



Australian Energy Market Commission

CONSULTATION PAPER

National Electricity Amendment (Updating the electricity B2B framework) Rule 2015

Rule Proponents

Red Energy and Lumo Energy
COAG Energy Council

17 December 2015

**RULE
CHANGE**

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About the AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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1 Introduction

This consultation paper has been prepared to facilitate consultation on two rule change requests submitted to the Australian Energy Market Commission (AEMC or Commission). The rule change requests relate to updating the framework in the National Electricity Rules (NER) for electronic communications between businesses (the business-to-business (B2B) framework). These were submitted following the AEMC's advice on implementing a shared market protocol (SMP advice), which was published on 8 October 2015.¹

On 7 December 2015, Red Energy and Lumo Energy (Red and Lumo) submitted a rule change request proposing amendments to the B2B framework in the NER. The market for metering services is expected to change following the commencement of the final rule for the expanding competition in metering and related services (competition in metering) rule change.² The Red and Lumo rule change request aims to ensure the B2B framework provides for the different services that will be available from advanced meters and the greater range of parties that may wish to communicate with each other to access these services.

On 11 December 2015, the Council of Australian Governments (COAG) Energy Council submitted a rule change request that also proposes to amend the B2B framework in the NER. There are some similarities with the Red and Lumo rule change request, but it has proposed different approaches to the governance arrangements and decision-making framework for B2B procedures.

As the COAG Energy Council rule change request covers similar issues to those presented in the Red and Lumo rule change request, the Commission has decided to consolidate the two rule change requests under s. 93 of the National Electricity Law (NEL). This will enable a single consultation and decision process.

The consolidated rule change requests form part of the suite of market reforms to the National Electricity Market (NEM) that are being considered following the Power of Choice review.³ These reforms are aimed at improving opportunities for consumers to make more informed decisions about the way they use energy services.

This consultation paper has been prepared to facilitate public consultation on the consolidated rule change requests and to seek stakeholder submissions.

¹ A shared market protocol is a general term used to describe an agreed language or format for the communications sent between parties seeking access to the services available through advanced meters. As the SMP advice recommended that a shared market protocol would be implemented by updating the B2B framework in the NER.

² AEMC, Expanding competition in metering and related services, Rule Determination, 26 November 2015.

³ AEMC 2012, Power of choice review - giving consumers options in the way they use electricity, Final report, 30 November 2012.

This paper:

- sets out background to the consolidated rule change requests;
- identifies the issues and outlines the key proposals in the consolidated rule change requests and notes the differences between the Red and Lumo and the COAG Energy Council proposals;
- sets out a proposed assessment framework to be used by the Commission in assessing the consolidated rule change requests;
- identifies a number of questions and issues to facilitate consultation; and
- outlines the process for making submissions.

This paper should be read together with the two rule change requests and proposed rules.

Submissions to this consultation paper are to be received by no later than 28 January 2016. Given the implementation timeframes that may be necessary if a rule is made, submissions received after this date may not have the opportunity to be fully considered by the Commission.

2 Background

This chapter sets out the current B2B arrangements in the NER that are the subject of the consolidated rule change requests. It then provides a short overview of the Commission's SMP advice that has informed the consolidated rule change requests as well as two recent rule changes that are relevant to this rule change process.

2.1 Current arrangements

Under the current B2B arrangements,⁴ communications between local retailers, market customers and distribution network service providers (DNSPs) regarding the supply of electricity to end users occur through the B2B e-hub, an electronic information exchange platform provided and operated by the Australian Energy Market Operator (AEMO).⁵

Local retailers, market customers and DNSPs must use the B2B e-hub for B2B communications,⁶ except where they have agreed to communicate a B2B communication on a basis other than as set out in the B2B procedures.⁷

The B2B procedures include requirements for the content, format, delivery and timing for B2B communications.⁸ Currently, local retailers, market customers, DNSPs, AEMO, metering providers and metering data providers must comply with the B2B procedures.⁹

Unlike other procedures provided for in Chapter 7 of the NER that are established and maintained by AEMO, the B2B procedures are only made by AEMO on the recommendation of the Information Exchange Committee (IEC). The IEC consists of three DNSP members, three local retailer/market customer members and two independent members.¹⁰ The nomination and appointment process for, and requisite qualifications of, members of the IEC are currently set out in the B2B Information Exchange Committee election procedures.¹¹ Requirements with respect to the election

⁴ The 'current' arrangements refer to the B2B arrangements in rule 7.2A of the NER as at the date of this consultation paper. As detailed in section 2.3 below, these arrangements will be amended in late 2017 by the competition in metering final rule and the embedded networks final rule.

⁵ Clause 7.2A.1 of the current NER.

⁶ B2B communications are defined in Chapter 10 of the current NER as 'communications between local retailers, market customers and DNSPs relating to an end-user or supply to an end user provided for in the B2B procedures'.

