

UPDATING THE ELECTRICITY B2B FRAMEWORK CONSULTATION PAPER: AEMO SUBMISSION



CONTENTS

1.	INTRODUCTION	2
2.	PROPOSED B2B ARRANGEMENTS	2
2.1	B2B framework	2
2.2	Registration	3
3.	IMPLEMENTATION AND TIMING	3
3.1	Establishment of the governing body	4
3.2	Transitional arrangements	4
3.3	Streamlining B2B governance bodies	5

1. INTRODUCTION

AEMO welcomes the opportunity to provide a submission on the AEMC's consultation paper on Updating the Electricity B2B Framework Rule 2015.

It is understood that the AEMC is seeking further information from stakeholders on two rule changes submitted following the publication of the AEMC's advice on implementing a shared market protocol (SMP advice).

This submission focuses on aspects of the proposed B2B arrangements and the developments relating to the transitional questions raised about implementation and timing.

2. PROPOSED B2B ARRANGEMENTS

Consultation Paper: Box 5.1 - Questions on the proposed B2B arrangements

1. 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?
2. 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?

2.1 B2B framework

The rationale for the establishment and maintenance of the B2B platform and processes for the support communications between retailers and distributors is unchanged following the final determinations for the competition in metering and embedded networks rule changes. The range and volume of services and information that retailers and distributors may need to exchange through a B2B platform is likely to reduce, in particular as a result of the introduction of the Metering Coordinator role and the expansion of competition in metering services for small customers. However, there will be an ongoing need for retailers and distributors to exchange information and to communicate for services that only the distributor can provide, such as an abolishment of a connection point.

The development and operation of an expanded framework, which considers communications between parties other than the retailer and distributor, has the potential to facilitate an efficient implementation of the contestable framework for competition in metering and related services, and support competition by reducing barriers to entry for new parties in the National Electricity Market (NEM). Accordingly, the existing governance arrangements are unsuitable.

AEMO considers that unless the arrangements for B2B governance are reflective of an agile, competitive market, where the number and nature of users will be constantly evolving, potentially in ways not yet contemplated, the value of a shared market protocol will be diminished. Lumo and Red's proposed Retail Industry Panel is a slightly amended version of the current IEC. The proposed membership of the Retail Industry Panel is two Distribution Network Service Providers (DNSPs), two retailers and two metering representatives with the option of four additional discretionary members if the Retail Industry Panel decides. These discretionary members could include two third party B2B participants, a consumer representative and an independent representative that would only be elected "should the Retail Industry Panel decide". This might limit the ability for other parties to contribute which

is not suitable under the new arrangements as it does not provide the required flexibility and representation. The COAG proposal is more inclusive and provided more flexibility to cater for a changing, competitive market.

It may be possible for the governance arrangements to consider varied voting arrangements when the communications are specifically between the retailer and distributor and it will remain this way. Once additional parties are introduced the rest of the members would be involved.

2.2 Registration

4. Are the proposed obligations on parties appropriate, including the accreditation requirements and Red and Lumo's proposed certification requirements?
5. What would be the benefits of, or issues with, requiring third parties to become registered participants to use the B2B e-hub?

As stated in AEMO's submission to the AEMC's draft SMP advice to COAG, the B2B Participant role appears to be more suited to a registered participant role. It appears reasonable to consider that a party who is already a registered participant or accredited provider could request registration as a simple extension to their status, rather than having to go through a separate process and expense to become accredited as a B2B Participant and to maintain that accreditation.

Accreditation, in the context of the NEM, is typically related to an organisation's ability to present and demonstrate competency and credibility in the provision of services and requires ongoing monitoring and assessment.

3. IMPLEMENTATION AND TIMING

Consultation Paper: Box 5.3 - Questions on implementation

1. 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?
2. 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?
3. Are any implementation steps missing?
4. 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?
5. 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 development of governance materials, procedures and systems to support the shared market protocol is a substantial body of work and the timeframe for implementation should be considered independently from the timeframe for the implementation of the competition in metering rule.

The industry has expressed a desire to implement the B2B procedures and e-hub by December 2017, the implementation processes could be accelerated through the set up of a transitional group and establishing the new Governance body as quickly as possible.

3.1 Establishment of the governing body

Both rule change requests propose that AEMO run the election process to form the new B2B governance body by 1 October 2016. AEMO considers the establishment of the new IEC/Retail Industry Panel to be the critical determining factor in progressing the development of B2B systems and processes for the competitive metering market and that efforts should be made to establish this body as early as possible. The rule change requests propose that this new body be given the power to determine the business requirements for an expanded B2B; these business requirements will enable AEMO to determine the system requirements, the timeline for any system changes and procedure development. Until these have been determined, any commentary on implementation timelines for an extension of the current B2B systems and processes can only be speculative.

AEMO can progress a number of items in draft form prior to the final rule, including the creation of election procedures and operations manual for the new IEC/Retail Industry Panel based on a draft determination being published by the AEMC.

Following the publication of a final determination AEMO could publish the operations manual and election procedures and run the election process to formally establish the new governing body for B2B as early as June or July 2015 at the latest.¹

3.2 Transitional arrangements

The AEMC advice to COAG and the rule change requests propose that the new IEC/Retail Industry Panel be chaired by an AEMO Director, with an intent to elevate the B2B governance body to a more strategic level. Following the AEMC's publication of the draft rule determination, AEMO proposes to establish a transitional forum, reflective of the composition of the B2B governance body proposed by the AEMC at that time, and providing it is still consistent with the AEMC's draft rule, chaired by an AEMO Director.

The creation of such a transitional group would enable AEMO to consult with interested parties on the creation of the operations manual and election procedures, commence preliminary discussions on the business requirements for an expanded B2B and enable interested parties to consider nomination for the new body in preparation for the publication of the final rule.

It is possible that the new IEC/Retail Industry Panel, once established, could reject any pre-work, in particular if that pre-work was created by a special interest group, or the current IEC. AEMO's proposal to form a transitional group to replicate the new IEC/Retail Industry Panel, based on the AEMC's draft determination, is aimed at mitigating this risk.

¹ This timing is subject to the AEMC publishing a final determination in May 2015, the level of change between the draft and final rule and any updates required to the election procedures and operations manual as a result.

3.3 Streamlining B2B governance bodies

Creating a transitional group and formally establishing the new B2B governing body cannot be done without considering potential impacts to the management of B2B procedures for the competition in metering and embedded networks rule changes; these changes require the current IEC to recommend changes to the B2B procedures by 1 August 2016.

Whilst it may be possible for AEMO to support a transitional group until the new body can be established, it would be unsustainable for AEMO to support both the current IEC and the newly established body concurrently, in particular over a period of time where AEMO have been tasked with creating and updating procedures as a result of rule changes. It is likely that such a position would also lead to confusion in responsibility and potential duplication of effort.

Accordingly, AEMO proposes that once the new body is established, any work in progress is handed over and the current IEC is disestablished. In practice, this would mean that the new body would have the task of approving B2B changes to support the competition in metering and embedded network rules, noting the scope of this work highlighted in the consultation paper.