

Australian Energy Market Commission

FINAL ADVICE

Implementation advice on the shared market
protocol

8 October 2015

REVIEW

Inquiries

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

E: aemc@aemc.gov.au
T: (02) 8296 7800
F: (02) 8296 7899

Reference: EMO0029

Citation

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

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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Summary

This advice sets out the Australian Energy Market Commission's (AEMC) recommendations on implementing a shared market protocol. A shared market protocol is a standard for the communications sent between parties accessing the services available through advanced metering infrastructure. For the purposes of this advice, the concept also includes the electronic platform used to send the messages between parties.

This advice on implementing a shared market protocol is an important part of the suite of market reforms to the National Electricity Market (NEM) that are underway following the AEMC's Power of Choice review. These reforms are aimed at improving opportunities for consumers to make more informed decisions about the way they use energy services.

One of the ways consumer choice is being improved is by addressing the market processes and incentives required for distributors, retailers and other parties to offer demand side participation and other new services and respond to consumer choice. Following the Power of Choice review, the COAG Energy Council requested the AEMC provide advice on a framework for open access and common communication standards (open access advice) that would support competition in demand side management services available to consumers.

The open access advice recommended that a shared market protocol be adopted, to facilitate efficient communications between businesses offering services to each other and consumers. Introducing a shared market protocol framework was expected to promote competition in the market for advanced metering services by reducing barriers to entry for new energy service companies while not inhibiting innovation in the method of communications.

However, as there were interdependencies with the rule change process for expanding competition in metering and related services (competition in metering), a related reform from the Power of Choice review, the AEMC could not provide advice on how a shared market protocol could be implemented at that time. The COAG Energy Council agreed that supplementary advice on implementing a shared market protocol would be provided at a later date. The AEMC is now providing this supplementary advice for consideration by the COAG Energy Council.

Advice on implementing a shared market protocol

A shared market protocol would complement the framework being introduced to expand competition in metering and related services that will facilitate the market led deployment of advanced meters. The competition in metering rule change request is currently being considered by the AEMC and a final determination will be published on 26 November 2015. This advice has been prepared on the basis of the AEMC's competition in metering draft rule determination, which was published in April 2015.

Industry are expecting that many communications for advanced metering services may need to be capable of 'near instant' responses. This would enable, among other things, retailers to obtain a meter read during a customer telephone inquiry or a DNSP to obtain a meter inquiry to determine the source of a power outage. However, it has been unclear whether a shared market protocol for services enabled by advanced meters would be separate from or incorporated into the existing business to business (B2B) arrangements in the National Electricity Rules (NER). While it was recommended in the open access review that a shared market protocol be implemented by redeveloping AEMO's existing IT platform (the B2B e-hub), it is not currently capable of 'near instant' responses.

This advice recommends that implementing a shared market protocol would involve updating the B2B arrangements for B2B procedures in the NER, to provide for the services that are enabled by advanced meters. AEMO would redevelop the B2B e-hub to the extent necessary to support any changes to the B2B procedures, including performance requirements.

Given the range of parties with an interest in B2B procedures is likely to increase, it is also necessary to review the governance arrangements for B2B procedures.

The key recommendations of this advice on implementing a shared market protocol are set out below. In addition, a proposed rule is attached setting out the amendments that would need to be made to the NER to implement the recommendations.

Governance arrangements

- The body responsible for maintaining the B2B procedures would be an updated Information Exchange Committee (IEC). The existing IEC framework in the NER would be amended to reflect a wider range of parties interested in B2B procedures.
- IEC membership would comprise of:
 - one AEMO member, who would be the chairperson;
 - two independent members;
 - one DNSP member;
 - one retailer member;
 - one member for metering service providers (metering coordinators, metering providers and metering data providers);
 - one third party B2B participant member;¹

¹ A third party B2B participant is a party that is accredited to use the B2B e-hub but is not also a DNSP, retailer, metering coordinator, metering provider or metering data provider (see section 7.2). There would only be a member in this category when there is at least one third party B2B participant who nominates a person to be the IEC member.

- one consumer member, appointed by AEMO in consultation with Energy Consumers Australia; and
- up to two discretionary members, appointed by AEMO in consultation with the two independent IEC members.

B2B procedures

- In addition to existing content requirements, the B2B procedures must support communications between parties relating to each of the services set out in the minimum services specification.² B2B procedures may also include performance requirements for the B2B e-hub.
- When making decisions about B2B procedures, the IEC must have regard to the national electricity objective (NEO) and the B2B factors and give effect to the B2B principles. The new B2B factors would reflect the wider range of parties that may be affected by B2B procedures.
- Before the IEC consults on a proposal to change B2B procedures, it must obtain AEMO's advice on whether there are any conflicts with MSATS procedures,³ the changes that would be required to the B2B e-hub to deliver the procedure change and the likely costs to be incurred by AEMO in making such a change.

B2B e-hub

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

Obligations on parties

- AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants would be required to comply with the B2B procedures.
- DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants must use the B2B e-hub for B2B communications, unless they have agreed between themselves to use an alternative method of communication.
 - If a metering coordinator is offering a service that is enabled by an advanced meter and provided for in the B2B procedures, the B2B e-hub would be the default method of communication.

² The minimum services specification would be established as part of the competition in metering rule change process. See section 2.3.

³ Market Settlements and Transfer Solutions procedures provide for communications between businesses and AEMO.

- A new accreditation category (B2B e-hub participant) would be established and any party wishing to use the B2B e-hub would need to be accredited by AEMO as a B2B e-hub participant.

