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Electronic lodgement – ERC0197

Dear Meredith

**RE: Draft Rule Determination – National Electricity Amendment (Updating the electricity B2B framework) Rule 2015**

United Energy (UE) appreciates the opportunity to respond to the AEMC on the Draft Rule Determination. UE looks forward to further participation in the debate on the governance framework for the B2B arrangements and the development and implementation of transactions to facilitate high volume mass market transactions for the variety of meter types and new roles to facilitate both current and new services.

UE has provided detailed responses in the Attachment in relation to the delivery of revised B2B Procedures by 1 December 2016. In summary:

- The AEMC decision to defer the development of the B2B changes until a new IEC could be formed has led to a substantive delay in the B2B Procedures with the original 1 May 2016 finalisation of B2B Procedures moving to 1 May 2017. This does not allow sufficient time to build, test and ensure processes work across industry;
- The overwhelming industry response to the AEMC implementation consultation was for at least 12 months from Final Procedures and build packs to allow industry sufficient time to build systems and undertake testing;
- Delays in AEMC processes, and decisions to defer the substantive B2B process and procedure changes, should not squeeze industry delivery timeframes to unrealistic levels. Industry has never delivered reforms across this number of participants before, nor has industry delivered change of this level of complexity in under 12-14 months. Complexity of this type cannot be rushed through. Careful planning and execution is required together with workable contingencies to ensure implantation works correctly the first time;
- As noted by AEMC in the November 2014 consultation, one set of industry changes and clear processes would result in the most efficient and cost effective implementation. De-scoping high volume basic services, which have been standardised across industry for over a decade, will lead to unnecessary increases in costs;
- UE strongly recommend that the transitional IEC commence meeting on a regular basis without further delay, develop an appropriate detailed project management plan, and

institute governance of both technical and process working groups. The IEC must be able to engage strong focused project management resources to deliver B2B Procedures in 2016 and not delay to 2017;

- The AEMC must ensure that the Final B2B Rules do not prevent the new IEC from making further B2B Procedure amendments before commencement, should that be needed to reflect “as built” requirements; and
- UE recommends that the transitional IEC needs to consider the scope of B2B Procedures which need to be finalised by 1 December 2016 versus those that come later in a second phase to be implemented in 2018. Updating customer service transactions for connection and supply, and coordinating meter exchanges across industry should be considered the most critical as an absolute minimum, and must take priority over minimum services which may be considered optional to provide, and may not be required in any volume on day one. The transitional Rules will need to allow the IEC to consider this scope in a flexible manner, and not lock in the requirement to deliver the minimum services B2B procedures at the expense of updating the existing B2B procedures relating to connection and supply services for mass market customers.

In relation to other aspects of the B2B Rules and the formation and operation of the IEC, UE recommends:

- That the transitional IEC must operate as an industry group and have a clear majority of industry members with appropriate and proportionate representation;
- Transitional arrangements that require the IEC election procedure and the IEC operating manual to be developed and published as soon as practical, ie by 1 August 2016. These documents set the scope for operations and election of the new IEC and as such the initial version of these documents should be subject to consultation and voting consistent with the treatment for any further amendments in the Draft Rule 7.17.12;
- Incorporation of a new B2B factor, consistent with the COAG request, to recognise that B2B Procedures should also consider the most efficient way, or least cost way, of complying with legal and regulatory obligations; and
- The NER should be amended to require the B2B Procedures Change Pack to include the interface specification, or “build pack” material, to ensure that all participants build to the same detailed set of requirements.

Should you have any comments in relation to this response please do not hesitate to contact me on (03) 8846 9856.

Yours sincerely

Verity Watson  
**Manager Regulatory Strategy**

## Attachment

### Rule and procedure finalisation delays should not lead to unrealistic delivery timeframes

In November 2014 AEMC consulted on the implementation schedule for metering competition and sought stakeholder feedback on the timeframes required to deliver the changes.

