



19 May 2016

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

ERC0197 Draft Rule Determination – National Electricity Amendment (Updating the B2B framework) Rule 2016

Origin welcomes this opportunity to respond to the Australian Energy Market Commission's (AEMC) draft rule determination on updating the B2B framework lodged by Red Energy/Lumo and the COAG Energy Council.

There are many elements of the draft determination that Origin supports. These include the need for B2B communications to support the minimum services specification (MSS), the Information Exchange Committee (IEC) having regard to the new B2B factors when considering change proposals, grounds upon which AEMO may veto an IEC change proposal, the application of performance standards to the B2B e-hub, accreditation requirements and implementation and transitional arrangements.

Notwithstanding this, and noting the analysis put forward by the AEMC, Origin maintains the view that the new IEC should comprise more industry representatives than the draft determination allows. Implementing changes to B2B procedures and updating the B2B e-hub to support the minimum services specification for advanced metering will impact upon retailers, distributors and meter service providers (MSPs) significantly. Relying on under-represented groups being appointed as discretionary members under the proposed governance model is inadequate in the context of the transition that industry will need to make to support the Power of Choice (PoC) reforms. To the extent that market participants have insufficient representation on the new IEC, there is little certainty that AEMO will be in a position to correct any imbalance via discretionary appointments.

The proposed Red Energy/Lumo model in Origin's view struck a balance between the current composition of the IEC and the need to diversify membership to support new services and supporting procedures that may emerge following the commencement of the competition in metering rule change. We also note that while AEMO may elect to consult with stakeholders prior to making a discretionary appointment to the new IEC, it is not obliged to. Diminished industry involvement in the IEC is not appropriate at this time given that most of the effort and cost to prepare and implement updated B2B procedures and processes will be borne by industry.

Origin would suggest that the composition of the new IEC as described by Red Energy/Lumo form the basis for the initial structure of the new IEC. When circumstances in the market change, it is likely that this structure could transition to that suggested in the draft determination. Until a requirement to amend the structure emerges, based on developments in the market, greater industry representation is strongly justified.

We believe diminished industry representation at this time may impact upon the implementation timetable set out in chapter 6 of the draft determination. This may come about if industry participants are unable to engage effectively enough with the new IEC structure through subordinate working groups, or influence decisions regarding tasks on the critical path supporting the implementation of the competition in metering and related rule changes.

Given these concerns, Origin would ask the AEMC to reconsider the composition of the new IEC as described in the draft determination.

Origin addresses other specific matters discussed in the draft determination below. Should the AEMC wish to discuss any of the matters raised in this response, please contact David Calder on (03) 8665 7712 in the first instance.

Yours sincerely

A handwritten signature in blue ink, appearing to read "K. Robertson".

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Specific comments on the draft rule determination

1. Information Exchange Committee

1.1 Membership

As discussed above, Origin does not support the reduction in industry representation (including that of MSPs). We acknowledge the view of the AEMC that discretionary members could support additional industry representation and that the specification of subcategories within each of the member categories would be complex and potentially inflexible. We believe this issue should be addressed in the case of retailers, distributors and MSPs through the election of industry representatives by their peers. Such an approach will reflect the views of the majority of the members of each category.

It is also important to note that while there is a need to expand and diversify the membership of the IEC, in the first few years of metering competition, most customers will remain on basic metering (outside of Victoria). As such, the issues confronting industry for the majority of customers and improvements required will reflect the current B2B arrangements. This is a further reason to consider additional industry representation than that proposed in the draft determination; new member categories may have less of an appreciation or interest in 'traditional' metering issues. Retailers and distributors however will have continued obligations in this area that will impact upon the vast majority of customers.

1.2 Election and appointment

Origin supports the draft determination that retailer, distributor, MSP and third party members of the new IEC be nominated and elected by the specific category such members will represent. While provision for discretionary members may facilitate further industry representation in the new IEC, these members are to be appointed by AEMO directly. While Origin considers that AEMO will exercise its judgement effectively in making these appointments, there is no guarantee that the appointment would reflect the needs of the new IEC more generally or support the development of B2B procedures. While this approach may be appropriate in the future, in the medium term, this uncertainty is a further reason we reiterate our support for the model put forward by Red and Lumo Energy.

