

Updating the Electricity B2B Framework

EDMI Response to AEMC Consultation Paper



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1 Introduction

EDMI welcomes the Australian Energy Market Commission's (AEMC) Consultation Paper: Updating the Electricity B2B Framework, 17 December 2015

EDMI continues to appreciate the work and supports the policy direction of the AEMC related to the Power of Choice review, Minimum Services Specification, Shared Market Protocol and other efforts to bring greater choice to the electricity market and encourage innovation.

EDMI believes that the market systems that support new services should seek to deliver greater choice to the consumer, encourage innovation, power next generation services and provide a framework for the implementation of new technologies well into the future.

2 Three Key Principles

Before addressing each of the specific issues raised in the advice paper, again EDM I iterates our three key principles for a successful deliver of new market systems:

2.1 The future is in the cloud

As AEMC and many market participants acknowledge, the existing B2B e-hub is not sufficient to manage the volume and speed of messaging required in a Power of Choice market. However, in recognizing this, some parties may not also recognize that a simple expansion of the current platform will run up against the same barriers.

EDMI submits that, in order to deliver true Power of Choice services to consumer – in order to deliver the near-real-time access to data for the level of service delivery that customers will demand – the expanded B2B hub must be based in the cloud.

Only a cloud solution will deliver the required level of business continuity with the necessary level of scalability, while keeping costs in check.

2.2 Shared Market Messaging

EDMI's original submission regarding the Shared Market Protocol outlined our proposal that the Shared Market Protocol should be more about the content of the message, rather than the method of its communication. The message, the transport layer, the protocol and the platform are all different concepts and there are important distinctions to consider.

EDMI believes that, just as it is more accurate to use the term "Shared" rather than "Common", it is also more accurate to use the term "messaging" rather than protocol. Defining shared market messages, but allowing users to make use of any standard protocol and/or transport layer reduces compliance costs and increases the capacity for systems innovation. Possibly most importantly, it also allows for the system to adapt to new security requirements quickly and efficiently. And it does this without reducing the capacity of the shared market system to deliver an accessible and open shared data communications model.

EDMI's experience internationally of the introduction of protocols, where the framing has been defined, is that it either results in a protocol that is hard to define and can be limited by different interpretations (DLMS), or which is complete and standard, but rigid and very expensive (UK SMETS).

Conversely, there are a number of different, standard transport layers available and an appropriately specified solution will be able to adapt to a range of these, so long as the message content is defined.

EDMI continue to believe that, rather than a "Shared Market Protocol", we should be discussing "Shared Market Messaging".

2.3 Scope control

EDMI strongly supports the opening statement from AEMC on the shared market protocol, particularly:

"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."

As such, EDM I encourages the AEMC in its endeavours to develop the shared market protocol as a complementary service, aimed at reducing barriers to entry, rather than describing (by default) how the market should communicate. Market participants are already developing their own communications forms and protocols in successful partnerships to deliver superior consumer services and there is no need to a mandated service to seek to replace these agreements.

EDMI submits that, in considering the development of a shared market protocol, special care should be given to maintaining AEMC's current proposed scope.

3 (Box 5.1) Proposed B2B arrangements

Given the changes to the NER from the competition in metering and embedded networks final rules and the new services that can be offered using advanced meters, is there a need to update the current B2B framework?

“Power of Choice reforms include measures that will:

- *Reform distribution network pricing principles to improve consumer understanding of cost reflective network tariffs and give people more opportunity to be rewarded for changing their consumption patterns.*
- *Expand competition in metering and related services to all consumers, putting greater discipline on competitive metering suppliers to provide services at efficient cost and consistent with consumer preferences.*
- *Clarify existing provisions regarding the ability of the market operator, AEMO, to collect information on demand side participation to make its market operational functions more efficient.*
- *Give consumers better access to their electricity consumption data.*
- *Establish a framework for open access and common communication standards to support contestability in demand side participation end user services enabled by smart meters. This will support consumer choice.*
- *Introduce a new category of market participant for non-energy services in the National Electricity Rules to facilitate the entry of innovative products for consumers.*
- *Reform the application of the current demand management and embedded generation connection incentive scheme to provide an appropriate incentive scheme to provide an appropriate incentive for distribution businesses to pursue demand side participation projects which deliver a net cost saving to consumers.*
- *Establish a new demand response mechanism in the wholesale market - option for demand side resources to participate in the wholesale market for electricity.”*

These changes to the NER from the competition in metering and embedded networks final rules, and the new services that can be offered using advanced meters represent a significant evolution of the energy market in Australia. As such, EDMI submits that the systems and governance arrangements (including the naming of panels) put in place for the market should reflect this change: it is important that the B2B framework should also evolve.

What are the most appropriate arrangements for IEC/Retail Industry Panel membership, including the arrangements for election/appointment of members and requisite qualifications of members?

EDMI supports the intentions behind both submissions (Red/Lumo and COAG) to increase representation on the IEC panel and to allow for represented groups to elect their own representative.

EDMI notes that the COAG submission provides greater granularity as to which groups might be represented on the IEC panel and that this work shows a restriction on existing member numbers may be necessary to allow for additional participants without created an overly large group. We also note that the COAG submission has specifically included a consumer representative – an addition that EDM I feels is necessary, given the stated aims of Power of Choice reforms.

In addition to the proposals offers, EDM I submit that the AEMO member, acting as Chairman, should be required to approve any and all nominations to the panel, having mind of the views of the majority of the Committee, the NEO and Power of Choice principals.

What are the appropriate arrangements for the making of B2B procedures, including the decision-making process, decision-making criteria and the split of roles between AEMO and the IEC/Retail Industry Panel?

