to communicate new services until those services were (if ever) supported by B2B procedures as defined format requests.

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<sup>73</sup> Clause 7.2A.3(d) of the NER.

<sup>74</sup> Clauses 7.2A.3(g)-(h) of the NER.

<sup>75</sup> AEMO 2015, Shared market protocol: part two - advice to the COAG Energy Council, 14 May 2015, pp8-9.

## 7 IT platform

### Box 7.1 Draft recommendations

The Commission's draft recommendation is that AEMO must provide and operate the enhanced B2B e-hub.

The B2B e-hub must facilitate B2B communications that are listed in the B2B procedures, which would include communications related to each of the services set out in the minimum services specification. It must also meet the performance standards specified in the B2B procedures.

### 7.1 Introduction

This chapter covers:

- AEMO's advice on IT requirements for implementing a shared market protocol;
- stakeholder views on having a shared IT platform; and
- the Commission's assessment regarding the development and operation of the enhanced B2B e-hub.

#### 7.1.1 Background

As discussed in section 2.2, the AEMC's open access advice considered the form of the communications between parties seeking access to services from advanced meters. It also considered the parties that would be responsible for managing access to advanced meter functionality (according to the competition in metering draft rule determination this would be the metering coordinator). The open access advice recommended that a standard form of communications be adopted in order to reduce barriers to entry for new retailers and energy services providers. That is, parties that wished to communicate in relation to advanced metering services would only need to develop a single protocol.<sup>76</sup>

The open access advice also recommended that the shared market protocol should be implemented by extending the current B2B arrangements that are managed by AEMO. Having a shared IT platform to facilitate communications for advanced metering services, in addition to shared processes and procedures, further reduces the barriers to entry for new retailers and energy services providers.<sup>77</sup>

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<sup>76</sup> AEMC 2014, Framework for open access and common communication standards, report, 31 March 2014, pp14-15.

<sup>77</sup> *ibid*, pp20-21.

### 7.1.2 AEMO's advice on implementing a shared market protocol

As discussed in section 2.5, in order to facilitate the development of the shared market protocol through an enhanced B2B e-hub, AEMO was requested by the COAG Energy Council to provide an assessment of the IT requirements that would be necessary to enhance the B2B arrangements.<sup>78</sup>

The key findings in relation to the IT requirements were that:

- The existing B2B e-hub used for communications in relation to electricity consumers is based on file transfer protocol (FTP) and it would not deliver the near instant communications necessary to enable all the potential benefits of services from advanced services. In particular, the platform for the shared market protocol would need to deliver communications within one to five seconds.
- The B2B e-hub could be upgraded to provide increased performance including near instant communications, the use of more modern web portal interfaces and more advanced technologies.
- The intermediate IT platform proposed by AEMO<sup>79</sup> would allow its users to communicate using the existing FTP systems at near zero cost (some minor testing requirements are anticipated) or they could develop more advanced IT systems, including near instant communications. This means the users of the upgraded IT platform would only need to upgrade their IT systems if they considered it was efficient to do so.
- The proposed IT platform could also include addition business to market (B2M) functionality where stakeholders communicate with AEMO, such as when providing data and information to MSATS.

## 7.2 Stakeholder views

The consultation paper did not specifically ask stakeholders whether a shared IT platform (the B2B e-hub) was desirable, as it did not distinguish between the IT platform and the associated messaging. However, EDMI recommended the introduction of 'shared market messaging', in which only the format and content of communications between parties is defined and parties are free to use any platform. EDMI considered that this would encourage systems innovations and makes it easier for new entrants to enter the market.<sup>80</sup>

At the stakeholder workshop, the majority of stakeholders agreed that a shared IT platform was desirable as it would enable verification of parties and security for the

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<sup>78</sup> AEMO 2015, Shared market protocol: part one - advice to the COAG Energy Council, 11 March 2015. Available on the COAG Energy Council website.

<sup>79</sup> The intermediate IT platform includes the ability to deliver messages and transactions (including peer to peer messages) but does not include a 'data store'.

<sup>80</sup> EDMI, submission to the consultation paper, p1.

transfer of information. Stakeholders also considered that having one centralised communication point is less costly and more simple to deal with.

Stakeholders acknowledged that the existing B2B e-hub would need to be upgraded as 'near instant' messaging is not currently supported. When considering the different models put forward in AEMO's advice on the shared market protocol, they considered that the intermediate model was ideal. It adds more speed and convenience (like the basic model) but also provides interaction with MSATS through transactions, which was considered very valuable. Stakeholders did not support the advanced model that included a 'data store'.

The consultation paper did not specifically ask stakeholders who should provide the shared IT platform. Stakeholders at the workshop agreed that AEMO should be the provider of the IT platform.

### **7.3 Commission's assessment**

The Commission also considers that a shared IT platform is desirable. A shared platform supports interoperability between parties and does not inhibit innovation given the ability for parties to agree to use alternative methods of communication (see Chapter 8 of this advice).