⁷ See clauses 7.2A.1 and 7.2A.4(k) of the current NER. Where such parties have agreed between themselves to communicate a B2B communication on a basis other than as set out in the B2B procedures, the parties need not comply with the B2B procedures to the extent that the terms and conditions agreed between them are inconsistent with the B2B procedures.

⁸ Clause 7.2A.4 of the current NER.

⁹ Clause 7.2A.4(i) of the current NER.

¹⁰ Clause 7.2A.2 of the current NER.

¹¹ Available on the AEMO website.

and appointment (as the case may be) of the IEC chairperson and secretary and the conduct of IEC meetings are currently set out in the Information Exchange Committee operating manual.¹²

A new B2B procedure or a change to the existing B2B procedures can only be proposed by AEMO, a local retailer, a market customer or a DNSP. The IEC is responsible for consulting on any such proposal and making recommendations on the proposal to AEMO.¹³ The IEC can conclude not to recommend the proposed new B2B procedure or change to the existing B2B procedures. Alternatively, the IEC may make a recommendation for a new procedure or change to the existing procedures, which may differ from the proposal.¹⁴ In coming to a conclusion on whether or not to make a recommendation, the IEC must seek to achieve the B2B objective having regard to the B2B principles.¹⁵

A decision by the IEC to recommend a new B2B procedure or change to existing B2B procedures requires the support of six or more members of the IEC.¹⁶ AEMO must approve the recommendation of the IEC unless it concludes that:¹⁷

- the IEC has failed to have regard to the B2B objective or the B2B principles;
- the IEC has not followed the rules consultation procedures;¹⁸ or
- the recommendation would conflict with Market Settlement and Transfer Solutions (MSATS) procedures.

2.2 Prior rule changes

The rule change requests provided by Red and Lumo and the COAG Energy Council both included proposed rules that are based on Chapter 7 of the NER under the draft rule for the competition in metering rule change, which was published on 26 March 2015. Since this date, the competition in metering final rule determination¹⁹ and the embedded networks final rule determination²⁰ have been published. The final rules for each of these rule changes provide for amendments to Chapter 7 of the NER, which commence on 1 December 2017. This rule change process will need to consider these changes to Chapter 7 of the NER.

¹² Available on the AEMO website.

¹³ Clause 7.2A.3 of the current NER.

¹⁴ Clause 7.2A.3(i) of the current NER.

¹⁵ Clause 7.2A.3(j) of the current NER.

¹⁶ Clause 7.2A.2(m) of the current NER.

¹⁷ Clause 7.2A.3(k) of the current NER.

¹⁸ The IEC must follow the rules consultation procedures (as supplemented by clause 7.2A.3 of the current NER) in relation to a proposal for a new B2B procedure or change to the existing B2B procedures. See clause 7.2A.3(e).

¹⁹ AEMC, Expanding competition in metering and related services, Rule Determination, 26 November 2015.

²⁰ AEMC, Embedded networks, Rule Determination, 17 December 2015.

Competition in metering final rule determination

The competition in metering final rule was made on 26 November 2015 and introduces significant changes to Chapter 7 of the NER. Under the final rule, B2B arrangements will be set out in rule 7.17 of the NER upon the commencement of the new framework for metering services on 1 December 2017. The changes to 'B2B arrangements' under the final rule are minor and involve re-numbering, updating cross-references and removing certain redundant provisions relating to the initial implementation of the IEC.

The key features of the competition in metering final rule that are relevant to this rule change are:

- The role and responsibilities of the 'responsible person' under the current NER will be provided by a new type of registered participant - a 'metering coordinator'. The metering coordinator will also have a number of new responsibilities related to the provision of advanced metering services.
- Subject to certain limited exceptions, all new and replacement metering installations for small customers must be type 4 metering installations connected to a telecommunications network that enables remote access and be capable of providing the services set out in the 'minimum services specification' in the NER.²¹
- The final rule clarifies which parties may access or receive certain types of data including energy data, metering data, settlements ready data, NMI standing data and data from the metering register for a metering installation. The list of parties who may access or receive metering data has been updated under the final rule to, among other things, recognise the new role of the metering coordinator.²²
- While the metering installation must meet the minimum services specification, there is no requirement for the metering coordinator to provide the services set out in the minimum services specification.²³ Rather, the terms and conditions on which those services are provided, if at all, will be subject to commercial negotiation between parties.
- A transitional provision in clause 11.86.9 of the final rule provides that DNSPs must continue to comply with the B2B arrangements in their role as 'Initial Metering Coordinators'.²⁴

21 The minimum services specification is discussed in Appendix C1 of the competition in metering final rule determination.

22 Access to data is discussed in Appendix A5 of the competition in metering final rule determination.

23 However there are certain obligations on the metering data provider to provide data, or access to data, for certain purposes. See clauses 7.10.2 and 7.10.3 of the competition in metering final rule.

