

A few  
words.

28 January 2016

Mr Richard Owens  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW1235

Lodged via email: [richard.owens@aemc.gov.au](mailto:richard.owens@aemc.gov.au)

Ref: ERC0197

Dear Mr Owens,

**RE: Consultation Paper – Updating the Electricity B2B Framework Rule 2015**

AGL Energy Ltd (**AGL**) welcomes the opportunity to provide comments in response to the Australian Energy Market Commission's (**AEMC**) Consultation Paper on the National Electricity Amendment (Updating the Electricity B2B Framework) Rule 2015 (**the Consultation Paper**).

As one of Australia's largest integrated energy companies with over 3.7 million retail customers, we are strong advocates for a transformed National Energy Market (NEM) that supports metering competition and drives greater innovation and customer choice. On this basis we strongly supported the Power of Choice review and the subsequent final determinations for metering competition and embedded networks. Similarly, we acknowledge the AEMC's efforts across the review processes aimed at setting out the default method of Business to Business (B2B) communications for digital meter services, noting that parties should retain the ability to agree alternative methods via commercial negotiations.

AGL has assessed the Consultation Paper, including the proposals submitted by the Council of Australian Government's Energy Council (COAG EC) and Red Energy-Lumo Energy (Red/Lumo) and recognise that each propose some common elements. We support all of these elements including:

- the need to update the B2B framework;
- creation of a new accredited "B2B e-hub Participant" role;
- an accreditation/certification process for parties to use the B2B e-hub;
- inclusion of Embedded Network Managers as a third party B2B participant; and
- setting out a list of parties which must comply with the B2B procedures.

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
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As such, our submission focuses on the main differences in each of the proposals where we have concerns or encourage implementation of additional enhancements.

## **Governance**

AGL strongly supports a governance model that promotes efficiency and innovation of the services required to enable a market-led rollout of digital meters to customers.

As a result, AGL does not support the model proposed by the COAG EC, primarily because we consider that it would limit the voice of key players in this environment, such as Retailers and Metering services businesses, to one member representative. We do not believe that a single representative will sufficiently allow these key member classes to convey their views/interests, which is paramount to maintain efficiency and promote innovation. These classes will also have a regulatory obligation to communicate via the B2B e-hub as common practice, and will therefore be most interested in the efficient development of suitable B2B Procedures.

Further, as per our previous submission to the AEMC's draft advice on the implementation of the Shared Market Protocol<sup>1</sup>, Retailers will be instrumental to the metering competition rule and are most likely to lead a market-led rollout of digital meters post 1 December 2017. However, considering the large number of Retailers currently operating in the NEM, each with different commercial interests, operations and target markets, we do not believe that one group member can suitably represent the interest of all individual Retailers.

AGL therefore considers the Lumo/Red model to be a more preferable model, as it better balances the representation of industry and the size of the governance group. We do though, also consider that further improvements are necessary to this model and encourage the AEMO to consider these points below further.

### **1. Appointment of AEMO Director as AEMO representative and chair**

AGL welcomes the appointment of an AEMO Director as the AEMO representative on the industry group. This appointment, will better ensure that:

- the strategic interests and objectives of AEMO and the industry group are closely aligned; and
- approved recommendations on B2B Procedures are managed and implemented appropriately.

In our previous submission, AGL proposed retaining an independent chair to ensure that there was no conflict of interest or bias by any represented party. While we are not opposed to the appointment of AEMO as chair, we are concerned that an AEMO representative in their dual capacity as AEMO Director and chair of this industry group might give rise to a potential conflict of interest.

AGL notes that under ASIC laws, an AEMO Director may be held personally liable and accountable for the actions of AEMO under certain circumstances<sup>2</sup> and therefore must take decisions that are in the best interests of AEMO. However, as chair, the Director would also need to manage the group and ensure that its decisions are taken with consideration for industry's best interests, and must also align these decisions with the NEM objectives.

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<sup>1</sup> <http://aemc.gov.au/getattachment/5f21ca56-e4dd-4790-8958-7af966b813b8/AGL-Energy.aspx>; dated 23 July 2015

<sup>2</sup> As set out in the Corporations Action 2001

We request that the AEMC consider whether a significant risk arises with an AEMO Director's appointment to both senior roles, and how best to address this to ensure the group's priorities and the National Electricity Objective is met.

## 2. Restriction by corporate identity

AGL understands that the proposed restriction<sup>3</sup> set out by Lumo/Red aims to ensure wider industry interests are able to obtain 'seats at the table'. However, we do not consider this restriction is necessary and do not believe that, if applied, it will serve the best interests of the industry group.

Due to the mix of Metering Service<sup>4</sup> businesses, AGL believes that the restriction by nature, would imply that very few competitive metering businesses could qualify for nomination and appointment as a Metering Services representative<sup>5</sup>. This could limit participation from those with a strong interest and commercial business case for the deployment of digital metering services under market led arrangements. AGL also believes this restriction may reduce business efficiency across the industry resulting in increased service delivery costs to customers.

## 3. Providing AEMC with a non-voting role on the industry group

AGL suggests that membership in a non-voting capacity be extended to the AEMC at Director<sup>6</sup> level. The Power of Choice reforms are both complex and technical, requiring a rigorous theoretical, economic and practical understanding of how the NEM operates to develop suitable and sensible solutions. We believe that membership and the knowledge obtained through the group will better assist the AEMC to ensure that the policy intent behind its rule determinations are followed through into implementation, including procedural development.

