



UPDATING THE B2B FRAMEWORK

ENA submission to AEMC Draft Determination

19 May 2016

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EXECUTIVE SUMMARY

ENA welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) draft determination on upgrading the B2B framework.

ENA is committed to working with the AEMC and other parties to support successful delivery of the range of integrated reforms related to delivery of contestable metering services to customers. ENA recognises the opportunity for new metering markets to stimulate innovative services and choice for end-use customers.

ENA wishes to provide feedback on key aspects of the proposed framework which should be addressed to avoid potential adverse impacts, both on individual customers and all customers depending on an efficient network service.

The key issues identified by the ENA are as follow:

- » The structure and operation of the IEC
- » Implementation schedule to meet commencement of metering competition;
- » Services to be delivered on 1 December 2017, and
- » Program management.

ENA considers the composition and modus operandi of the IEC must be industry based. The IEC should contain a clear majority of industry members across appropriate representation categories, with these categories identified within the Rules.

At a minimum, the IEC needs two DNSP and two retailer representatives because these two classes of participants provide services to 100% of the customers in the NEM.

ENA is concerned that inadequate budget and resource control may be a critical weakness in operation of the IEC. It is vital that AEMO and IEC agree on a budget that represents efficient expenditure to deliver the necessary B2B processes and 'build packs' as soon as possible to avoid any further delays.

ENA considers that the schedule for full implementation of the inter-related processes and procedures relating to contestable metering, embedded networks and meter replacement processes by 1 December 2017 is at significant risk of being unachievable.

The current schedule of B2B procedure delivery on 1 June 2017 does not appear to take sufficient account of the time needed for business process development and implementation.

ENA wishes to provide a constructive and supportive approach and in its submission it identifies three implementation options for consideration. These are: to expedite delivery to meet the commencement date; to delay commencement to support cost effective implementation; or to 'stage' implementation.

While a delay to the full commencement would be the most efficient option, the ENA recognises it would involve significant delay of new service delivery to customers, some of whom will receive advanced meters prior to commencement due to current installation initiatives underway in some jurisdictions.

In view of these risks, ENA urges the AEMC to ensure clear provision for contingency-based implementation approaches, such as planning for a staged implementation if required based on prioritised service functions.

RECOMMENDATIONS

1. ENA strongly recommends that the IEC be maintained as an industry body, with a clear majority of industry appointed members and the ability to allocate and control its budget and operation.
2. ENA recommends that the composition of the IEC include election of two DNSP representatives and two retailer representatives.
3. ENA recommends that, where AEMO is given power to appoint representatives of membership categories to IEC, AEMO is required to consult and take account of the views of those membership categories.
4. ENA recommends that there should be two discretionary members appointed to the IEC, with AEMO required to seek and take into account views of industry participants on these appointments.
5. ENA recommends that AEMC recognise the full operational commencement of metering contestability and related services on 1 December 2017 is at significant risk of being unachievable due to the slippage in finalisation of key procedures and components of the change, including late establishment of the IEC.
6. The AEMC ensure a clear provision for contingency-based implementation approaches, such as planning for a staged implementation if required based on prioritised service functions.
7. ENA recommends that AEMC direct the IEC to urgently identify the essential services required for commencement of metering contestability and an

implementation timeframe for commencement for other required services.

8. ENA recommends that a National Project Office be established to ensure coordination across the implementation process.
9. ENA recommends that a readiness review of systems and procedures by AEMO and market participants involved in the connection, supply and energisation services to customers must be undertaken prior to commencement of the full package of metering related reforms.

INTRODUCTION

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to almost every household and business in Australia.

ENA welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) draft determination on upgrading the B2B framework.

The B2B framework needs to incorporate common communication services essential to delivery of advanced metering services to customers. It will ensure small customers are able to readily and reliably access metering and related services in a cost effective way from a broad range of service providers.

ENA and our members have been productively engaged in the AEMC processes from consideration of the open access and common communications review up to the present, seeking to develop the essential communications frameworks to support service enhancement for small customers.

ENA acknowledges the complexity inherent in implementing such a complex package of reforms in a timely and cost effective manner and ENA is committed to working with the AEMC and other parties to successfully deliver the range of integrated reforms related to contestable metering services to small customers.

However ENA believes that some key aspects of the proposed framework require further consideration to enhance successful implementation of these reforms and these matters are outlined in this submission.