In the November 2014 consultation, the project timeline stated:

- All NEM procedures including existing B2B and new B2B required for the minimum services specification would be at Final Determination stage having completed consultation by 1 May 2016. This would provide industry consideration of both B2B and B2M at the same time and would enable efficient process development for services to mass market customers
- Implicit within these timeframes was that all decisions that impacted industry processes or the NEM/B2B procedures were coordinated and included in the one phase of procedure changes. Any jurisdictional metrology changes, jurisdictional requirements, safety regulator decisions, for example fuse removal and safety checks, would all be coordinated
- AEMC recognised that one set of industry changes and clear processes would result in the most efficient, cost effective implementation.

At this time the Final Rule for metering competition was expected by 1 August 2015 and the SMP Final Rule by 1 March 2016. However, the Final Rule for metering was delayed by four months and the SMP Rule also by four months. Despite these Rules delays, the latest date for delivery of these NEM and B2B Procedures was left at 1 June 17 to enable a 1 December 17 commencement.

The overwhelming industry response to the AEMC implementation consultation was that at least 12 months was needed from Final Procedures and build packs to allow industry sufficient time to build systems and undertake critical testing.

There is no longer one set of changes to NEM Procedures which would allow efficient industry project plans for systems builds. Instead AEMO have spread the work into three packages significantly increasing the risk of re-work. Additionally, the NEM Procedures, whilst delayed four months, will still be subject to further changes to incorporate the jurisdictional metrology material, and possibly a further level of change from any requirements arising from individual jurisdictions or the late changes to B2B Procedures.

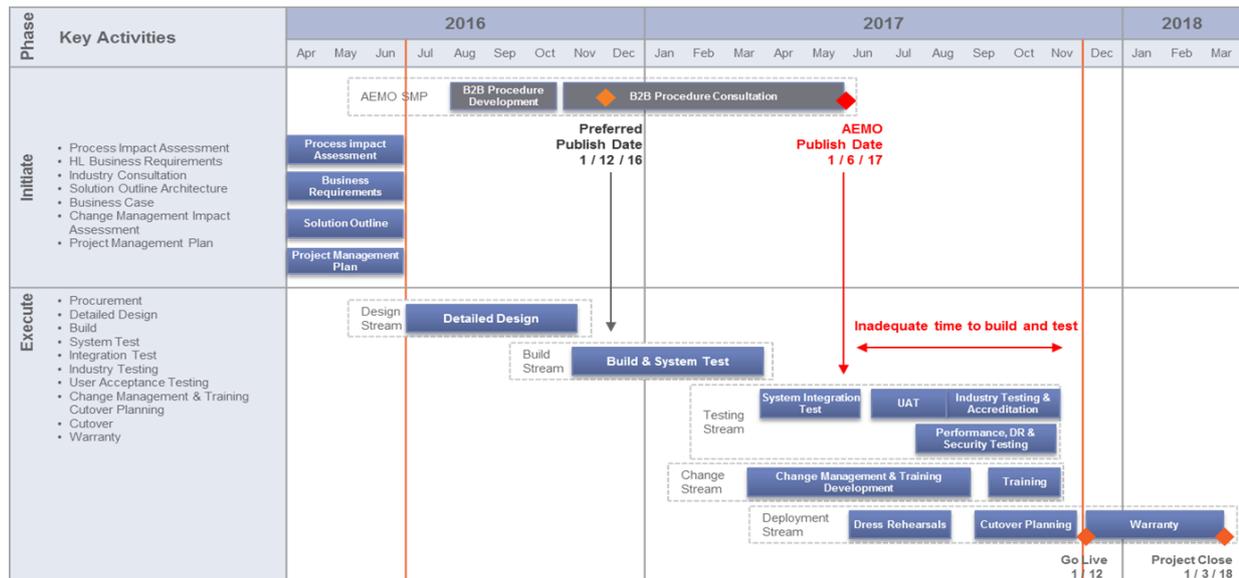
The AEMC decision to defer the development of the B2B changes until a new IEC could be formed has led to a substantive delay in the B2B Procedures, with the original 1 May 2016 finalisation of B2B Procedures moving to 1 June 2017. This simply does not allow sufficient time to build, test and ensure processes work across industry, particularly in light of the addition of new market participants who have not previously been through industry testing processes.