#### **7.3.1 Operator of the B2B e-hub**

Ideally, the framework for a shared market protocol would be implemented as quickly as possible, including the upgrading of the B2B e-hub. This is desirable to maximise the benefits that are anticipated from the deployment of advanced meters under the new competitive framework for the provision of advanced meters.<sup>81</sup>

The existing B2B e-hub that facilitates B2B communications was developed and maintained by AEMO. The Commission's draft recommendation is that AEMO should continue in this role for the new B2B e-hub.

#### **7.3.2 Technical performance of the B2B e-hub**

The technical performance of the upgraded B2B e-hub may influence whether particular advanced metering services are offered through the B2B e-hub. This may also influence the potential benefits available to consumers from these meters. In particular, the IT platform should:

- be able to provide near instant messaging so that the associated services can be provided sufficiently quickly to effectively capture the benefits of the services;
- have sufficient capacity to manage the quantity of services expected to be facilitated by advanced meters;

- allow its users to choose the most appropriate means of messaging for their commercial and technical needs; and
- be sufficiently flexible to be able to provide any additional functionality that is required to support the requirements of amended B2B procedures.

Near instant messaging could enable DNSPs to access meter information to manage network security and reliability in a timely manner. It could also allow service providers, such as retailers, to access services while addressing a telephone inquiry from a customer. The time taken for the platform to process and deliver a request for services will determine a minimum possible time for a service to be provided to a customer.

The Commission's draft recommendation is that the B2B e-hub must be capable of meeting the performance requirements set out in the B2B procedures (see section 6.3.1). These performance requirements would not apply to the parties communicating with each other or the services they are providing, as this would depend on commercial negotiation. The exception would be the services in the minimum services specification, which would have minimum service levels and standards defined in other AEMO procedures as a result of amendments to the NER expected from the competition in metering rule change process.<sup>82</sup>

The required technical performance could also have a material impact on the cost of implementing and operating the IT platform. Therefore, as part of the consultation process on a new B2B procedure or change to an existing B2B procedures, the IEC would be required to seek AEMO's advice on the likely cost impacts of implementing that particular proposal (see section 6.3.3).

### **7.3.3 Defining the IT platform**

The Commission considers that the NER need not prescribe how the IT platform should be implemented. However, the IT platform must be able to satisfy the requirements specified in the updated B2B procedures.

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81 AEMC 2015, Expanding competition in metering and related services, draft rule determination, 26 March 2015.

82 Under the competition in metering draft determination, AEMO will develop procedures that specify the minimum service levels (including service availability and completion timeframes) applicable to the delivery of services in the minimum service specification.

## 8 Obligations on parties

### Box 8.1 Draft recommendations

The Commission's draft recommendation is that a new accredited party role (B2B participant) be established and that any party wishing to use the B2B e-hub must be accredited by AEMO as a B2B participant. B2B participants would be required to pay fees for using the B2B e-hub, as determined by AEMO.

DNSPs, retailers, metering coordinators, metering providers, metering data providers and B2B participants are required to use the B2B e-hub for B2B communications, unless they have agreed between themselves to use an alternative method of communication. These parties are also required to comply with B2B procedures.

Operating costs are paid by AEMO and may be recouped as B2B participant fees. This includes costs associated with any service provided by AEMO to facilitate B2B communications (including providing and operating the B2B e-hub), developing B2B procedures and establishing and operating the IEC.

### 8.1 Introduction

This chapter examines the Commission's recommendations on the obligations to be imposed on parties with regard to complying with the B2B procedures and using the B2B e-hub. This includes:

- accreditation requirements for using the B2B e-hub;
- obligations imposed on parties to comply with the B2B procedures and use the B2B e-hub; and
- cost recovery for providing the B2B e-hub, B2B procedures and the IEC.

### 8.2 Accreditation to use the B2B e-hub

Currently, parties using the B2B e-hub must comply with the B2B procedures.<sup>83</sup> Parties register themselves with AEMO in order to obtain an AEMO participant ID, which allows them to sign in to AEMO's energy market systems. They are not required to demonstrate that they have compatible back end systems for interacting with the B2B e-hub.

There may be issues associated with third party service providers using the B2B e-hub. Currently, all of the parties using the B2B e-hub are either registered participants or accredited with AEMO under the NER. As they are defined under the NER, they can be identified and have obligations imposed upon them with regard to using the B2B

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<sup>83</sup> Clause 7.2A.4(i) of the NER.

e-hub and complying with B2B procedures. Going forward, it may be necessary or desirable to also impose such obligations on third party service providers.

