



**EnergyAustralia**

28 January 2016

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
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Dear Mr Pierce

## **AEMC 2015 - Updating the Electricity B2B Framework, Consultation Paper**

### **1. Introduction**

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EnergyAustralia welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) consultation paper covering the National Electricity Amendment (Updating the electricity B2B framework) Rule 2015. We are one of Australia's largest energy companies, with over 2.5 million household and business customer accounts in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

### **2. Overview**

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This consultation has sought input on proposed changes to the National Electricity Rules that are necessary to deliver the business to business (B2B) aspects of the broader Power of Choice initiatives. These changes have been proposed under two separate rule changes by the COAG Energy Council and Red/Lumo Energy. Both rule changes address similar issues but differ in their approach to governance arrangements and decision making processes for B2B procedures. EnergyAustralia has responded to previous consultations on the implementation of the shared market protocol (now referred to as Updating the Electricity B2B Framework) and are pleased to see that many of our views are supported by the AEMC.

In particular this rule change is proposing to:

- Revise the governance arrangements for B2B procedures managed under the Industry Exchange Committee (IEC);
- Facilitate new and amended B2B Procedures for the new services that smart meters will enable;
- Formalise the entry of new parties wishing to use the B2b e-hub; and
- Amend the cost recovery mechanism for B2B arrangements.

### 3. Responses to Specific Questions Raised

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#### Box 5.1 Questions on 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?*

*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?*

*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?*

*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?*

#### IEC Governance Arrangements

EnergyAustralia continues to support an update of the electricity B2B framework following the changes to the National Electricity Rules (NER) covering competition in metering and embedded networks. It is now clear that parties other than retailers and distributors will have increased roles in the market together with the introduction of embedded network managers and metering co-ordinators.

The current IEC membership will not be fully reflective of the market going forward and this has implications to the IEC's cost recovery mechanism and their expanded role in selecting and facilitating new market transactions required by a diverse range of participants. However we continue to support at least two (compared to the current three) retailer representatives on the IEC as this would provide sufficiently broad retailer representation. It would be very difficult for a single retailer representative to adequately cover a range of views from all retailers and this may result in suboptimal B2B outcomes. For example, some retailers only focus on specific market segments such as large industrial and commercial customers and others have limited small customer numbers or are new start-up retailers.

There is a similar argument for the distributor representation for which EnergyAustralia believes there should be two representatives. Hence we believe the Red/Lumo proposal reflects a more appropriate membership structure than the COAG Energy Council rule change proposal. The IEC is not a policy development forum rather it focusses on ensuring that market transactions are delivered in the most effective and efficient manner. It is our view that members bearing the costs and impacts of B2B changes should form the membership of the IEC together with some AEMO and independent member involvement. The inclusion of four discretionary members by Red/Lumo also future proofs the committee should new parties not previously considered require membership and it also allows the committee to recruit additional expertise if new technologies evolve.

The proposed governance and membership election arrangements are similar by both rule change proponents and appear appropriate. We are largely supportive of the transitional

provision which gives the Australian Energy Market Operator (AEMO) the responsibility to develop the first IEC election procedures and operation manual but as AEMO is also chair of the IEC we suggest that the election procedures should also have oversight by another independent party (such as the AEMC).

### **Accreditation/Registration/Cost Recovery**

The NER should be amended to mandate accreditation and certification for all parties using the B2B e-hub. As outlined in the Red/Lumo proposal, it is in the interests of all parties using the e-hub to have adequate security and system capability to ensure interactions by any party do not adversely impact other parties and ensure customer privacy and data integrity. Consideration should be given to existing users of the e-hub related to the initial accreditation requirements. Their accreditation should be less onerous or even be deemed to avoid additional costs for these participants that would provide minimal benefit to the industry.

Registration requirements in the rules will also support new cost recovery arrangements which should largely be allocated on a user pays basis. Given the wider range of users of the e-hub going forward, the existing arrangement of retailers paying all fees is not appropriate. Registration in the rules will formalise the obligation for all users to contribute to the costs of managing the IEC, AEMO's B2B administration, e-hub operational and capital costs and new transaction development costs.

It is important that all these B2B-related costs should be managed transparently and split appropriately amongst the different participant groups and that IEC governance facilitates efficient expenditure. Otherwise, there is potential for some groups to work together to bring in changes that benefit their own business model and impose additional costs on other participants. Exactly how this should be done is not straightforward and perhaps could be the subject of a later AEMO consultation.

### **Box 5.2 Questions on 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?*

This question queries the specific changes that might be required relating to the competition in metering and embedded networks rule changes but it also raises a more important fundamental question for the new IEC. How will they decide when a new transaction needs to be built and what are the criteria or factors that will decide this? Will it be based on a cost benefit study for only those parties requiring the transaction or will the impact to all parties across the market be considered?