24 The role of 'initial metering coordinator' is described in clauses 11.86.7(a) and 11.86.7(c) of the competition in metering final rule.

- Transitional provisions in clause 11.86.6 of the final rule provide for the B2B procedures to be updated to take into account the final rule. The IEC must make a recommendation to update the B2B procedures by 1 August 2016 and AEMO must publish B2B procedures by 1 September 2016.

Embedded networks final rule determination

On 17 December 2015, the AEMC published a final rule determination and final rule on embedded networks which, among other things, provides for further changes to be made to Chapter 7 of the NER as amended by the competition in metering final rule.

The embedded networks final rule creates a new accredited provider role - an embedded network manager - to perform the market interface functions that link embedded network customers to energy market systems.

The embedded network manager will be responsible for providing market interface functions to facilitate off-market embedded network customers seeking to go on-market, such as obtaining a NMI. Given these functions, embedded network managers will be required to comply with a number of procedures, including B2B procedures, and will be included within certain definitions used in the B2B framework.²⁵ However, the embedded networks final rule does not include embedded network managers as a party that must use the B2B e-hub, or as a party that is directly represented on the IEC.²⁶

In assessing the consolidated rule change requests, the Commission may consider the rights and obligations of this new role under any changes to the B2B framework.

2.3 Shared market protocol advice

The rule change requests from Red and Lumo and the COAG Energy Council have been submitted following the publication of the AEMC's SMP advice on 8 October 2015.

As mentioned above, the SMP advice was developed as part of the suite of market reforms following the Power of Choice review. One of the areas of reform is improving demand side participation and helping consumers to make more informed decisions about how they use electricity. Enabling technologies, such as advanced meters, have been an important part of this work, as has a framework for open access and common communication standards for advanced meters, which led to the SMP advice.²⁷

The SMP advice recommended updating the B2B communications framework in the NER to accommodate the wider range of services that will be available through advanced meters, and the wider range of parties that will be interested in those

²⁵ For example, the definition of B2B communications, the B2B objective and B2B principles.

²⁶ See Appendix C.2.8 of the embedded networks final rule determination.

²⁷ AEMC 2014, Framework for open access and common communication standards, Report, 31 March 2014.

services. The SMP advice provided detailed recommendations on how this could be implemented in the NER. Broadly it recommended this be done by:²⁸

- updating the membership of the IEC to provide for the wider range of parties that will have an interest in B2B procedures;
- updating other aspects of the governance arrangements for B2B procedures, such as the nomination and election process for IEC members and the decision-making process of the IEC;
- expanding and updating the content requirements for B2B procedures to provide for new B2B communications to support advanced metering services;
- introducing a new accredited party role (B2B e-hub participant) and requiring that any party wishing to use the B2B e-hub would need to be accredited by AEMO in that role;
- requiring AEMO to redevelop the B2B e-hub to support any changes to the B2B procedures; and
- updating the cost recovery provisions.

²⁸ AEMC 2015, Implementation advice on the shared market protocol, Final advice, 8 October 2015.

3 Details of the rule change requests

This chapter provides a high level overview of the rule change request submitted by Red and Lumo. It then provides an overview of the changes proposed by the COAG Energy Council proposal where those changes differ to the changes submitted by Red and Lumo - such as the governance arrangements and decision-making framework for B2B procedures.

3.1 Red and Lumo's rule change request

Red and Lumo have proposed significant changes to the B2B arrangements in the NER.²⁹ This section should be read in conjunction with Red and Lumo's rule change request and proposed rule, which set out the full detail of their proposal.

Governance arrangements

Red and Lumo consider that the current membership of the IEC will no longer represent the range of stakeholders that will be interested in B2B communications, such as metering coordinators and third party service providers that are new to the market. For this reason, Red and Lumo have proposed that:³⁰

- The IEC be re-named the Retail Industry Panel.
- The membership of the Retail Industry Panel would include: an AEMO representative (who would be an AEMO director and would act as chairperson of the panel); two DNSP representatives elected by DNSPs; two retailer representatives elected by retailers and local retailers; two metering representatives elected by metering coordinators, metering providers and metering data providers; and up to four discretionary representatives:
 - The Retail Industry Panel would decide whether to appoint discretionary representatives, for example, if it is decided that a certain class of participants requires representation on the Retail Industry Panel in order for it to be broadly representative.³¹
 - Once agreed to include a discretionary representative for a class of participant, an election or appointment process would be carried out by the relevant group of participants.

²⁹ Noting that B2B arrangements will be set out in rule 7.17 of the NER upon the commencement of the new framework for metering services on 1 December 2017.

³⁰ Red Energy and Lumo Energy 2015, rule change request on updating the electricity B2B framework (implementing a shared market protocol), 7 December 2015, pp. 6-7, 9-11.