### **8.2.1 Stakeholder views**

In submissions to the consultation paper and at the workshop, there was general stakeholder agreement that third parties should undergo some form of authorisation with AEMO prior to accessing the shared market protocol. This would define them within the NER, make them identifiable and contactable and reduce some of the potential security risks in using the platform. Energex suggested that training could be provided for third parties to manage some of the potential risks from data errors.<sup>84</sup>

Other stakeholders noted that it would be appropriate for all parties using the shared market protocol to be subject to an authorisation process. This would allow AEMO to identify users; collect fees; manage security of information; manage authorisation and defaulting parties; manage operational performance; and manage user contacts.<sup>85</sup>

### **8.2.2 Commission's assessment**

The Commission's draft recommendation is that a new accredited party role (B2B participant) be established and that all parties wishing to use the B2B e-hub must be accredited by AEMO as a B2B participant. This includes parties that are also registered participants or accredited service providers, as well as third party service providers that are not otherwise registered or accredited by AEMO.

Accreditation would make parties using the B2B e-hub identifiable and contactable to AEMO. It also allows AEMO to check that parties have appropriate IT and security to interface with and use the B2B e-hub, should this be considered necessary. This may be more important going forward as advanced metering services may present higher risks around data, security and confidentiality.

Accreditation also provides a means by which third parties using the B2B e-hub become a defined category of persons under the NER. This assists in providing a framework under which obligations may be imposed on those parties. Obligations may include compliance with the B2B procedures and the payment of user fees.

The Commission considered an alternative option that required only third parties (that are not otherwise registered participants or accredited service providers) to be accredited to use the B2B e-hub. While this option would define third party service providers as a category of persons under the NER, it may be desirable to impose obligations on all parties using the B2B e-hub in a consistent manner (for example see section 8.4 on cost recovery). There may also be benefits from AEMO being able to review the IT systems of all B2B participants. It is beneficial to impose requirements that are competitively neutral.

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<sup>84</sup> Energex, submission to the consultation paper, p4.

To support this draft recommendation, AEMO would be required to establish an accreditation process for B2B participants. The NER would include high level requirements that this may include IT requirements (such as the infrastructure and communications system) or credit support requirements (see section 8.4) considered necessary by AEMO.

### **8.3 Obligation to use the B2B e-hub and comply with B2B procedures**

As discussed in section 2.2, the open access advice recommended that the 'gatekeeper' should be required to use the shared market protocol to facilitate interoperability and reduce barriers to entry. These functions are expected to be assigned between the metering coordinator, metering provider and metering data provider as part of the competition in metering rule change.<sup>86</sup> This section examines this issue in further detail to determine whether the metering coordinator, metering provider and metering data provider should be required to use the B2B e-hub for B2B communications.

Local retailers, market customers and DNSPs are currently required to use the B2B e-hub for B2B communications, except where they have agreed to communicate a B2B communication on a basis other than as set out in the B2B procedures.<sup>87</sup>

#### **8.3.1 Stakeholder views**

In submissions to the consultation paper, stakeholders generally agreed that the metering coordinator should be required to offer services through the shared market protocol.<sup>88</sup> Some suggested that this requirement be limited to services in the minimum services specification.<sup>89</sup>

Other stakeholders noted that a requirement on the metering coordinator to offer any services through the shared market protocol is unnecessary as parties will use the shared market protocol if it is the most efficient and effective form of communication.<sup>90</sup>

These views were reiterated at the workshop.

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85 ERM, submission to the consultation paper, p7; Energy Australia, submission to the consultation paper, p6.

86 AEMC 2015, Expanding competition in metering and related services, draft rule determination, 26 March 2015.

87 See section 2.6 of this draft advice.

88 ATA, submission to the consultation paper, p5; Ergon, submission to the consultation paper, p4; EDML, submission to the consultation paper, p5; Energex, submission to the consultation paper, p3; Red Energy, submission to the consultation paper, p2; United Energy, submission to the consultation paper, p2.

89 AGL, submission to the consultation paper, p4; Lumo, submission to the consultation paper, p2; Simply Energy, submission to the consultation paper, p5; Vector, submission to the consultation paper, p4.

90 ERM, submission to the consultation paper, p7; Energy Australia, submission to the consultation paper, p5; Metropolis, submission to the consultation paper, p4; Origin, submission to the consultation paper, p1.

Landis+Gyr considered that the shared market protocol should be mandatory for all parties to use for services in the minimum services specification and other commonly used services, but parties could negotiate alternative communications for other new services in the market.<sup>91</sup>

### **8.3.2 Commission's assessment**

The Commission's draft recommendation is that DNSPs, retailers, metering coordinators, metering providers, metering data providers and B2B participants would be required to use the B2B e-hub for B2B communications. However, parties may agree between themselves to use an alternative method of communication. This maintains the current approach to using the B2B e-hub, which is appropriate given the draft recommendations expand on the existing B2B framework in the NER.

In addition, DNSPs, retailers, metering coordinators, metering providers, metering data providers and B2B participants would be required to comply with B2B procedures.

