

A few
words.



13 February 2015

Ms Meredith Mayes
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW1235

Dear Ms Mayes,

**RE: Consultation Paper- Implementation Advice on the Shared Market Protocol
(Reference: EMO0029)**

AGL Energy (**AGL**) welcomes the opportunity to provide feedback in response to the Australian Energy Market Commission's (**AEMC**) Consultation Paper: Implementation Advice on the Shared Market Protocol (**the Consultation Paper**).

AGL operates in energy retailing, energy services, generation (coal-fired, gas-fired as well as solar and wind renewable sources) and upstream gas extraction. AGL also represents Energy retailers on the AEMC's Advisory Stakeholder Working Group that supported the open access and common standards review.

We strongly support the provision of smart metering under a competitive metering and services framework (**Market Led**) approach, which is one of the three key reforms proposed by the AEMC to achieve an efficient demand-supply balance in the National Electricity Market (NEM). In addition, AGL also broadly supports the recommendations of the AEMC's open access review, particularly on regulation of access and accreditation, Distributor access to smart meters, and the adoption of a services-based shared market protocol (SMP).

Shared Market Protocol solution & implementation

Under current National Electricity Rules (NER), the B2B e-hub provides a setting for information exchange and order management services between retailers and distributors in relation to end-use customers. The service is currently governed by the Industry Exchange Committee (IEC), which in our view is most appropriate as it is industry participants who are best placed to develop the market protocols as they directly bear all costs associated with IEC decisions.

With respect to smart meters, AGL supports the AEMC recommendation that the SMP be used as the default method of communication, but that parties should have the ability to agree alternative methods through commercial negotiations¹.

AGL notes that the AEMC have not yet decided whether to expand the existing B2B arrangements or to develop a new and separate market protocol. We also note that the

¹ AEMC 2014 Framework for open access and common communication standards, report, 31 March 2014.

Australian Energy Market Operator (AEMO) are currently preparing advice on the technical requirements for a SMP, due to the COAG Energy Council by February 2015.

In our view, the default SMP should cover all minimum functionality standards (i.e. primary meter services) that are deemed basic or common to the marketplace. Alternative protocols developed through commercial negotiation could then be designed to overlay on top of the default SMP to cover specific secondary and value-added services offered by market participants.

Functions covered by the default SMP should include those identified by AEMO in their advice to the COAG Energy Council², but in future could be expanded to include other emerging meter services where there is an industry desire to do so for system efficiency, through a suitable governance process.

Governance

Specifically with respect to governance arrangements of the SMP, AGL believes that:

- core responsibility for governance arrangements including operational, administration and decision-making duties should rest with those who intend to operate commercially in the market;
- key decision makers within industry, such as those with a business case for a 'Market Led' approach should be provided with an ongoing role in governance arrangements, as they have a vested interest to ensure that their Financially Responsible Market Participant (FRMP) agrees to their services and adopts a protocol that they are willing to use;
- the membership of the IEC should be reviewed to ensure the first two points are met. Further, this membership should evolve with the industry stakeholder base in an efficient manner to ensure there are no undue delays to core decisions;
- to facilitate faster change management and prevent market participants opting for their own approach rather than waiting for a shared market solution, we strongly suggests the AEMC define an efficient process and conduct periodic reviews of the governance process to assess its effectiveness. This should include whether change management has been expedited where necessary, and ensure that cost effective solutions are in place; and
- the agreed SMP governance arrangement and its change management process should sit within the NER in accordance with the existing the AEMC recommendation.

Answers to specific questions raised in the Consultation paper are in Attachment A.

Please contact me on (03) 8633 6836 or sbashir@agl.com.au if you wish to discuss any of these comments further.

Yours sincerely,



Stephanie Bashir
Manager Metering Policy & Development

² AEMO provided advice on 14 November 2014 to the COAG Energy Council on the "Minimum Functionality of Advanced Meters". This list is currently under consideration.