EDMI supports the principles underlying both submissions in determining the appropriate arrangements for the making of B2B procedures, including the decision-making process, decision-making criteria and the split of roles between AEMO and the IEC.

EDMI submits that a combination of both sets of principles, along with stated Power of Choice should form the basis for a new set of decision making principles. The AEMO representative would have the power of a super-vote in ensuring these principles are followed and would need to refer to the relevant principle/s when agreeing or rejecting any decision of the panel.

Are the proposed obligations on parties appropriate, including the accreditation requirements and Red and Lumo's proposed certification requirements?

What would be the benefits of, or issues with, requiring third parties to become registered participants to use the B2B e-hub?

EDMI supports the proposals with respect to the obligations on parties that are to interact with the B2B e-hub. In particular, EDMI note the utility that a new defined category provides, including contact, nomination and voting rights, as well as the capacity to define strict IT and security requirements.

However, in their submissions, neither Red/Lumo nor COAG appear to have discussed the process by which such participants would interact with the B2B hub, and EDMI submits that these likely interactions should be considered when assessing the scope or necessity of accreditation and certification.

New B2B hub participants (i.e. participants of types not currently registered B2B hub participants) will fall into one of three categories:

- 1) Service providers who will provide a service to existing B2B participants, that will need to test and prove that systems are operational and fit for use with the B2B hub prior to the existing B2B participant operating that system;
- 2) Service providers who will provide a service to existing B2B participants, that will need to test and prove that systems are operational and fit for use with the B2B hub prior to the service provider operating that system for the B2B participant;
- 3) Service providers providing new services to the market (users of which may or may not be B2B participants).

EDMI submits that the submissions provide scope for managing new B2B hub participants (i.e. participants of types not currently registered B2B hub participants) of type 3 only. The operational approaches of types 1 and 2 include significant attributes that will also need to be considered.

Some of the attributes of types 1 and 2 that EDM I submits require extra consideration are:

a) Intermittent use:

For example

- Type 1: A company offering mobile “apps” for consumers or market participants may make and sell only one per year and perform testing for only a few weeks.
- Type 2: A company offering a managed services product must consider whether to interact with the B2B directly or via their Registered Participant partner.

b) Limited capacity:

For example: A new service provider may not have the resources (type 1) or may not yet have the resources (type 2) to meet extensive registration requirements or costs.

c) Extensive testing

For example: Entirely new services are likely to require more extensive testing that multiples or upgrades of existing services.

In addition, EDM I submits that there is room to consider a difference between access to a B2B “production” system and access to a “test” system for all service providers and registered participants.

To address these issues, EDM I suggests that AEMC consider, or advise AEMO to consider:

- Different registration and accreditation requirements (including fees) for access to a test system;
- Options for “one time” or “limited time” access to test and production systems, at reduced or no fee;
- Allowing for some category of “sub-registration” to address where a service provider operates a managed service for an existing Registered Participant.

4 (Box 5.2) Changes to B2B arrangements under recent rule changes

Given the proposed rules are based on the competition in metering draft rule, what changes should be made to the proposed rules as a result of the competition in metering and embedded networks final rules?

EDM I believes that the submissions may be Red/Lumo and COAG provide an excellent base for the consideration of the necessary changes to competition in metering and embedded networks final rules.

In addition, EDM I submits that AEMC should consider the manner in which new service providers are likely to interact with both the B2B e-hub production and test systems.

5 Box 5.3 Implementation

If a rule is made, is a 1 December 2017 implementation date for the new B2B procedures and upgraded B2B e-hub achievable? If not, why not and what is an alternative date?

EDMI submits that, while a 1 December 2017 implementation date for new B2B procedures appears achievable, it is unlikely that such a date would be achievable for an upgraded B2B e-hub. The best method to determine a likely alternative date would be to conduct a requirements and gap analysis on the existing B2B. EDM I also notes that the requirements for a B2B e-hub may depend somewhat on the final procedures.

Which implementation tasks above may be at risk of not being met in the given timeframes and why? Would any of the timeframes need to be adjusted? Can any of these tasks be completed sooner, e.g. developing the election procedures and operating manual, or do some of them require more time? How would any changes impact other timeframes and the target deadline of 1 December 2017?

Are any implementation steps missing?

EDMI submits that setting a date for the delivery of an upgraded B2B is not possible at this time. Further work is required to assess the requirements of the project, including requirements analysis. EDM I notes that the requirements themselves may depend on the final procedures.

In our original response, EDM I submitted that a delay in the implementation of the final B2B hub would not carry undue risk (as compared to the risks associated with an earlier delivery) and indeed may add value to the final B2B upgrade by removing the “first mover” disadvantages. If the final B2B upgrade is delayed, work may be informed by the lessons learnt by early commercial providers of data delivery systems.

How much time would participants expect to need to update their systems to comply with the new B2B procedures and use the upgraded B2B e-hub? When can participants commence this work, for example can work commence following publication of draft B2B procedures?

EDMI is not in a position to provide estimates on client systems without express permission from clients. However, as always, EDM I is happy to assist AEMC with technical enquiries regarding market-wide requirements.

Should any of the steps have reduced requirements to speed up implementation, such as an exemption from having to follow the rules consultation procedures? Which steps could be run concurrently with other steps? Are there any further options that could be considered to minimise implementation timeframes?

EDMI submit that the most efficient method of delivering an upgraded B2B system would be to establish a project group which reports to AEMC on progress. This group would be exempt from rules consultation procedures, but would be required to adhere to specific principles, service levels and reporting standards, as set by AEMC in consultation with industry and monitored by AEMC. Creation of this group would also be exempt and managed through an updated IEC group to allow various industry parties the opportunity to vote on the make-up of the project team.