It is necessary to impose these obligations on DNSPs, retailers, metering coordinators, metering providers, metering data providers and B2B participants individually, instead of just B2B participants. If only B2B participants were required to comply with B2B procedures and use the B2B e-hub for B2B communications, parties would be able to bypass these obligations by not becoming an accredited B2B participant.

This approach supports interoperability and minimises barriers to entry for new participants to the market for advanced metering services. It also potentially reduces operating costs for DNSPs and retailers. If there was no requirement to use the B2B e-hub, parties may need to develop multiple systems to interact with multiple service providers. The draft recommendation also allows parties to agree to alternative methods of communication to facilitate innovation in the market. It is important that parties have the flexibility to negotiate to use alternatives to the B2B e-hub to support new services to customers.

Under the competition in metering draft rule determination, there is no obligation on the metering coordinator to provide services available from an advanced metering installation. The price and other terms related to accessing that service would be negotiated between the parties.<sup>92</sup> However, the Commission's draft recommendation in this advice is that if the metering coordinator chooses to offer a service that is supported by the B2B e-hub, it must use the B2B e-hub for communications related to that service, unless agreed otherwise.

While parties may agree between themselves to use an alternative method of communication (outside the B2B e-hub), it is important that the B2B procedures continue to apply. It may be vital that some services include particular information in

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<sup>91</sup> Landis+Gyr, submission to the consultation paper, p2.

<sup>92</sup> AEMC 2015, Expanding competition in metering and related services, draft rule determination, 26 March 2015, Appendix E.

the message or that a particular process be followed. For example, disconnection and reconnection services could have serious impacts on life support customers and risks can be managed by following an agreed protocol when providing those services. Also, B2B procedures may include roles and responsibilities for metering providers and metering data providers.<sup>93</sup> These parties should still be subject to obligations provided in the B2B procedures.

## **8.4 Cost recovery**

Currently, costs related to operating the B2B e-hub, developing B2B procedures and operating the IEC are paid by AEMO and recouped as participant fees.<sup>94</sup> These fees are currently paid by retailers.

Implementing the Commission's draft recommendations may involve significant upfront costs to redevelop the B2B e-hub, constitute the new IEC and develop new B2B procedures. Transitional arrangements are discussed further in Chapter 9.

There would also be a new set of users of the B2B e-hub that warrants revisiting the current fee payment structure for ongoing cost recovery.

### **8.4.1 Stakeholder views**

A framework regarding cost recovery was not discussed in the consultation paper.

At the workshop, stakeholders provided some general principles related to cost recovery. They generally supported a user pays approach but considered it would be most efficient if fees are paid by the parties charging customers (such as retailers and energy service companies) rather than only being payable by metering coordinators. They also considered that the fee structure should reflect market share and not create barriers to entry.

### **8.4.2 Commission's assessment**

The Commission has considered two approaches for cost recovery: maintaining the current approach of AEMO recovering costs from registered participants through participant fees; or establishing new arrangements that would allow AEMO to recover costs from those using the B2B e-hub (B2B participants).

Ideally, the framework for cost recovery would be flexible and appropriate enough for AEMO to apply fees to the most suitable parties. For this reason, the Commission is not recommending that the NER include requirements for particular parties within B2B participants to pay fees. The specific allocation of fees would be a decision for AEMO and could be amended as necessary over time.

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<sup>93</sup> Clause 7.2A.4(h) of the NER.

<sup>94</sup> Clause 7.2A.6(a) of the NER.

Currently, it is appropriate that only retailers pay fees as any costs imposed on DNSPs would ultimately be passed back to the retailer. Metering providers and metering data providers are not charged these fees as they are not registered participants, but also any fees would be ultimately passed onto the retailer.<sup>95</sup>

It is useful to consider the potential interactions and relationship between parties in deciding which approach would be most appropriate. In the future, third party B2B participants would also be accredited parties and some may provide services directly to consumers. If these parties do not contribute to B2B fees, either directly or indirectly, their use of the B2B e-hub may be cross subsidised by other users. This may not be an issue where there are a small number of B2B communications involved. But if there are a large number of parties or they are sending a significant number of B2B communications through the B2B e-hub, it may be inequitable and could distort competition if they are not contributing to the costs of operating the B2B e-hub.

DNSPs may also wish to access services through advanced meters. Under the recommended approach to cost recovery, AEMO would be able to recover fees from DNSPs in the same way as other B2B participants.

#### *Cost recovery through B2B participant fees*

The Commission's draft recommendation is that costs related to facilitating B2B communications (such as operating the B2B e-hub), developing B2B procedures and operating the IEC are paid by AEMO and recouped as B2B participant fees.

B2B participant fees would be collected from B2B participants, or categories of B2B participants, as determined by AEMO. AEMO would be required to develop and publish the structure of B2B participant fees, in consultation with B2B participants and such other persons who, in AEMO's reasonable opinion, have, or have identified themselves to AEMO as having, an interest in B2B procedures.