³¹ Such a decision would require a super majority agreement, being 70 per cent of Retail Industry Panel representatives.

- Discretionary representatives can include up to one consumer representative,³² up to one independent representative,³³ up to two third party B2B participant representatives,³⁴ and/or any other B2B party³⁵ considered necessary for adequate representation of the retail industry.
- The arrangements for nomination and election of representatives, including their requisite qualifications, would be incorporated into the NER.
- There would be some restrictions for related entities regarding nomination and voting of Retail Industry Panel representatives, including restrictions on the ability to nominate to be the representative in different classes.

Red and Lumo consider that their proposal for Retail Industry Panel membership provides a broadly representative group to reflect the parties that would have an interest in B2B communications. The ability to add discretionary representatives to the Retail Industry Panel allows some flexibility in membership to evolve to changing market conditions.³⁶

B2B procedures and decision-making

The current decision-making framework, through the B2B objective, considers the benefits and detriments of a decision for certain parties.³⁷ While the benefits and detriments to those who must comply with B2B procedures will still be relevant, there may be wider interests in B2B procedures as a consequence new services being offered through advanced meters, such as the interests of consumers and new entrants to the market. Red and Lumo have proposed that:³⁸

- When making decisions about B2B procedures, the Retail Industry Panel must have regard to a set of new B2B factors and give effect to the revised B2B principles.³⁹ Red and Lumo state in their rule change request that the new B2B factors would include:

32 The consumer representative would represent the interests of small customers. It would be appointed by AEMO in consultation with Energy Consumers Australia.

33 An independent representative would be nominated and elected by B2B parties, but would be independent of B2B parties.

34 This is a party that is accredited to use the B2B e-hub (see below) but is not a DNSP, retailer, metering coordinator, metering provider or metering data provider.

35 This includes DNSPs, retailers, local retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.

36 Red Energy and Lumo Energy 2015, rule change request on updating the electricity B2B framework (implementing a shared market protocol), 7 December 2015, p. 11.

37 The current B2B objective states that "the benefits from B2B communications to local retailers, market customers and DNSPs as a whole should outweigh the detriments to local retailers, market customers and DNSPs as a whole".

38 Red Energy and Lumo Energy 2015, rule change request on updating the electricity B2B framework (implementing a shared market protocol), 7 December 2015. pp. 7, 11-13.

39 The revised B2B principles are listed on p. 12 of the Red and Lumo rule change request.

- The promotion of efficient investment in, and operation and use of, electricity services for the long term interests of consumers with respect to price, service, quality, safety reliability and security of supply of electricity.⁴⁰
 - The reasonable costs of compliance compared to the likely benefits from B2B communications by AEMO and B2B e-hub participants.
 - The likely impacts on innovation in, and barriers to entry to, the market for services resulting from making the new B2B procedure or changing the existing B2B procedures.
 - The implementation timeframe necessary for AEMO and B2B e-hub participants to implement relevant changes to be compliant with any new B2B procedure or change to the existing B2B procedures.
- B2B procedures would be required to provide for B2B communications to support each of the services set out in the minimum services specification. They may also include performance requirements for the B2B e-hub.
 - As part of the consultation process for proposed changes to the B2B procedures, the Retail Industry Panel would be required to seek AEMO's advice on any conflict with the retail market procedures⁴¹ and on the necessary upgrades to the B2B e-hub to deliver the procedure change. This information would be included in the consultation documents.
 - AEMO would be required to approve a Retail Industry Panel recommendation to change a B2B procedure, unless it concludes that:
 - the Retail Industry Panel has failed to have regard to the B2B factors and/or consider the B2B principles;
 - the Retail Industry Panel recommendation would conflict with the retail market procedures; or
 - the Retail Industry Panel has not followed the rules consultation procedures.

IT platform

The existing B2B e-hub is not capable of supporting the 'near instant' messages that would be necessary to support many advanced metering services. To address this, Red and Lumo have proposed:⁴²

⁴⁰ This reflects the wording of the NEO (s. 7 of the NEL).

⁴¹ Currently this requirement only relates to MSATS procedures.

⁴² Red Energy and Lumo Energy 2015, rule change request on updating the electricity B2B framework (implementing a shared market protocol), 7 December 2015, pp. 8, 13-14.

- The B2B e-hub would be required to support B2B communications listed in the B2B procedures. This would include communications for services in the minimum services specification.
- The B2B e-hub would need to meet any performance requirements specified in the B2B procedures.

These changes mean the B2B e-hub would support the services in the minimum services specification and any other services the Retail Industry Panel includes in the B2B procedures. Red and Lumo note that there is nothing to prevent AEMO from upgrading or changing the technology used for the B2B e-hub if it is not fit for current or future purposes. Red and Lumo are that proposing the NER would set minimum requirements for the B2B e-hub.