KEY ISSUES

The key issues identified by the ENA are as follow:

- » The structure and operation of the IEC
- » Implementation schedule to meet commencement of metering competition on 1 December 2017,
- » identification and delivery of essential services; and
- » Program management.

IEC

Constitution of the IEC

The IEC has always been an industry body, focused upon ensuring the identification, facilitation and efficient delivery of key services and transactions required by participants to service customers in the electricity market. As these services are operated by and between industry participants, it stands to reason that industry is best placed to identify their operational requirements and how they can be best delivered. This position has been widely supported by stakeholders throughout extensive consultation with AEMC on B2B and Shared Market Protocol matters.

The ENA considers that the IEC model proposed by the AEMC should reflect this key aspect of the constitution and operation of the IEC. The IEC model should not provide in regulation that industry will only be able to influence and decide a minimum of IEC members, while the majority will be appointed by AEMO, with little or no limitation upon their discretion to appoint.

For example, the draft determination states that AEMO may appoint between two and four discretionary members to the IEC "to represent a class of people that have an interest in B2B procedures but are not adequately represented on IEC"¹. These members are required to have some knowledge and experience of B2B and the NEM, but there is no requirement for AEMO to consult and consider the views of industry in their appointment of industry representatives.

There is therefore a risk that key decisions relating to critical industry operations supporting delivery of services to small customers will be made by a group without adequate representation, advice and input from the key industry participants.

As previously advised throughout consultation on these processes, ENA believes that the IEC must always operate as an industry group. It must contain a clear majority of industry members across appropriate representation categories, with these categories identified within the Rules. It is noteworthy the IEC presides over information exchange beyond metering related matters.

ENA acknowledges that with the expansion of participants offering and facilitating services to customers, the membership of the IEC must be expanded to include

¹ Australian Energy Market Commission, *Draft Rule Determination: National Electricity Amendment (Updating the electricity B2B framework) Rule 2016*, 7 April 2016., p.25

broader representation covering new participants. Membership also needs to remain some flexibility to enable reflection of future changes in market participants and operation.

However, ENA considers that at a minimum, the IEC needs two DNSP and two retailer representatives as these two classes of participants provide services to 100% of the customers in the NEM. ENA recognises that new participants and participant categories should also be represented proportionately to their market role.

To ensure that the membership of the IEC remains at an efficient operational level, ENA recommends that the category of discretionary members is limited to two appointments, with AEMO required to seek and take into account views of industry participants on these appointments.

Operation of the IEC

In the past, the budget and resourcing for the IEC has been subject to approval and control by AEMO. As a result, the IEC has had no independent capacity to implement their decisions. This has been demonstrated recently by their inability to obtain funding and support from AEMO to undertake critical analysis to identify and progress agreed essential services required between participants in the small customer market on commencement of competition in metering. AEMO advised at the AEMC public forum on 29 April 2016 that funding was withheld until the transitional IEC is in place. This has resulted in a substantial delay to time-critical actions to support effective commencement of contestable metering.

The lack of adequate budget and resource control may be a critical weakness in operation of the IEC. It is vital that AEMO and IEC agree on a budget that represents efficient expenditure to deliver the necessary B2B processes and 'build packs' as soon as possible to avoid any further delays.

ENA further notes that the inability of the industry and the IEC to manage their operation will be further exacerbated by the proposed changes to the composition of the IEC noted above, which will result in an IEC constituted and operating as an advisory committee to AEMO. ENA considers that this will be a retrograde step.

Recommendations

ENA strongly recommends that the IEC be maintained as an industry body, with a clear majority of industry appointed members and the ability to allocate and control its budget and operation.

ENA recommends that the composition of the IEC include election of two DNSP representatives and two retailer representatives.

ENA recommends that, where AEMO is given power to appoint representatives of membership categories to IEC, AEMO is required to consult and take account of the views of those membership categories.

ENA recommends that there should be two discretionary members appointed to the IEC, with AEMO required to seek and take into account views of industry participants on these appointments.