The NER would include guidance on decision-making with regard to B2B participant fees.<sup>96</sup> Specifically, in determining B2B participant fees, AEMO must have regard to the NEO and the structure of the B2B participant fees must, to the extent practicable, be consistent with the following principles:

- B2B participant fees should be simple;
- B2B participant fees should recover the budgeted revenue requirements;
- the components of B2B participant fees charged to each B2B participant should reflect the extent to which the budgeted revenue requirements relate to that category of B2B participant; and

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<sup>95</sup> The accreditation fees for metering providers and metering data providers currently only cover direct costs of periodically engaging auditors to assess their business against the accreditation requirements.

<sup>96</sup> Modelled on clause 2.11.1(b) of the NER.

- B2B participant fees should not unreasonably discriminate between categories of B2B participants.

The Commission considers AEMO to be the most appropriate body to determine B2B participant fees, as it has experience calculating participant fees under Chapter 2 of the NER. AEMO has an incentive to keep costs low as it would encourage use of the B2B e-hub. High user costs would encourage parties to explore alternatives.

The discretion provided to AEMO by the NER is consistent with the determination of other fees in the NEM and gas markets. Applying the fees to B2B participants also means that parties not using the B2B e-hub will not pay for its operation and maintenance.

This draft recommendation is a departure from the current method of cost recovery for the B2B e-hub and consequential changes would need to be addressed in the final advice on implementing a shared market protocol. For example, it is recommended that to address potential risks associated with AEMO's ability to recover fees from B2B participants that are not otherwise registered participants, AEMO be given the ability to determine appropriate credit support requirements as part of the accreditation criteria for B2B participants (see section 8.2).

#### *Cost recovery through participant fees*

An alternative to B2B participant fees is to recover costs through participant fees under Chapter 2 of the NER. Under this option, the current requirement that costs are paid by AEMO and recouped as participant fees would continue to apply. AEMO would develop a structure for the participant fees taking into account any changes to the B2B arrangements in accordance with rule 2.11 of the NER. Under this option, fees could be applied to the registered participants - DNSPs, retailers and metering coordinators.

Metering providers and metering data providers would not be charged participant fees. As with the current arrangements, this may be considered appropriate as they provide services to other parties using the B2B e-hub.

The ability to charge participant fees to the metering coordinator (as a registered participant) means that costs could be passed on to third parties, who would be contracting with the metering coordinator for access to the advanced metering infrastructure. This is important for competitive neutrality as third parties and retailers may be in competition with each other for the provision of advanced metering services to consumers. It may impact the ability for retailers to compete if they are paying participant fees and a large number of third parties do not have to pay fees.

A potential issue with this option is that there is no oversight of the costs being passed onto third parties, or the way in which those costs are calculated. This would be a matter for commercial negotiation between the parties. There are some incentives for the metering coordinator to offer a competitive price for its services. A third party may be able to convince a consumer to change their retailer and metering coordinator in order to get the best commercial terms. However, this option would not reliably enable AEMO to apply a user pays approach to fees.

## 9 Transitional and implementation

### 9.1 Introduction

This chapter sets out the potential timeframes for implementing the framework for the shared market protocol and the interim steps that will need to be undertaken by AEMO, the IEC and industry based on this draft advice. The Commission has considered the interactions with the competition in metering rule change process.

### 9.2 Stakeholder views

In the consultation paper, stakeholders were asked whether existing B2B e-hub functionality should be maintained beyond the introduction of arrangements for the shared market protocol. At the time it was uncertain whether the shared market protocol framework would be combined with the B2B framework or the two frameworks would operate in parallel for different types of services.

DNSPs considered that the existing B2B functionality should remain operational, as they could continue to provide existing services related to type 5 and 6 metering installations without having to upgrade their communications systems.<sup>97</sup> Other stakeholders considered that existing B2B functionality could be phased out because it would be costly to run two platforms.<sup>98</sup> Some stakeholders noted that the transition in upgrading the B2B e-hub is a matter between AEMO and industry and should not be specified in the NER.<sup>99</sup> However, as the new IT platform is now expected to facilitate existing B2B functionality (FTP) these issues raised in the consultation paper are no longer relevant.

Stakeholders were also asked in the consultation paper whether any significant issues would arise if the new arrangements were not in place when the competition in metering rules commence. Stakeholders generally agreed that the new arrangements should begin at the same time, or as soon as possible after, the new competition in metering rule commences.<sup>100</sup> Otherwise, parties may have to develop their own communication methods, compromising the effectiveness of the shared market protocol framework.

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<sup>97</sup> Ergon, submission to the consultation paper, p5; ENA, submission to the consultation paper, p5; NDW DNSPs, submission to the consultation paper, p4.

<sup>98</sup> ERM, submission to the consultation paper, p9; EDML, submission to the consultation paper, p6; Landis+Gyr, submission to the consultation paper; Origin, submission to the consultation paper, p2; Simply Energy, submission to the consultation paper, p6.

