

Updating the electricity B2B framework

Submission to the AEMC Draft Rule Determination



Energy
Consumers
Australia



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Introduction

ECA is making this submission in response to the Australian Energy Market Commission's (AEMC) Draft Rule Determination *National Electricity Amendment (Updating the electricity B2B framework) Rule 2016* (the Draft). ECA strongly supports the draft rule and the underlying reasoning.

The journey that the AEMC mapped out for increased demand side participation in what has become known as *Power of Choice* has taken longer than many participants had expected and hoped. However, as we approach the end of the development of the infrastructure to support this demand side participation, it is essential that the process not be rushed in such a way as to risk all the benefits and achievements to date.

ECA is mindful that the implementation of metering contestability is scheduled for 1 December 2017 and that there are a number of critical elements, including the new B2B arrangements, required to make that fully effective.

ECA urges the AEMC and Australian Energy Market Operator (AEMO) to develop a joint program oversight committee with industry and consumers to ensure the overall project is delivered, and if necessary consider any remedial action necessary as a consequence of any delay.

The LTIC

ECA notes that in the Draft the AEMC has states that the it may only make a rule if it satisfied that making the rule will contribute to the achievement of the National Electricity Objective (NEO). Having stated the NEO, the Draft continues that "in this case, the relevant aspects of the NEO are the promotion of the efficient investment in, and efficient operation and use of, electricity services."

ECA disagrees with this interpretation. Economic efficiency is the means to the goal which is the promotion of the long term interests of consumers (LTIC). The LTIC is promoted through the development of effective competition in potentially competitive markets and best practice regulation of monopoly services.

The *Power of Choice* contained elements of both, through the provision of metering contestability and of cost reflective network prices. The deployment of further cost reflective prices is, in turn, dependent on the availability of advanced meters.

The metering market and other new services markets, in turn, depend on a wide variety of information transactions between market participants. Facilitating these transactions promotes the development of the market. In particular, developing a single standard platform able to provide all possible transactions provides economies of scale in business to business (B2B) transactions, hence reducing costs and, thereby, prices for consumers.

B2B Governance

The implementation of metering contestability has expanded the parties that need to transact for the existing provision of electricity services. The evolving market for new services creates the possibility for a wider community of B2B participants.

It is appropriate, therefore, to extend the scope of membership of the Information Exchange Committee (IEC) to reflect this diversity. ECA has previously expressed its specific support for a consumer member, and its commitment to ensure a suitably qualified nominee is available for the role.

ECA supports the approach the Draft takes to ensuring diversity by limiting the number of elected representatives from any sector to one, while allowing scope for the appointment of discretionary members to provide greater diversity.

B2B Procedures

The Draft makes it clear that the AEMC expects that the B2B eHub will not only be utilized for the minimum services specification under the contestability rules, but for all transactions that might occur between participants.

It is often asserted that smaller new entrants do not want to interact through complicated system interfaces. However, small entrants are more likely to have highly web-enabled business models all the way from initial customer interaction. The availability of transactional services will also support the development of easy-to-use interface packages or modules.

The structure of the Draft provides industry as a whole the opportunity to cooperate in the efficient delivery of services to consumers while minimising the amount of prescription exercised by the regulators.

ECA has more faith in the industry than some of the industry participants themselves are demonstrating in their submissions. The success in this approach will depend upon the readiness of the new IEC to recognise the aspirational nature of the rules rather than adopting a narrow approach.

The critical issue for the IEC is how well it establishes its relationship with AEMO to be able to perform the tasks of considering B2B procedure changes. The decision to appoint an AEMO Board member as Chair of the IEC gives the new IEC every opportunity to make a success of these arrangements. There is no reason why AEMO and the IEC should have anything other than a collaborative relationship, given that both are guided by the same principles. That is, the promotion of the long term interests of consumers.

Conclusion

ECA notes that where there has been disagreement between submitters views, the Draft has generally chosen the path that gives the greatest flexibility for industry, through the IEC, to make a success of the new B2B arrangements. ECA is highly supportive of this approach.

Glossary

AER	Australian Energy Regulator
CCWater	Consumer Council for Water (England and Wales)
CFS	Consumer Focus Scotland
CFWS	Customer Forum for Water in Scotland
SACOSS	South Australian Council for Social Services
SRC	Strategic Review of Charges
WICS	Water Industry Commission of Scotland

Bibliography

(Note all weblinks last accessed **1 March 2016**)

AER 2014 *Overview of the Better Regulation reform package*



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