The lack of robust programme governance, and a detailed project plan tracking interdependencies, has resulted in the need to re-consult on documents several times. This has the effect of delaying the certainty required for building systems, and will lead to increased delivery costs due to rework and less efficient programme management by participants.

## Implementation times for delivery must be realistic

Power of Choice – Metering Competition

### Metering Competition - High Level Timeline



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Delays in AEMC processes and decisions to defer the substantive B2B process and procedure changes should not squeeze industry delivery timeframes to unrealistic levels. Industry has never delivered reforms across this number of participants before, nor has industry delivered change of this level of complexity before:

- Original B2B implementation – expected 11 months from final procedures, took 14 months as some participants were not able to test successfully.
- NSW/ACTEW Retail Gas which was a simple delivery in 1-2 jurisdictions using gas B2B arrangements already in use in a large part of the market required 14 months from final procedures and build packs.
- Victorian Gas FRC – took over 12 months and was delayed because of poor testing outcomes.

AEMC appear to suggest de-scoping so that the 1 December 2017 date can be achieved. The suggested way of doing this is for arrangements to be agreed between the transaction counterparties. However:

- Where high volume processes for mass market customers are not agreed in one set of processes/procedures the result is significant manual work increasing costs, inconsistency and errors resulting in delayed services and customer complaints;
- Poor communication to customers, inconsistent messages and poor service will impact customer confidence in the reform; and
- AEMO plans on a page showing programmes that are 60% or more through a build before the B2B procedures and build packs are finalised, yet still meet the 1 December date are

misleading. Building complex system changes before requirements are locked down is a guarantee of re-work, increased cost and high error rates. This approach is contrary to every proven project delivery methodology.

The reconstitution of the IEC has led to at least a seven month delay as work has not been able to progress at the rate required until the Draft Rule and a new transitional IEC is able to be formed. The AEMO appointment of discretionary members to the transitional IEC is not able to occur until AEMO Board have met and endorsed the discretionary representatives in June. This represents further delay, industry CEO's were given one week to respond on 8 April 2016 with industry representation.

UE strongly recommend that the reformed transitional IEC commence meeting on a regular basis without further delay, develop an appropriate detailed project management plan and institute appropriate governance of both technical and process working groups. A planning and delivery working group should be established immediately to develop and agree the realistic delivery plan and the critical scope for day one. This plan needs to include the following minimum scope:

- Development of the operating manual and election procedures and consultation by 1 August 2016;
- Formation of the Rules IEC by 1 September 2016;
- Revising the existing B2B Procedures to accommodate the new roles involved in connection and supply services to customers, efficient processes to cater for meter exchange, and complete consultation by end 2016;
- Developing the B2B procedures for the minimum services for the critical services and complete consultation by the end of 2016;
- B2B certification and accreditation processes;
- Delivery of the new ehub by 1 August 2017 ready for participant use in industry testing;
- Management of a testing phase; and
- Reporting against the work plan.

As noted by AEMC in the November 2014 consultation, one set of industry changes and clear processes would result in the most efficient and cost effective implementation. De-scoping high volume basic services, which have been standardised across industry for over a decade, will lead to unnecessary increases in costs.

UE support the IEC being able to direct resources to deliver a broader scope by the end of 2016. The IEC must be able to control an agreed budget and to resource up accordingly to deliver quality processes, procedures and build packs. This seeks to time box the IEC delivery to provide time for participant design, build and test phases as outlined in the program plan above.

UE recommends that the transitional IEC consider the scope of B2B Procedures which need to be finalised by 1 December 2016 against those that could come later in a second phase and be implemented in 2018. Updating customer service transactions for connection and supply, and coordinating meter exchanges across industry, should be considered the most critical processes and must take priority over new minimum services which may be considered optional to provide and may not be required in any volume on day one.

The transitional rules proposed by the AEMC should be amended as follows:

- The new IEC should be required to expedite B2B procedure work. B2B Procedures should be finalised by the IEC by 1 December 2016 for a delivery on 1 December 2017, and AEMO should be required to publish within two business days i.e. by 3 December 2016. The new IEC needs to resource up to deliver the agreed scope:
- B2B Procedure changes should be subject to formal Rules consultation processes, despite the late delivery of these B2B Procedures. This is an important step to ensure transparency of changes and that all parties have an opportunity to respond with comments or to advise of inconsistencies with MSATS or other key procedures.