<sup>99</sup> United Energy, submission to the consultation paper, pp13-14.

<sup>100</sup> ERM, submission to the consultation paper, p9; Energex, submission to the consultation paper, pp4-5; Origin, submission to the consultation paper, p2; Simply Energy, submission to the consultation paper, p6.

EDMI considered that as the shared market protocol would not be mandatory, it is a valuable convenience but not vital.<sup>101</sup> Vector considered that introducing the new framework at a later date would not prevent businesses from deploying advanced meters.<sup>102</sup>

ATA does not agree that Victoria has demonstrated that the market can cope with advanced meters using the current B2B e-hub, as was stated in the consultation paper. ATA considers that while there is not a shared market protocol in Victoria, not having such a protocol has lowered operational efficiency, limited benefits to consumers and resulted in fewer services being offered.<sup>103</sup>

Ergon noted that if the new shared market protocol framework is not available when the competition in metering rule commences, certain obligations might need to be relaxed. For example, if there are inconsistencies between obligations and abilities to deliver services.<sup>104</sup>

### 9.3 Implementation requirements

If this draft advice were to be implemented through a rule change process, AEMO, the IEC and industry would need to undertake a number of interim steps to develop procedures and the redeveloped B2B e-hub. The following tasks have been identified:

- Amended B2B procedures would need to be developed. The following tasks would need to occur sequentially:
  - AEMO would develop the IEC election procedures and operating manual to provide for the new IEC framework;
  - AEMO would run an IEC election process to form the new IEC, including AEMO's appointment of the consumer representative and discretionary members; and
  - the newly formed IEC would develop amended B2B procedures in accordance with the new framework;
- the B2B e-hub would be upgraded:
  - the new B2B e-hub must comply with the requirements set out in B2B procedures;
- AEMO would pay for the upfront costs of setting up the IEC, preparing B2B procedures and developing the B2B e-hub;

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101 EDMI, submission to the consultation paper, p7.

102 Vector, submission to the consultation paper, p5.

103 ATA, submission to the consultation paper, p6.

104 Ergon, submission to the consultation paper, p5.

- AEMO would develop a fee structure to recover B2B e-hub related costs, in consultation with B2B participants;
- AEMO would develop an accreditation process for B2B participants;
- industry members would need to obtain accreditation as a B2B participant prior to using the new B2B e-hub.

#### **9.4 Implementation timeframes**

The Commission has consulted with the IEC chairperson and AEMO regarding the potential timeframes for implementing the B2B procedures and B2B e-hub. Initial estimates provided by AEMO and the IEC are:

- developing the IEC election procedures and operating manual (4 - 10 months);
- electing the IEC (3 months);
- developing B2B procedures (9 -12 months); and
- upgrading B2B e-hub (12 -18 months).

While it is not vital that B2B procedures and the B2B e-hub are updated before the competition in metering rule commences, the benefits of the new arrangements would be maximised if they commence at the same time. To the extent possible the Commission will seek to align these implementation timeframes.

There are options to minimise the timeframes estimates above that may be considered going forward. For example:

- AEMO could commence work on developing the IEC election procedures and operating manual prior to the publication of a final rule change determination on the shared market protocol.
- The time required to develop the IEC election procedures and operating manual would be minimised if AEMO were only required to consult with particular parties, carry out a short public consultation, or only carry out informal consultation. Timeframes may be longer if AEMO were required to carry out consultation in accordance with the rules consultation procedures.
- The development of B2B procedures could be minimised by requiring the IEC to limit the first set of B2B procedures to existing services provided through the B2B e-hub and the services in the minimum services specification. Other services could be added at a later date.
- The delivery date for an updated B2B e-hub could be brought forward through AEMO commencing work on developing the new B2B e-hub before the B2B procedures are finalised.

Stakeholder views are sought on these implementation and timing issues:

1. Is it necessary for the new B2B framework to be in place and the updated B2B e-hub to be operational on the date that the competition in metering rule change commences? What are the implications if this does not occur?
2. How long would it take to implement the new B2B framework? Are the estimates above realistic? How much additional time is needed for businesses to prepare for the new arrangements?
3. Should any of the options to minimise implementation timeframes listed above be pursued? Should any not be pursued?
4. Are there any other options for reducing implementation timeframes?

## A Overview of draft recommendations

This appendix provides an overview of the key changes that would be required to the NER to implement the Commission's draft recommendations for implementing the shared market protocol. Additional aspects of the existing B2B arrangements in the NER would need to be updated in order to fully implement the draft recommendations, for example, amendments to the IEC's budget and reporting requirements.