Obligations

A wider range of parties may wish to use the B2B e-hub in the future than currently exists, such as third parties that are not otherwise registered participants or accredited service providers. Red and Lumo propose that the B2B framework should provide for these parties and ensure that relevant rights and obligations are introduced to apply to everyone using the B2B e-hub. The rule change request proposes that:⁴³

- A new accredited party role (B2B e-hub participant) would be established and any party wishing to use the B2B e-hub would need to be accredited and certified (or re-certified) by AEMO.
- The following parties would be required to comply with B2B procedures: AEMO, DNSPs, retailers, local retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.
- The following parties would be required to use the B2B e-hub for B2B communications, unless agreed between themselves to use an alternative: DNSPs, retailers, local retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.

Red and Lumo consider that accreditation enables third parties using the B2B e-hub to become a defined category of accredited party under the NER. This provides a framework under which obligations related to the B2B arrangements may be imposed on those parties, such as compliance with the B2B procedures and the payment of fees. It provides a means by which these parties can be identified and contacted by AEMO and be assigned IEC nomination and voting rights. Accreditation also enables AEMO to check that parties have appropriate IT and security to interface with the B2B e-hub, if necessary.

Certification would involve AEMO validating that B2B e-hub participants are able to send and receive communications in a compliant fashion. This provides an assurance to other B2B e-hub participants that B2B communications will be correctly created,

⁴³ *ibid.* pp. 8-9, 14-15.

prepared, sent and received. This would not just be used when a participant first connects to the B2B e-hub, but also when participants make changes to their internal systems.

Cost recovery

Red and Lumo propose that the B2B arrangements be changed to introduce a cost recovery mechanism that is flexible enough for AEMO to apply fees to the most suitable parties. This would allow AEMO to recover costs associated with establishing and operating the Retail Industry Panel, developing B2B procedures and maintaining and operating the B2B e-hub. To achieve this, Red and Lumo have proposed that:⁴⁴

- AEMO's costs associated with B2B arrangements may be recouped as participant fees.
- Third party B2B participants would be deemed to be registered participants for the purposes of rule 2.11 of the NER (participant fees).

Red and Lumo have proposed that cost recovery would remain through participant fees. Deeming third party B2B participants to be registered participants would mean that AEMO could include them in the fee structure for participant fees.

3.2 COAG Energy Council rule change request

The COAG Energy Council rule change request is similar to the Red and Lumo rule change request in a number of respects. It is seeking to align market reforms (that is, align the B2B framework with the new competitive metering framework) to maximise efficiencies and benefits for consumers.

This section outlines the main differences between the COAG Energy Council and the Red and Lumo rule change requests. This overview should be read in conjunction with COAG Energy Council's rule change request and proposed rule.

Governance arrangements

The COAG Energy Council has proposed an alternative new membership structure for the IEC. However, its objective is similar to Red and Lumo: to create an industry body that is broadly representative of the parties that are interested in and likely to use B2B communications.

The COAG Energy Council proposes an AEMO member (who would be an AEMO director and would act as the chairperson); a retailer member elected by retailers and local retailers; a DNSP member elected by DNSPs; a metering member elected by metering coordinators, metering providers and metering data providers; a third party B2B participant member elected by third party B2B participants;⁴⁵ two independent

⁴⁴ *ibid.* pp. 9, 15-16.

⁴⁵ This member would be elected to IEC once there is at least one third party B2B participant and that person nominates a representative.

members elected by retailers, DNSPs, metering coordinators, metering providers, metering data providers and third party B2B participants; a consumer member appointed by AEMO; and up to two discretionary members appointed by AEMO.⁴⁶

The comparison between the membership structures proposed by the COAG Energy Council and Red and Lumo is as follows:

Table 3.1 Comparison of membership structures

Red and Lumo proposal	COAG Energy Council proposal
AEMO representative (acting as chairperson)	AEMO member (acting as chairperson)
2 retailer representatives	1 retailer member
2 DNSP representatives	1 DNSP member
2 metering representatives	1 metering member
Up to 4 discretionary representatives ⁴⁷	Up to 1 third party B2B participant member
	2 independent members
	1 consumer member
	Up to 2 discretionary members
Total: 7 - 11 members	Total: 7- 10 members

The COAG Energy Council has also proposed that certain arrangements regarding nomination and election of representatives, including their requisite qualifications, would be incorporated into the NER. However, the details of these arrangements differ to the Red and Lumo proposal, reflecting the differences in proposed membership structure and parties electing or appointing (as the case may be) certain members.

B2B procedures and decision-making

The COAG Energy Council has proposed that when making a recommendation to amend the B2B procedures, the IEC should have regard to the B2B factors and give effect to the B2B principles. The COAG Energy Council notes in its rule change request that "under the current governance framework in the NEM, the three market institutions each have a statutory obligation to make decisions that contribute to achieving the NEO" and that "other groups, including the current IEC, do not have a similar obligation". In light of this, the COAG Energy Council concludes it is preferable that the proposed B2B arrangements "are consistent with the existing national

⁴⁶ COAG Energy Council 2015, rule change request on updating the electricity B2B framework (implementing a shared market protocol), 10 December 2015, pp. 9-10.