The AEMC must ensure that the Final B2B Rules do not prevent the new IEC from making further B2B Procedure amendments before commencement, should that be needed to reflect “as built requirements”. This is no different to AEMO amending the metrology procedure or the CATS procedures several times to cater for late jurisdictional metrology changes and late B2B changes prior to day one.

The timeframe for finalising B2B Procedures is very tight, and industry needs certainty for the build phase. AEMO will be intimately involved in all phases of procedure development and approval of the B2B Procedures, so it is unnecessary to require an extra month of AEMO approval, particularly given that AEMO is also chairing the IEC and no meetings are able to be held without an AEMO Chair (unless there is a conflict). The one month delay in AEMO publication of the IEC endorsed B2B Procedures should be removed, and AEMO should be obliged to publish within 2 business days of an IEC recommendation.

### **IEC membership and appointments**

AEMC state that parties not elected or appointed onto the IEC would still be able to provide their expertise and participate in the development of B2B Procedures through the formal rules consultation and through IEC working groups. AEMC considers that this provides an appropriate and flexible mechanism for the IEC to draw on relevant expertise. AEMC are seeking to ensure the IEC is broadly representative of parties with an interest in, and relevant expertise regarding B2B Procedures. The Draft Rule requires AEMO to appoint the discretionary members, AEMO must appoint at least two and up to four members.

Under this Draft Rule AEMO has to appoint 2-4 discretionary members who represent a class or classes of persons who have an interest in B2B Procedures and those interests are not adequately represented on the IEC. The term class or classes of persons is vague, there is no specified qualification for the person to have any substantive B2B requirements, or to eventually deliver B2B at volume or new service benefits to consumers.

These discretionary members result in an IEC where seven of the ten members could have no direct involvement in B2B transactions or the regulatory/legal obligations relating to services to customers. Also, eight of the ten members are not directly involved with delivering B2B transactions at volume for mass market customers today. Given that a vote to alter B2B Procedures only requires five votes, this seems unreasonable as it enables parties not involved in the service and the legal and compliance obligations that accompany the service to dictate the information exchanges, process sequencing, and impact for other participants.

UE recommend that the IEC should have 2 distributor and 2 retailer representatives who are elected by their respective member category, and the discretionary members should be limited to 2 members, for the initial IEC.

It is clear that the disaggregation of network/metering services for connection, supply upgrades, metering and energisation is on the critical path. The changes to accommodate the new roles, and provide for clear responsibilities must be available on day one. The changes to enable these business-as-usual activities require retailers and distributors to agree different business processes, to make extensive IT system changes, and to incur significant costs. It is appropriate to have 2 DB representatives on the IEC recognising that distributors are also MCs and metering service providers, and at least one of the retailer representatives, if not both, will also be MCs and metering service providers.

Once the IEC has agreed that staged phases of B2B implementation should occur, and within two years of market start, the IEC should be required to revisit the IEC structure to consider whether there are adequate new/unrepresented parties that need to be IEC members that are not able to be accommodated with the two discretionary positions.

UE strongly support an industry committee that makes the recommendations on the information exchanges to coordinate safe delivery of services relating to connections, supply upgrades, customer interruptions, meter exchanges and billing and metering data. These requirements and the changed processes that enable them across industry are critical for day one metering competition, and will represent almost all the transaction volume. It is appropriate that the two main parties servicing 100% of the customers, and responsible for the costs to customers, have more representation than two of the 8-10 IEC positions. Whilst a new strategic IEC is important, it is also equally if not more important to ensure that connection and supply services are delivered in a safe and efficient manner for consumers, the community and our industry staff involved.

UE recommend that the discretionary representatives categories which are missing from the IEC, should be determined by the IEC. The new B2B service requirements appear to be adequately captured by the third party B2B member category. This 3<sup>rd</sup> party B2B category can accommodate a wide variety of new services and B2B parties, and provides an opportunity for third parties to elect their own representative. The rules should be amended to enable the IEC to recommend that new member categories get created when required and that the businesses within that member category are able to vote/elect their representative to the IEC.