### A.1 Governance arrangements

The existing framework for IEC membership set out in clause 7.2A.2 of the NER would need to be amended to reflect the following:

- IEC membership would comprise of two independent members, one DNSP representative, one retailer representative, one metering coordinator/metering provider/metering data provider representative, one third party B2B participant representative, one consumer representative, two discretionary members and one AEMO representative:
  - The two independent members are persons who are nominated and elected by registered DNSPs, retailers and metering coordinators, and accredited metering providers, metering data providers and third party B2B participants. They are independent of DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and AEMO.
  - The DNSP representative is a person nominated and elected by registered DNSPs.
  - The retailer representative is a person nominated and elected by retailers, being persons who hold a retailer authorisation or, in the case of participating jurisdictions that have not introduced the NECF, a person who is registered by AEMO as a customer who engages in the activity of selling electricity to end users.
  - The metering coordinator/metering provider/metering data provider representative is a person nominated and elected by registered metering coordinators and accredited metering providers and metering data providers.
  - The third party B2B participant representative is a person nominated and elected by persons that are accredited by AEMO to use the B2B e-hub (a B2B participant) but are not otherwise a DNSP, retailer, metering coordinator, metering provider or metering data provider.
  - The consumer representative is a person appointed by AEMO in consultation with Energy Consumers Australia.

- The two discretionary members would be appointed by AEMO in consultation with the independent members. In appointing the discretionary members, AEMO must give effect to the intention that the IEC be broadly representative, both geographically and by reference to participating jurisdictions, with respect to parties that have an interest in B2B procedures. The discretionary members must be independent of AEMO.
- For the purposes of the above, a party is taken to be independent of another party if they are not:
  - (a) an employee or director of that party; or
  - (b) an adviser or consultant to that party where the relationship is a significant source of income for that adviser or consultant.
- The AEMO representative would be the CEO or his/her delegate.
- IEC members would elect one of the independent members to the chairperson role.
- The requirements in clause 7.2A.2 of the NER regarding the IEC election procedures and IEC operating manual would need to be amended to reflect the following:
  - The first IEC election procedures and operating manual would be developed and published by AEMO, prior to forming the new IEC.
  - Subsequent changes to IEC election procedures and operating manual would require the support of at least 75 per cent of the registered participants or accredited parties (as the case may be) in each of at least three out of the following four groups: DNSPs; retailers; metering coordinators/metering providers/metering data providers; and third party B2B participants.
- Requirements in clause 7.2A.2 of the NER with respect to the conduct of meetings and decision making of the IEC would need to be amended to reflect the following:
  - The quorum for a meeting would be six (out of ten) IEC members, one of which must be an independent member.
  - A decision of the IEC regarding a new B2B procedure, a change to existing B2B procedures or the approval of an IEC works program<sup>105</sup> requires the support of seven or more members. Any other decision of the IEC would require the support of six or more members.

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<sup>105</sup> The work program prepared by the IEC in respect of the development, implementation and operation of the B2B procedures and other matters which are incidental to effective and efficient B2B communications.

## A.2 Making and amending procedures

The framework in the NER for making and amending B2B procedures (clause 7.2A.3) and the content requirements for B2B procedures (clause 7.2A.4) would need to be amended to reflect the following:

- B2B procedures must, in addition to the existing content requirements set out in clause 7.2A.4 of the NER, prescribe the content of, the process for, and the information to be provided to support, communications between B2B participants relating to each of the services set out in the minimum services specification.
- B2B procedures may include performance requirements for the B2B e-hub.
- B2B procedures must allow for parties to communicate outside the B2B e-hub.
- B2B participants must comply with the B2B procedures.
- When making decisions about B2B procedures, the IEC must have regard to the NEO and revised B2B principles. The revised B2B principles are:
  - B2B procedures should provide a uniform approach to B2B communications in participating jurisdictions.
  - B2B procedures should detail operational and procedural matters and technical requirements that result in efficient, effective and reliable B2B communications.
  - B2B procedures should avoid unreasonable discrimination between DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.
  - B2B procedures should protect the confidentiality of commercially sensitive information.
  - Regard should be had to the reasonable costs of compliance by DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants with the B2B procedures compared to the likely benefits from B2B Communications.
  - Regard should be had to the likely impacts on innovation in, and barriers to entry to, the markets for metering services and services enabled by advanced meters, compared to the costs incurred by B2B participants in using the B2B e-hub.
  - Regard should be had to the likely costs that would be incurred by, and the implementation timeframe necessary for, AEMO to ensure the B2B e-hub supports any new B2B procedure or change to existing B2B procedures.

- Before the IEC consults on a proposal to make a new B2B procedure or change the existing B2B procedures, it must seek AEMO's advice on whether there are any conflicts with MSATS procedures, whether the B2B e-hub can deliver the procedure change and the likely costs to be incurred by AEMO to ensure the B2B e-hub supports the procedure change.
- For the purposes of complying with the rules consultation procedures when consulting on any new B2B procedure or change to the existing B2B procedures, the IEC must:
  - notify the following parties of the consultation process: DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants, AEMO and other parties that have identified themselves to the IEC as having, or in the IEC's reasonable opinion would have, an interest in the B2B procedures; and
  - publish draft and final reports in accordance with clauses 8.9(g) and (k) of the NER, which must contain details of the IEC's consideration of the NEO and each of the B2B principles (as listed above) and how the IEC has considered each submission having regard to the NEO and B2B principles.