IMPLEMENTATION

ENA notes and supports the stakeholder views reported by AEMC in the draft determination that the B2B framework is required to be in place for commencement of metering competition:

Stakeholders generally agreed that the B2B framework should be updated before the commencement of the new framework for metering services under the competition in metering final rule on 1 December 2017. Standardised communications are considered necessary by many stakeholders for the delivery of some services in a safe and timely manner, and to maximise benefits and efficiencies for consumers. Many participants anticipate a need to offer or access advanced services when competition in metering commences. As articulated by ERM, if a shared platform is not available participants will develop their own communication methods, which would later diminish the value of creating a shared platform²

ENA notes that legislation has been enacted in NSW to support safe rollout of advanced meters by retailers prior to commencement of the national framework to address the issues with termination of their solar bonus scheme. It is understood that other jurisdictions are also considering how they may support early commencement.

ENA notes that these initiatives will support early installation of advanced meters prior to commencement of the metering contestability rule change. However, full service operation for customers as volumes of advanced meters increase will be significantly enhanced with provision of efficient communications via B2B channels. Consequently the finalisation and implementation of the B2B rule change

² *ibid*, p. 85

and associated procedures will be critical to support full operation of these meters as well as advanced meters installed after formal commencement of metering competition.

The AEMC Draft Determination currently schedules delivery of the B2B procedure by May/June 2017³ and considers this to be an 'at the latest' date. AEMC also considers that the IEC could take measures to accelerate this program⁴.

At the Retail Market Consultative Forum on 29 April 2016, AEMO released details of their current planning based on the establishment of a transitional IEC to facilitate development and drafting of the B2B Procedure for Metering Contestability before the new IEC is in place, as well as finalisation of procedures relating to metering competition, embedded networks and meter replacement processes. This initiative seeks to enable early endorsement by the new IEC of draft Procedures for consultation. AEMO indicated that they consider that their earliest achievable final decision for the B2B Procedure under this program plan would be end February 2017.

However, ENA notes advice provided by AEMO at the AEMC public forum on 29 April 2016 that AEMO will not constitute the proposed transitional IEC until mid June (post AEMO Board meeting early June). This delay in operation of the transitional IEC will potentially constrain the ability of the transitional IEC to expedite delivery of the B2B Procedures for endorsement by the new IEC. At this time AEMO have not released details of the proposed work program under the transitional IEC to complete the necessary preparatory work for the consideration by the new IEC in August/September 2016.

The new IEC will not be in position until after the B2B Framework Rule change final determination scheduled for 30 June 2016 (ie July at earliest).

For the new IEC to then accelerate the Procedure drafting and consultation to achieve the AEMO proposed end February 2017 date for B2B procedures appears challenging.

ENA notes that timing of availability of new and revised AEMO procedures to implement metering contestability has slipped from that proposed in the AEMC's final determination on metering competition, where they were expected to be finalised by 1 September 2016.

These changes are now being undertaken by AEMO in three staged work packages, with the most industry components proposed to be finished by 1 March 2017 under the AEMO

accelerated program. The commencement date for metering contestability remains 1 December 2017 and cannot be changed without an AEMC rule change process⁵.

As previously advised a wide range of industry participants consider that at least 12 months is required after finalisation of procedures to enable industry implementation, including adequate readiness testing⁶.

The current proposed timescale in the AEMC Draft Determination with a 1 May 2017 IEC Recommendation date provides at most **seven months** for industry implementation. Even with the AEMO proposed maximum acceleration to 1 March 2017, only nine months is provided to industry.

ENA notes that a timeframe of 7-9 months would be far less than comparable national programs of this complexity, which have not been delivered in less than 14 months. Some past system changes examples are listed below.

Table 1: Past experience with system changes

Program	Time
National B2B	14 months
NARG	14 months from final procedures
Gas FRC	12 months: delayed due to testing results
Electricity FRC	>2 years –12 month delay due to readiness issues.

ENA considers there are **significant risks** entailed in the implementation as currently proposed, including:

- » the timing/availability of procedures does not allow enough time for industry to build and test systems;
- » the proposal generally anticipates significant industry investment and development based upon draft procedures to compensate for lack of time. Major industry participants have advised previously that they will not undertake significant investment on this basis⁷.
- » timing and availability of jurisdictional changes, some of which would need to be reflected in AEMO procedures. Latest informal advice from Department of Industry indicated that substantive changes (if such changes are identified) would not be available for consideration

⁵ Verbal advice from Richard Owens, AEMC at AEMC public forum, Melbourne, 29 April 2016

⁶ See ENA submission to AEMC consultation on implementation of metering contestability, December 2014

⁷ See submissions to the AEMC Consultation paper on updating the B2B framework (Dec 2015) from ENA, Energy Australia, ERM Power, Vector.