⁴⁷ This may include up to one consumer representative, up to one independent representative, up to two third party B2B participants and/or any other B2B party considered necessary for adequate representation of the retail industry.

framework, so that it remains the responsibility of the market institutions to make decisions in the long term interests of consumers".⁴⁸

Under the COAG Energy Council's proposed rule, AEMO may, having regard to the NEO, decide to approve or not approve an IEC recommendation to make or to not make a B2B procedure change.⁴⁹ AEMO would be required to publish reasons why, having regard to the NEO, it decided to approve or not approve the IEC recommendation. The IEC may then choose to reconsider the B2B procedure.

The proposed rule includes drafting to break a stalemate if the IEC decides to not make a B2B procedure and AEMO considers that, having regard to the NEO, a change should be made. The COAG Energy Council has asked the Commission to consider the likelihood of stalemate and whether the proposed drafting is appropriate.⁵⁰

The COAG Energy Council has proposed slightly different drafting to the B2B factors compared to Red and Lumo that the IEC must take into account when making decisions.⁵¹ The B2B factors would include:

- The reasonable costs of compliance by AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants with the B2B procedures including the costs of changes to IT systems, compared to the likely benefits arising from the proposed B2B procedure. The IEC will need to decide whether costs are appropriate to incur in relation to the benefits that can be achieved.
- The likely impacts on innovation and barriers to entry in the market for advanced meter services resulting from making the new B2B procedure or changing the existing B2B procedures. Other things being equal, the IEC should recommend in favour of changes that support innovation and lower barriers to entry.
- The timeframe needed to change B2B procedures and implement these changes via the e-hub. For example, while a major change to B2B procedures that takes a long time to implement may deliver significant benefits to consumers, a short-term, incremental change may deliver benefits sooner, with lower risk.

48 COAG Energy Council 2015, rule change request on updating the electricity B2B framework (implementing a shared market protocol), 10 December 2015, p. 14.

49 This would be in addition to the current veto powers AEMO has over an IEC recommendation. See section 2.1 above.

50 See clause 7.17.5 of the COAG Energy Council's proposed NER. If AEMO decides "not to approve an IEC recommendation to not make a proposed B2B procedure or proposed change to the B2B procedures", the IEC would be required to re-make its recommendation. AEMO would then decide whether or not to approve the new recommendation. If, again, the IEC recommends not making a B2B procedure and AEMO does not approve this re-made recommendation, the IEC would be required to re-make its recommendation with any adjustments or modifications specified by AEMO.

51 COAG Energy Council 2015, rule change request on updating the electricity B2B framework (implementing a shared market protocol), 10 December 2015, pp. 11-12.

Consideration could also be given to staging information technology changes, for example to enable cost savings to be made in implementation.

The COAG Energy Council asked that the Commission consider whether to include a B2B factor that would require the IEC to have regard to whether a change to B2B procedures would be an efficient way for parties to meet a legal obligation. This would address the intention that a main purpose of B2B procedures is to support efficient commercial operations. However, legal obligations under the NEL, NER or jurisdictional requirements may affect the transactions that need to be completed by participants and may lead to a need for corresponding procedures.⁵²

The COAG Energy Council has not included a B2B factor that is based on the NEO, as Red and Lumo have proposed.

Obligations

The COAG Energy Council has proposed an accreditation process for parties to use the B2B e-hub, a requirement for certain parties to use the B2B e-hub (unless the parties agree to an alternative) and a requirement for certain parties to comply with B2B procedures similar to that proposed by Red and Lumo.

However, the COAG Energy Council has also asked the Commission to consider whether third parties should become a registered participant (see below).

It has not proposed a certification process for B2B e-hub participants, as proposed by Red and Lumo.

Cost recovery

The COAG Energy Council has asked the Commission to consider whether third party B2B participants should be registered participants instead of being deemed to be registered participants for the purpose of recovering participant fees. COAG Energy Council considers that a registered participant category for third parties would future-proof the electricity market as it develops in the future. This would also allow appropriate, limited obligations to be imposed on third parties which could include, for example, needing to protect confidential information in the same way as certain other participants.⁵³

Dispute resolution

The COAG Energy Council notes that its rule change request allows any person to propose a change to B2B procedures. However, dispute resolution would only be accessible to B2B parties. The COAG Energy Council notes that in the future, a decision

⁵² *ibid.* p. 13.