AEMO has proposed an IT model for the e-hub that will facilitate new transactions that do not impact existing e-hub users that don't require or choose to use the new transactions. This appears to be a very attractive solution as it minimises the impact to existing users of the e-hub when new transactions are implemented. However some new transactions will require instant messaging (real time) and the e-hub may not be able to deliver this so should all industry participants be required to fund an e-hub upgrade that will facilitate real time messaging?

Our understanding is that the IEC will make new transaction development decisions by assessing any new B2B requests against the proposed B2B factors and revised B2B principles

put forward in the Red/Lumo rule change, which we support. However this still places an important responsibility on the IEC and AEMO to appropriately assess and approve B2B changes. For this reason we support the creation of a standardised, optimal set of new B2B transactions at the initial period of the new IEC establishment. This may be a minimal set of transactions that are later expanded upon. Several new transactions for metering competition have already been suggested by various industry participants and this appears well justified based on the experiences in Victoria with smart meters. For example, it would appear sensible to develop new transactions for remote de-energisation / re-energisation and remote services for the national market. It has not yet been determined what is required for the new embedded network rule changes and if there are alternatives to using the B2B e-hub for these changes, therefore further industry work is required.

### Box 5.3 Questions on 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?*

*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, eg 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?  
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?*

*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?*

The Consultation paper outlines the proposed timeline as follows:

<b>Activity</b>	<b>Timing</b>
Establishment of new IEC election procedures	1 August 2016
IEC election process	1 October 2016
Amended B2B procedures	1 April 2017
B2B accreditation and certification process	1 April 2017
Competition in metering commencement	1 December 2017

EnergyAustralia believes that the implementation timetable is extremely challenging with particular emphasis on the short period of only **eight** months from the finalisation of the B2B Procedures on 1 April 2017 and the go live date of 1 December 2017. We do not believe there are any pragmatic opportunities to condense other milestones in the timetable and therefore we believe serious consideration should be given to extending the competition in metering commencement date.

A further complication is that we are not aware of the full scope of the B2B changes and are unlikely to have an insight into this until early 2017, shortly after the IEC is formalised in October 2016. We acknowledge that AEMO will progress the scope as much as is possible during the intervening periods but we will not have a confirmed and published view of the B2B changes until 1 April 2017.

Large industry changes of this order need to be flagged and budgeted for 12 - 18 months in advance for EnergyAustralia to allocate resources and include the amendments into our system release schedule. It is risky and inefficient to commence system change development based on draft procedures and EnergyAustralia will not contemplate this approach.

Therefore we believe that the initial B2B changes should be a carefully considered, optimal set of changes that are finalised as early as possible to allow changes to participants' systems and the B2B e-hub. This should occur well in advance of the Rule commencement date for metering competition. We support the alternative proposal (subject to the scope) outlined in the Consultation Paper that suggests an initial small release, with a broader set of B2B services planned for implementation some time later. It is critical that B2B changes made by participants are robust and effective as there could otherwise be impacts to customer service and safety.

#### **4. Summary**

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The Red/Lumo rule change is generally supported by EnergyAustralia as it reflects a membership structure for the new IEC that better reflects the main users of the B2B e-hub as well as it has the flexibility to include additional members on a discretionary basis. While we realise new parties and new services will be required in the market, the core function of servicing participants responsible for the delivery of an essential energy service must not be overlooked. Therefore we strongly prefer the inclusion of two retailer and two distributor representatives on the IEC. However we believe some aspects of the cost recovery model put forward by the COAG Energy Council have merit and further assessment of this is required. For instance, we are of the view, that the cost recovery model should not be solely user pays as some participants may choose not to use the B2B e-hub but they also benefit from its existence, as a fall back arrangement or should they require it in the future.

While not discussed in this consultation the IEC budget development and approval process is managed by Australian Energy Market Operator (AEMO) and sometimes limits the IEC's ability to deliver its full program of work. We support the existing cost recovery mechanism via AEMO participant fees but believe that the IEC should have the responsibility to set its own budget and also have the right to seek alternative (rather than AEMO) service providers should they believe it will ensure delivery of their planned program of work. We believe these changes are also necessary to assist the IEC's broader scope of responsibilities, associated with the new parties and new services that will exist in the electricity market in the future.

The proposed timeline for delivery of any amendments to the B2B procedures, discussed in this rule change consultation, is problematic for EnergyAustralia. We would prefer at least 12 - 18 months' lead time for such major B2B changes from the date that the procedures are finalised.

Should you require further information regarding this submission please call me on (03)8628 1473.

Yours sincerely

[Signed]

**Randall Brown**

Industry Regulation Lead