³ *ibid*, p.92

⁴ *ibid*, p. 55, 93, 94

until AEMO WP 3 procedures ie until June/July 2017⁸. This will not allow consideration and inclusion by industry prior to the commencement date;

- » system start will be dependent upon readiness of all participants and AEMO;
- » impact upon customers will be dependent upon availability of key services critical for customers/businesses amenity.

The ENA believes that the current implementation schedule incorporating the metering contestability, embedded networks and meter replacement processes rule changes and a full upgraded B2B framework to support them by 1 December 2017 is at significant risk of being unachievable.

The time allowed for industry to design, build and test critical market procedures appears insufficient based on evidence from previous national programs of this scale.

Without action to address the schedule, there is a significant risk that industry participants will be unprepared for the market opening in 2017 which may result in delays, increased costs for all participants and negative impacts on customers.

ENA has identified three broad options to address the risks to implementation timing. These are:

- » to expedite delivery to meet the commencement date;
- » to delay commencement to support cost effective implementation, which would need a separate rule change
- » to 'stage' implementation.

Expedite

The original consideration of implementation of metering contestability noted that implementation of all required changes on 1 December 2017 will result in reduced costs for all parties⁹.

However, to enable a consolidated commencement of SMP and related B2B communications would require major commitment of resources to finalise **all** required procedure changes by 1 December 2016, well in advance of AEMO's current target date.

Furthermore, implementation of the complex, consolidated package of system changes across all industry participants

⁸ DOI verbal advice, AEMO Retail Market Consultation Forum, 29 April 2016

⁹ AEMC Final determination on metering and related services, p. 96

and AEMO would at least be required by around October 2017 to enable system testing.

Given the delays experienced to date and that the AEMC final determination on B2B/SMP is not expected until end June 2016, ENA considers there would be major challenges in securing sufficient resources and industry capacity to enable the procedure changes to be expedited to December 2016.

ENA recognises this option is unlikely to be practical.

Delay commencement

To support organised and cost effective introduction of the full package of consolidated changes would require delay to commencement of metering competition to around 1 December 2018.

This would allow time for one major set of system upgrades for AEMO and industry participants, including appropriate testing and readiness review.

While this is likely to be the most efficient option, ENA recognises it is unlikely to be practical as it would involve an extensive delay in the delivery of advanced services to small customers.

Staged implementation

As noted previously in this submission, early rollouts of advanced meters prior to commencement of metering contestability for small customers are underway and are likely to accelerate in some jurisdictions. These rollouts will test the ability of current systems to deliver early service support for customers. They are expected to operate initially with some manual processes and may also result in development of some proprietary solutions with limited application.

However, ENA considers that efficient service delivery across the mass market with significant meter change-outs will require implementation of broad B2B upgrades that are unlikely to be available on 1 December 2017.

Based on the discussions at the AEMC public forum on 29 April 2016, implementation of the major reforms required for introduction of competition in metering and related services, meter replacement and embedded networks processes appears headed for a staged introduction.

As identified earlier in this submission, the slippage in delivery of key procedural changes to June 2017 (or possibly February 2017 on an AEMO expedited schedule) requires

concentration of resources and effort to ensure that key changes are made to support advanced metering services for small customers without disruption to their amenity.

Even with a staged approach, resources would need to be carefully focused on the identification and delivery of the **essential services and processes** to support small customers that **must** be in place by 1 December 2017.

The following section considers the essential services required to support the mass market for small customers at the proposed commencement date.

Recommendation

ENA recommends that:

- AEMC recognise the full operational commencement of metering contestability and related services on 1 December 2017 is at significant risk of being unachievable. This is due to the slippage in the finalisation of key procedures and components of the change, including the delayed establishment of the IEC.
- The AEMC ensure a clear provision for contingency-based implementation approaches, such as planning for a staged implementation if required based on prioritised service functions.

SERVICES REQUIRED

Commencement of metering contestability and related services has two key elements:

- » Firstly, Retailers/Metering Coordinators will become responsible for providing the new advanced metering services to customers.
- » Second, the responsibility for providing existing (business as usual) metering services to all customers, such as faulty meter replacement, will transfer from Distribution Network Service Providers (DNSPs) to Retailers/Metering Coordinators.