⁵³ *ibid.* p. 17. Many B2B parties will already be registered participants, eg DNSPs, retailers and metering coordinators. However, metering providers, metering data providers and embedded network managers are accredited providers and are not registered participants. Other parties such as energy service companies that are not currently registered participants or accredited providers may also wish to use the B2B e-hub in future.

not to change a B2B procedure may be as significant as a decision to change the B2B procedures. This could impact parties trying to enter the market with new services and they may not be able to challenge a decision. In light of this, the COAG Energy Council has requested that the Commission consider whether there are risks with some parties not being able to challenge B2B decisions.⁵⁴

3.3 NEO assessment

Red and Lumo and the COAG Energy Council have put forward similar arguments for how their respective rule change requests would be likely to contribute to the NEO, if implemented. These are:⁵⁵

- The proposed rule would improve interoperability for parties providing services enabled by advanced meters. Interoperability may result in lower barriers to entry for new participants, or provide greater efficiencies (and reduced operating costs), as there would be a shared communication method.
- Minimising barriers to entry for new participants may result in greater competition. This may lead to a wider range of services becoming available (competitive innovation) which may better suit the needs of individual parties. It may result in price and quality differentiation, which allows parties to choose lower cost services.
- Innovation is also supported by allowing parties to agree to use an alternative communication method. The market can determine the most efficient way of communicating between businesses. Innovation may also result in a wider range of services becoming available and supports the discovery of more efficient methods.
- Industry involvement in decision making (with suitable oversight) is expected to result in efficient decisions and investment in communications. This may place downward pressure on costs that may ultimately be paid by end users.
- A user-friendly shared communications platform may result in the increased uptake of services that can be provided by advanced metering infrastructure. Should DNSPs have increased access to network related services, this may assist them to monitor reliability, security and quality of electricity supply and respond to issues quickly.

⁵⁴ *ibid.* pp. 18-19

⁵⁵ Red and Lumo rule change request, pp. 17-18; COAG Energy Council rule change request, pp. 19-21.

4 Assessment framework

The Commission's assessment of the consolidated rule change requests must consider whether the proposed rules promote the national electricity objective (NEO) as set out under s. 7 of the National Electricity Law. The NEO is:

“to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to -

- (a) price, quality, safety, reliability and security of supply of electricity;
and
- (b) the reliability, safety and security of the national electricity system.”

Based on our preliminary assessment of the rule change requests, the most relevant aspects of the NEO are the efficient investment in, and efficient operation and use of, electricity services, in particular investment in and use of the services that can be provided through advanced meters.

To determine whether the proposed rule, if made, is likely to promote the NEO, the following principles may be taken into account:

- **Facilitate competition in the provision of services available through advanced meters.** The communications framework should promote competition while not giving any party a competitive advantage. Competition has the potential to result in services being offered at the most efficient prices. Service providers may seek to find competitive advantage by differentiating their services, which may result in a greater range of services being offered to businesses and consumers. Competition may be supported by minimising barriers to entry.
- **Promote innovation in the provision of new services and the associated means of communication.** Innovation in new services and alternative methods of communication has the potential to result in a greater range of services being offered to businesses and consumers as it allows more efficient options to be discovered. This could support business and operational efficiency improvements and benefits to electricity consumers.
- **Facilitate the efficient ongoing development of B2B communications.** The communications framework should be flexible to changing market needs, given the services available through advanced meters will be driven by market demand. The framework should also facilitate the efficient development of B2B procedures and the e-hub.
- **Impose regulation that is proportional to the issues.** Having a level of regulation that is proportional to the issues will minimise the cost impacts on businesses and consumers. The framework should not impose unnecessary

administrative and compliance costs on those businesses providing services through advanced meters.

It is proposed that the changes to the NER described by the rule change requests will be assessed against the relevant counterfactual arrangements, which in this case are the B2B arrangements in the NER as amended by the following rules:

- the competition in metering final rule made on 26 November 2015; and
- the embedded networks final rule made on 17 December 2015.

5 Issues for consultation

This chapter identifies a number of issues for consultation that appear to be relevant to the consolidated rule change requests. The issues outlined below are provided for guidance. Stakeholders are encouraged to comment on these issues as well as any other aspect of the consolidated rule change requests, or this consultation paper, including the proposed assessment framework.

5.1 Proposed B2B arrangements

The consolidated rule change requests provide two sets of B2B arrangements that have been proposed for consideration in this rule change process. Chapter 3 above provides an overview of the proposals and outlines the key differences between the Red and Lumo proposal and the COAG Energy Council proposal.

The following sets out particular questions that are of interest to the Commission.

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?
3. What are the appropriate arrangements for the making of B2B procedures, including the decision-making process, decision-making criteria and the split of roles between AEMO and the IEC/Retail Industry Panel?
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?

5.2 Impact of changes to the B2B arrangements under recent rule changes

In Chapter 2 it was noted that the proposed rules provided by Red and Lumo and the COAG Energy Council are based on the competition in metering draft rule. Since then, the competition in metering final rule and the embedded networks final rule have been published. The final rules for each of these rule changes provide for amendments to Chapter 7 of the NER, which commence on 1 December 2017. As such, this rule change process will need to consider these changes to Chapter 7 of the NER.