Attachment A

Question – Governance

***What are the advantages and disadvantages of the difference governance models?
Could the challenges around membership and voting for an industry led model be addressed? If so how?***

Are there any other issues or factors relevant to considering an appropriate governance model?

Are there any other governance models that could be appropriate for the shared market protocol?

Industry participants with a commercially vested interest in a 'Market Led' approach are well placed to understand the costs and benefits of the various technical and economic decisions necessary for developing and maintaining the market protocol as they will directly bear the costs associated with these investments.

The AEMC must design an SMP that provides a communications method which is cost-efficient, compatible with existing B2B arrangements (as required), flexible and simple to adopt by market participants and new entrants. This will be crucial to encourage market development, innovation and competition.

A critical challenge faced under the current B2B arrangement, has been the tactic to draw out particular points of view, extend discussion and increase debate on specific issues. This resulted in significant delays to the development of the B2B e-hub (i.e. over 7 years) and as a result many market participants have designed their own specific solutions, which has increased costs to the consumer. This particular situation needs to be avoided under the SMP.

Question – Implementation and Principles

Should implementation of a shared market protocol include the developments of an objective or principles for governance?

If yes, what are the objectives and principles should be included?

If the governance body is AEMO, should there be any objectives or principles in addition to the NEO?

Yes. The National Electricity Objective (NEO) in the first instance with support from the Retail market objectives and B2B objectives.

However, the NEO itself is too broad and the industry would want cost-effectiveness and consultation objectives as a minimum. The objectives could include:

- Optimising the overall cost to industry;

- > 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

- Maximising participant access to services;
- Providing a clear customer benefit; and
- Ensuring relevant parties, including new entrants, are fully consulted.

The agreed governance arrangement (and governance body) should also be held accountable under the NER, to avoid any changes which may have a negative impact on industry participants. This would also require a review after a defined period to ensure that the governance mechanisms were supported by the industry.

Question – Minimum Specification

Should the shared market protocol be required to provide for (as a minimum) the services that are listed in the minimum specification?

Should the shared market protocol also include other common services that are not mandatory under the minimum specification?

Yes, the SMP should provide for the services listed in the minimum specification standard.

Any additional common standards (where the market has developed and industry has identified a need for further primary services or has developed a de-facto standard) can be added at a later time by the governing body.

Question – Roles and Responsibilities

Is it appropriate that the metering coordinator be required to offer its services through the shared market protocol, unless otherwise agreed?

Are there any risks in allowing third parties to access a shared market protocol platform? If so, would it be necessary to develop a separate authorisation process for users of the shared market protocol? Is AEMO the appropriate body to develop these requirements?

Yes, the Metering Coordinator should be required to offer the primary services outlined in the minimum specification. Without this, the cost to industry will likely be high and FRMPs will require multiple systems. This would negate the benefits of a commercial 'Market Led' approach and ultimately derail the market.

Yes, third parties should have access to the SMP, however there needs to be an accreditation/authorisation process which verifies why access should be provided and defines the suitable level of access that is granted. AGL agree that AEMO is the appropriate body to develop this authorisation/accreditation process in consultation with the industry.

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Question –

Is there a need for the current B2B e-hub to be maintained beyond the implementation of the shared market protocol? What factors would need to be considered when making this assessment?

Could all the services that are currently provided through the current B2B e-hub be provided via the shared market protocol?

The existing B2B arrangements, services provided by the e-hub, and the IEC as B2B governing body will need to be retained as long as locally read Type 5 and 6 meters exist in the market.

However, industry is best placed to determine if there is a real benefit in transferring services provided through the B2B across to the SMP.

Question –

Would there be an advantage in having a transition period during which both the e-hub and the shared market protocol operate? How long should such a period be? Would the costs of operating both systems for this period be justified? Are there any significant implications should the shared market protocol not be operational on the same day that any changes from the expanding completion in metering and related services rule change take effect?

Yes – see response above.

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