### **A.3 IT platform**

The requirements under rule 7.2A related to the operation of the B2B e-hub would need to be amended to reflect the following:

- The B2B e-hub must support communications for services in the minimum services specification and other B2B communications listed in the B2B procedures.
- The B2B e-hub must meet performance requirements specified in the B2B procedures.

### **A.4 Obligations imposed on parties**

The nature and scope of certain obligations imposed on parties under rule 7.2A of the NER would need to be amended to reflect the following:

- A new accredited party role (B2B participant) would be established and any party wishing to use the B2B e-hub would need to be accredited by AEMO as a B2B participant. AEMO must establish an accreditation process for B2B participants. This may include IT requirements or credit support requirements considered necessary by AEMO.
- DNSPs, retailers, metering coordinators, metering providers, metering data providers and B2B participants are required to comply with B2B procedures.

- DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants must use the B2B e-hub for B2B communications, unless they have agreed between themselves to use an alternative method of communication.
- B2B participants are required to pay user fees as determined by AEMO (B2B participant fees).
- Operating costs associated with any service provided by AEMO to facilitate B2B communications (including providing and operating the B2B e-hub) and the costs of developing B2B procedures and establishing and operating the IEC are paid by AEMO and recouped as B2B participant fees.
- AEMO is required to develop, review and publish the structure of B2B participant fees, in consultation with B2B participants and other parties that have identified themselves to AEMO as having, or in AEMO's reasonable opinion would have, an interest in relation to the operation of the B2B e-hub.
- In determining B2B participant fees, AEMO must have regard to the NEO.
- The structure of the B2B participant fees must, to the extent practicable, be consistent with the following principles:
  - B2B participant fees should be simple;
  - B2B participant fees should recover the budgeted revenue requirements;
  - the components of B2B participant fees charged to each B2B participant should reflect the extent to which the budgeted revenue requirements involve that category of B2B participant; and
  - B2B participant fees should not unreasonably discriminate between categories of B2B participants.

## B Submissions not addressed elsewhere in this draft advice

Stakeholder(s)	Issue	Response
ENA (p3)	A shared market protocol should not be considered until interrelated matters, such as the competition in metering rule change and COAG Energy Council work on regulating new products and services in the market, are finalised.	<p>The AEMC is mindful of the interactions between this work and interrelated matters. This advice is being developed in parallel to the competition in metering rule change process.</p> <p>This advice does not affect the COAG Energy Council work on regulating new products and services in the market.</p>
NSW DNSPs (p3)	The NER should state that the metering coordinator must comply with jurisdictional requirements, such as the NSW Accredited Service Provider scheme.	The AEMC is considering interactions between jurisdictional frameworks and the metering coordinator's role and responsibilities as part of the competition in metering rule change process.
ENA (p5), NSW DNSPs (p2), United Energy (pp1-2)	There should be some form of light handed regulation on the metering coordinator's services. For example, that an offer to provide services must be fair and reasonable.	The responsibilities of the metering coordinator with regard to providing access to services are being addressed through the competition in metering rule change process.
United Energy (p2)	There should be an obligation on AEMO to facilitate the transition of new services from bilateral arrangements to the shared arrangements.	Under the draft recommendations, the IEC may recommend a B2B communication in respect of a new service be included in the B2B procedures, having regard to the NEO and B2B principles.
United Energy (p12)	Metering Coordinators may need to adopt a process to allow third parties access to certain services and certain NMIs.	<p>The responsibilities of the metering coordinator with regard to providing access to services are being addressed through the competition in metering rule change process.</p> <p>An updated B2B e-hub may assist metering coordinators by providing some high level verification of parties.</p>

Stakeholder(s)	Issue	Response
AGL (p2), ENA (p3), Vector (p5)	The new arrangements should be reviewed in three years, or periodically, to ensure they are efficient and continue to meet market participants' and consumers' needs.	The Commission does not consider including a formal review process in the NER to be necessary. Parties may lodge a rule change request in respect of the B2B and IEC frameworks in the NER at any time.
Landis+Gyr (p3)	AEMO should review the current B2B e-hub to determine the impediments and constraints with regard to using it for advanced metering services. This would aid the transition period.	This suggestion is outside the scope of this advice.

## C Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
B2B	Business to business
B2M	Business to market
COAG	Council of Australian Governments
Commission	Australian Energy Market Commission
DNSP	Distribution Network Service Provider
FTP	File transfer protocol
IEC	Information Exchange Committee
MSATS	Market Settlement and Transfer Solutions
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NMI	National Metering Identifier