For example, the embedded networks rule change places certain obligations on embedded network managers in respect of B2B arrangements. This rule change could consider the rights and obligations of embedded network managers within an updated B2B framework (if a rule is made). Embedded network managers could instead be a third party B2B participant within an updated B2B framework, as proposed in the consolidated rule change requests.

The assessment of the consolidated rule change requests will need to identify any other relevant changes made by the competition in metering and embedded networks rules. It will need to determine how each of those changes should be treated.

Box 5.2 Questions on changes to B2B arrangements under recent rule changes

1. Given the proposed rules are based on the competition in metering draft rule, what changes should be made to the proposed rules as a result of the competition in metering and embedded networks final rules?

5.3 Implementation

Prior consultation carried out by the AEMC in its preparation of the SMP advice has indicated strong industry support for an updated B2B framework to be in place for the commencement of the competition in metering rule change on 1 December 2017.⁵⁶ However, stakeholders recognised that this timeframe is very challenging given the implementation steps that need to occur.

The Red and Lumo and the COAG Energy Council rule change requests set out similar implementation steps that would need to be completed by 1 December 2017 and the potential timeframes involved. These steps and timeframes would be included in the transitional provisions in a rule, if made. These proposed timeframes would be

⁵⁶ AEMC 2015, Implementation advice on the shared market protocol, final advice, 8 October 2015, Chapter 8.

challenging to meet and it may be necessary to carry out some steps concurrently. Both rule change requests have proposed the following implementation process:

- AEMO to develop new election procedures and operating manual for the IEC/Retail Industry Panel to provide for the new IEC/Retail Industry Panel framework (by 1 August 2016).
- AEMO to run an IEC/Retail Industry Panel election process to form the new IEC/Retail Industry Panel (by 1 October 2016).
- New IEC/Retail Industry Panel to develop amended B2B procedures in accordance with the new B2B framework (by 1 April 2017).
 - The Commission notes that if a rule is made as proposed by the rule proponents, developing and recommending the updated B2B procedures would be the responsibility of the new IEC/Retail Industry Panel. However, AEMO could begin informal discussions through a working group or industry forum, prior to the formation of the new IEC/Retail Industry Panel.
- AEMO to develop an accreditation and certification process for B2B e-hub participants (by 1 April 2017).
- AEMO to amend its participant fee structure to incorporate the recovery of B2B costs.
- The COAG Energy Council proposes that AEMO be required to update the B2B e-hub to comply with new B2B procedures and that this should be done such that the e-hub is available for the start of competitive metering (by 1 December 2017).⁵⁷ This would include AEMO carrying out integration testing of the B2B e-hub with industry systems.

The Commission notes that, given the proposed timeframes above, AEMO and the IEC/Retail Industry Panel may decide to implement a first version of the B2B procedures by 1 December 2017 that only covers a smaller set of services (for example, only the service in the minimum services specification) and then implement a second version of the B2B procedures that covers a broader set of services in 2018.⁵⁸

⁵⁷ Red and Lumo note that AEMO is able to start this process at any time.

⁵⁸ In the interim, participants may be able to use free-format messages via the B2B e-hub to provide innovative services. The COAG Energy Council notes that the IEC will need to consider the process by which innovative services are brought into the B2B procedures and e-hub. It also requests that the Commission consider options to minimise the effort needed for the new IEC to adopt the existing B2B procedures.

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?

6 Lodging a submission

The Commission invites written submission on this rule change proposal.⁵⁹ Submissions are to be lodged online or by mail by **28 January 2016**. Given the implementation timeframes that may be necessary if a rule is made, submissions received after this date may not have the opportunity to be fully considered by the Commission.

Electronic submissions must be lodged online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code ERC0197. The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Submissions by mail should be sent to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submissions by mail must be on letterhead (if submitted on behalf of an organisation), signed and dated. The envelope must be clearly marked with the project reference code: ERC0197.

Alternatively, the submission may be sent by fax to (02) 8296 7899.

Where practicable, submissions should be prepared in accordance with the Commission's Guidelines for making written submissions on rule change proposals.⁶⁰ The Commission publishes all submissions on its website subject to a claim of confidentiality.

All enquiries on this project should be addressed to Jenessa Rabone at jenessa.rabone@aemc.gov.au or (02) 8296 7800.

⁵⁹ The Commission published a notice under s. 95 of the NEL to commence and assess the consolidated rule change requests.

⁶⁰ This guideline is available on the Commission's website.

Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
B2B	Business to business
B2M	Business to market
COAG	Council of Australian Governments
Commission	Australian Energy Market Commission
DNSP	Distribution Network Service Provider
IEC	Information Exchange Committee
MSATS	Market Settlement and Transfer Solutions
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
SMP	Shared Market Protocol