To ensure efficient delivery of metering services to small customers, the revised B2B procedures and Shared Market Protocol need to be fully implemented to support both the new advanced metering services and the transfer of existing (BAU) metering services from DNSPs to Retailers/MCs.

Industry has been developing an agreed set of essential service requirements for Day 1 of contestability in an effort to enable smooth transition to competition and to limit adverse experience for customers.

Service delivery for this purpose is not adequately covered by inclusion of minimum service specifications, as in AEMC B2B draft determination¹⁰.

The table below is an indication of the services that are essential for provision by B2B for commencement of contestability in order to maintain service delivery that customers currently expect, in addition to enabling provision of advanced services.

On Day 1 of the new market, retailers will become responsible for all meter replacements, including those urgent replacements that arise from meter faults, area damage due to storm or flood events, and systemic failures detected through meter family testing. To manage this transition of responsibility, the industry needs well-defined service processes relating to notification of meter issues and organisation of meter replacements, or else customers are likely to be exposed to longer supply interruptions and a degradation in service levels compared to today.

Table 2: Services required

Essential Day 1		Could be later
Business facing	Customer facing	Lower customer impact
Meter replacement: faulty, family fail; emergency, general	Network device notices	Request meter recovery
Advice on meter removal, alteration, etc.	Follow up issues eg meter read/ response	Establish/amend type 4A meter read cycle
Meter data verification	Supply abolishment	Advice network tariff change pending
Meter reconfiguration	Verify standing data	Load limiting: SCC service order
New connections /planned interruptions	Special read	Miscellaneous service orders
Re-en/De-en	Scheduled read	
Pre-installation query / response	Site access, customer details, etc	

If lengthy supply interruptions result from inadequate industry meter replacement processes this has the potential to cause public distress and impact negatively on the delivery of this major energy market reform.

¹⁰ Australian Energy Market Commission, *Draft Rule Determination: National Electricity Amendment (Updating the electricity B2B framework) Rule 2016*, 7 April 2016, pp. 40, 43

The ENA continues to support B2B facilitated access to the Minimum Service Specification services. However the table of essential B2B services above only includes Scheduled Read, Special Read, and Remote Re-en/De-en from the Rules nominated Minimum Service Specification services.

ENA considers that support for the other advanced meter services could be included in a subsequent B2B release and implementation of the new B2B framework referred to in the draft rule determination by a date determined by IEC.

Recommendation

ENA recommends that AEMC direct the IEC to urgently identify the essential services required for commencement of metering contestability and an implementation timeframe for commencement for other required services.

PROGRAM MANAGEMENT

Delivery of such a complex process of interactive tasks and responsibilities needs coordinated and professional program management oversight. As ENA has communicated to the COAG Energy Council Ministers in recent correspondence:

... given the rapid implementation timetable for the new framework to commence in 2017, ENA and electricity distribution network service providers would recommend:

- 1. Each responsible Minister seeks regular status reports on the program implementation in your jurisdiction and the implementation of new safety and risk management requirements;*
- 2. The COAG Energy Council establishes a National Project Office to ensure coordination of the numerous inter-related activities required by various parties during the implementation phase;*
- 3. The COAG Energy Council commissions a Readiness Review prior to the commencement of the new framework in 2017 along with associated procedures, systems and legal responsibilities which should assess:*
 - » – a safety risk assessment to ensure customer and meter installer safety is not compromised;*
 - » – potential impact on maintenance of critical network load control programs; and*

- » – the readiness of systems and procedures by AEMO and market participants involved in the connection, supply and energisation services to customers.¹¹*

As noted above, ENA considers that a project team should be established to ensure safe, comprehensive and coordinated delivery of the broad expanse of reforms currently under finalisation and delivery. In addition, ENA believes that a readiness review of systems and procedures must be undertaken prior to commencement.

Recommendation

ENA recommends that a National Project Office be established to ensure coordination across the implementation process.

ENA recommends that a readiness review of systems and procedures by AEMO and market participants involved in the connection, supply and energisation services to customers must be undertaken prior to commencement of the full package of metering related reforms.

¹¹ ENA letter to COAG EC Ministers, 25 February 2016