### **Transitional Rules must afford the IEC scope flexibility for 1 December 2017**

The Draft Rule is intended to provide transitional authority for the IEC to update the existing B2B procedures to accommodate the draft rules. This would cover new roles and changed service delivery, including the additional B2B communications to support the services in the minimum services specification. In light of the delays to Rules being finalised, and the accompanying delay in the development of NEM and B2B Procedures, UE consider that it is important to empower the transitional IEC to assess the critical day one scope, and to plan for its delivery accordingly.

UE strongly support that the services covered by the existing B2B Procedures, and those needed for efficient meter exchange and notification to customers of the planned outages, are delivered before additional smart metering services, most of which are covered already in B2B Procedures and in use in Victoria for AMI meters.

The Rules transitional arrangements must provide the IEC with the flexibility to manage the day one delivery scope, and the associated trade-off of cost, service quality and time. The transitional Rules must not require delivery of the minimum services specifications at the expense of the high volume BAU customer transactions. It is important that the IEC has an appropriate budget and can allocate appropriate resources to develop and manage the required work program and ensure that the remaining time available is used efficiently. The Final Rule must not prevent, and ideally would recognise, the work undertaken by the transitional IEC in expediting the revisions to existing B2B Procedures and developing the B2B Procedures to accommodate the minimum service

specification. UE recognise that a second delivery phase of B2B, whilst not ideal may be required. This will increase the costs to all participants by having a multi-phased delivery and is not a preferred option – it is a better outcome than delaying the whole market start. UE recommend that an IEC appointed project management team is assigned to ensure efficient implementation of the scope as quickly as possible.

### **Initial IEC election procedure and IEC operating manual must be consulted and voted on**

UE support transitional arrangements that require the IEC election procedure and the IEC operating manual to be developed and published as soon as practical, i.e. by 1 August 2016. The IEC election procedure and IEC operating manual had previously needed some revision and will need significantly more change to accommodate the new IEC. These documents set the scope for operations and election of the new IEC, and as such the initial version of these documents should be subject to consultation and voting consistent with the treatment for any further amendments in the Draft Rule 7.17.12. The transitional Rules should reflect this requirement for consultation, (not Rules consultation), and voting for the initial IEC election procedure and IEC operating manual to be completed so that the documents can be published by 1 August 2016.

### **B2B Factors need to be updated in line with COAG request**

The AEMC must amend the B2B factors to reflect the COAG proposed B2B factor, that is, the intent of B2B is primarily to support efficient commercial operations. The NEL, NER and jurisdictional requirements also affect transactions that need to be completed by participants and may lead to a requirement to alter corresponding procedures. The IEC should be required to have regard to whether a change to B2B Procedures would be an efficient way to enable parties to meet a legal obligation.

Incorporation of a new B2B factor, consistent with the COAG request, is recommended to recognise that B2B Procedures should also consider the most efficient way, or least cost way, of complying with legal and regulatory obligations. This is different from the likely cost and benefits consideration outlined in the B2B factors sub clause (a) which only focusses on the cost to comply with the procedure which is different from assessing whether the procedures is required for the least cost. The incorporation of this B2B factor would require the IEC to consider the efficient implementation of information exchange obligations required in the NERR metering competition amendments, or in Victorian jurisdictional instruments for example.

### **B2B Procedures Change Pack must include the interface specifications or build pack material**

Given the significant delays, it is even more critical that B2B Procedures and the defined B2B Procedures Change Pack must include the interface specifications or “build pack” material. Unless this is delivered with the procedures there will be further work required once the final procedures are released to develop and agree the industry build pack resulting in further delays.. Whilst the content of B2B procedures must include the data inputs and data outputs, and the required content and format of each B2B Communication, this may not be the same as clear schema requirements in an interface specification. The NER should be amended to require the B2B Procedures Change Pack to include the interface specification or build pack material to ensure that all participants build to the same detailed set of requirements.