## 4. Discretionary Representative sub-classes

AGL supports the ability of the industry group's fixed representative classes to determine whether discretionary representatives are necessary. Where the group supports the appointment of discretionary representatives, we agree that it should have the ability to select up to three representatives from third party B2B participants, independent representatives and other B2B parties.

Although suggested by both proposals, AGL does not believe it is necessary or appropriate to have a consumer representative class on the industry group. This is because end-users of energy services will not be concerned with, and do not input into, the development of the backend processes that ensure their selected services are available. Instead, we believe the industry group must maintain its strong strategic B2B communications focus.

In our view, the NER amendments to the metering competition rule suitably cover off on minimum meter services via the development of the Minimum Services

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<sup>3</sup> Which would limit representation by parent companies and their subsidiaries to one representative class, where elected to the industry group.

<sup>4</sup> Comprising Metering Coordinators, Metering Providers and Metering Data Providers.

<sup>5</sup> Because the vast number of current service providers are associated with Retailers or Network Businesses.

<sup>6</sup> Minimum appointment level – the AEMC would have an ability to assign a representative of the Director.

Specification for small customers. AGL does however, continue to support the current arrangements which allow for parties, including consumer advocates, to interact at industry group meetings and to input knowledge/alternative views as 'observers'.

If however, the AEMC decided to retain a consumer representative class, we request further justification as to why this representative should be 'appointed by AEMO in consultation with Energy Consumers Australia', as per both proposals, rather than the industry group itself.

#### 5. Renaming the Information Exchange Committee (IEC)

AGL agrees that renaming the IEC will refresh and refocus the industry group. However, we suggest that naming it the Retail Communications Panel (RCP), rather than the Retail Industry Panel (RIP) will more closely align the group's name to its market function.

AGL's preferred governance structure, building on the Red/Lumo proposal is set out in Annex A.

### **B2B Procedural Development**

AGL supports the approach proposed by Red/Lumo to B2B procedural development and decision making. Specifically we agree that when making decisions, the industry group must have regard to the B2B factors and the revised B2B principles outlined in the Red/Lumo proposal<sup>7</sup>. Having an AEMC representative role on the industry group will also encourage greater discussion of alternative solutions and will further ensure that the industry group provides due consideration of the B2B principles and factors when making decisions.

Although we agree that AEMO should approve a recommendation from the industry group to change/introduce a B2B procedure, we suggest that AEMO must also be required to publish its decision and rationale, as set out in the COAG EC proposal. This will improve transparency and accountability and also ensure that any recommendations which are proposed by the industry group are judiciously and transparently assessed against the National Electricity Objective, the B2B factors and the B2B principles.

Lastly, AGL also agrees, as set out in the COAG EC, that where AEMO has decided not to approve a recommendation by the industry group, the group should have the ability to reconsider its proposed recommendation. While we do not consider the likelihood of a stalemate occurring is high given AEMO's fixed appointment on the industry group, we encourage the AEMC to provide a direction on how such a circumstance could be resolved.

### **Cost Recovery**

AGL considers that all market parties who use the B2B e-hub should contribute financially towards the development, management and administration. However, we also recognise the efficiency of the current cost recovery mechanism through participant fees. We therefore support the approach proposed by the COAG EC and agree that third party B2B participants should be registered participants.

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<sup>7</sup> Red Energy and Lumo Energy – Rule Change Request on Updating the Electricity B2B Framework; page 12

We have recently contributed to the AEMO consultation<sup>8</sup> on its fee structure, and have encouraged them to develop the concept of a B2B e-hub participant as part of its fee model for forward 5 year period.

Should you have any questions in relation to this submission or our proposed amendments to the Red/Lumo governance model, please contact Dan Mascarenhas on (03) 8633 7874 or [DMascare@agl.com.au](mailto:DMascare@agl.com.au).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Stephanie Bashir', with a long horizontal flourish extending to the right.

Stephanie Bashir  
**Head of Policy and Regulation – New Energy**

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<sup>8</sup> AGL submission to AEMO on AEMO Fee Structure, 27 Jan 2016

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## Appendix A

### AGL's Amended Governance Model

AGL supports the Lumo/Red governance model in principle – however we consider that the amendments outlined in our submission would further enhance the group.

We have stepped out the membership below:

<b>Name of Group:</b>	Retail Communications Panel (RCP)
<b>Membership:</b>	
	1 x AEMO representative (chair - Director role)
	1 x AEMC representative (minimum appointment – Director role)
	2 x Retailer representatives (peer appointed)
	2 x DNSP representatives (peer appointed)
	2 x metering service business <sup>9</sup> representatives (peer appointed)
	Up to 3 discretionary representatives (as deemed necessary; appointed by fixed class representatives)
	Can include a combination of: <ul style="list-style-type: none"> <li>- independent representatives</li> <li>- third party B2B participants<sup>10</sup></li> <li>- B2B parties<sup>11</sup></li> </ul>
<b>Total Members:</b>	Up to 12 members (minimum of 9 members)

<sup>9</sup> Includes Metering Coordinators, Metering Providers and Metering Data Providers

<sup>10</sup> A party that is accredited to use the B2B e-hub, such as Embedded Network Managers etc, but does not include Retailers, DNSPs and Metering Service businesses.

<sup>11</sup> Includes Retailers, DNSPs, local Retailers, Metering Service businesses, third party B2B participants.



AGL is taking action toward creating a sustainable energy future for our investors, communities and customers. Key actions are:

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series