1.3 Meetings

Origin supports the voting requirements set out in the draft determination based on the total number of IEC members that will comprise the new IEC.

We also support the provision in the draft rule to allow another member to be voted as chair by the remaining IEC members should AEMO face a conflict of interest and not be able to act as chair.

2. Making B2B procedures

2.1 Content of B2B procedures

Origin does not agree that load control services need to be included in the MSS at this time. Distributors already have the ability to retain a network device at a customer's property (and the customer does not generally have the discretion to have it removed). Therefore we agree with the AEMC's assessment that B2B communications in addition to the MSS should be considered and recommended by the IEC as appropriate.

We also support the retention of the free-form communication capability within the B2B e-hub.

2.2 Process for making an IEC recommendation

Origin supports the AEMC's views on the process for proposing changes to B2B procedures and agrees that a wider range of parties may suggest such changes in the future. We further agree with the notification process to stakeholders to allow their participation in consultations on B2B procedure changes.

2.3 B2B Factors and Principles

Origin supports the AEMC's conclusions with respect to B2B principles and factors. We also support the assessment of changes to B2B procedures against the National Electricity Objective (NEO).

2.4 AEMO's role in making procedures

We agree that the IEC must have regard to the NEO and B2B factors to give effect to the B2B principles in deciding whether or not to recommend changes to B2B procedures. We further agree that AEMO can veto a B2B procedure change if it conflicts with the Market Settlements and Transfer Solution (MSATS).

3. **Using the B2B framework**

3.1 B2B e-hub

Again, Origin would support the AEMC's view that the B2B e-hub:

- Have the capability to facilitate the B2B communications set out in the B2B procedures;
- Must meet any performance requirements or standards specified in the B2B procedures; and
- Retain the free form communications currently supported.

3.2 Compliance with B2B procedures and using the B2B e-hub

Origin agrees with the determination that metering coordinators (MCs), third party B2B participants and embedded network managers (ENMs) must comply with B2B procedures. We also agree with the range of parties involved in B2B communications who should be obliged to use the B2B e-hub under the draft rule, namely distributors, retailers, MCs, metering providers (MPs), metering data providers (MDPs), ENMs and third party B2B participants.

3.3 Accreditation

In general, Origin supports the AEMC's views on accreditation of B2B participants.

3.4 Cost recovery

Origin notes the challenges with a user pays approach to cost recovery associated with B2B procedures and the B2B e-hub. While participant fees are proposed to be retained as an alternative, there may be merit in considering a mix of both participant fees and a user pays approach. AEMO has recently reviewed the structure of participant fees and the potential for changes to accommodate cost recovery associated with the PoC reforms. We do not believe the National Electricity Rules (NER) should constrain the cost recovery approach chosen by AEMO in the future. We understand however that AEMO has the discretion to determine the structure of participant fees, which may include a user pays component. To the extent that chapter 2 of the NER allows this approach, Origin would concur with the AEMC's position.

It is appropriate that third party B2B participants be charged fees under the B2B framework. Similarly, distributors accessing advanced services should also contribute to costs to the extent they utilise these functions.

4. Implementation

Origin supports the implementation and transitional provisions set out in the draft determination. Given the tight timeframe, the approach and key dates described by the AEMC would appear the only practical plan to ensure that the new B2B procedures and B2B e-hub will be effective on 1 December 2017 (or, as determined by the new IEC, alternative communication methods are in place and a pathway to update the B2B e-hub has been agreed).

Services and processes not covered by the MSS should be excluded from the work of the new IEC and Origin supports the moratorium on introducing new B2B procedures in the period leading up to 1 December 2017, allowing the new IEC to focus on updating B2B procedures to support the PoC rule changes.