Cost recovery

- Costs incurred by AEMO related to providing and operating the B2B e-hub, developing B2B procedures and establishing and operating the IEC would be recouped through participant fees.
- Third party B2B participants would be deemed to be registered participants for the purposes of participant fees. As such, AEMO could develop a fee structure that allocates B2B costs appropriately to DNSPs, retailers, metering coordinators and/or third party B2B participants.

While this is described as updating the existing B2B framework, some of the changes recommended in this advice would change the nature and role of the IEC.

It is intended that the new IEC would be a strategic group. This would be supported by requiring an AEMO director to chair the IEC. It is envisaged the new IEC would utilise working groups to carry out the bulk of its technical work.

In addition, the new IEC would be broadly representative of the increased range of participants that are expected to have an interest in B2B procedures, with generally only one IEC member for each type of participant. IEC members will be making decisions having regard to the NEO, which would direct them to consider how the B2B arrangements contribute to the efficient operation of the NEM in the long term interests of consumers. This may require them to consider developments in the market such as services being offered to customers by new service providers in the market.

Stakeholders are generally supportive of the introduction of a shared market protocol for the services enabled by advanced meters. Most stakeholders are also supportive of ongoing industry involvement in decision making through the IEC. However, stakeholders raised a range of views in submissions to the consultation paper and draft advice on the particular arrangements for the IEC.

Next steps

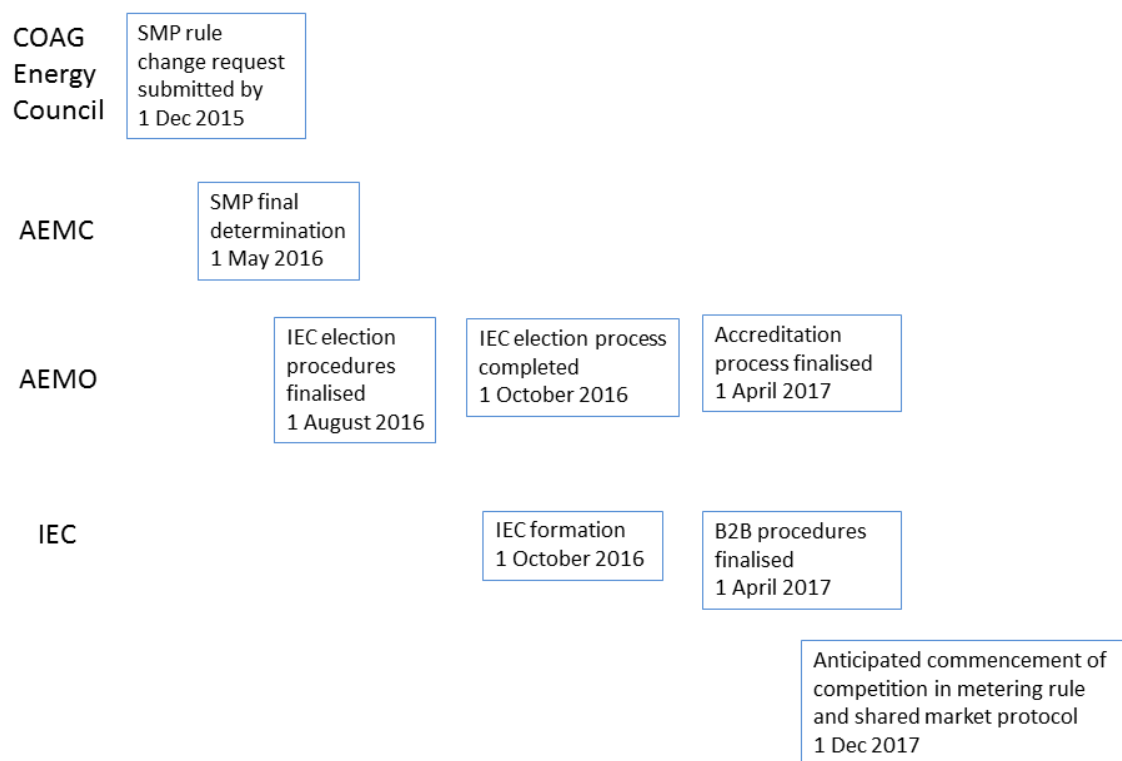
This advice is being provided to the COAG Energy Council for its consideration. Should the COAG Energy Council accept these recommendations, a draft rule change proposal has been attached to this advice that may be submitted to the AEMC to initiate a rule change process.

This advice also sets out indicative advice for implementing a shared market protocol by 1 December 2017; the proposed date that the competition in metering rule would commence.

These indicative dates are dependent upon the assumptions that a rule change request is received by the AEMC by 1 December 2015 and completed by 1 May 2016. However,

these timeframes would be subject to consultation and finalised during the rule change process.

Figure S.1 Indicative implementation timeframes



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1 Introduction

The Australian Energy Market Commission's (AEMC or Commission) advice on implementing a shared market protocol is supplementary to the AEMC's advice on a framework for open access and communication standards (open access advice).⁴

The COAG Energy Council also requested the Australian Energy Market Operator (AEMO) to provide advice on technical aspects of a shared market protocol, to help inform the development of a rule change request (see section 2.5 below). The AEMC has worked closely with AEMO throughout the development of this advice and considers it to be consistent with AEMO's advice on the technical requirements for a shared market protocol.

This advice on implementing a shared market protocol sets out the Commission's recommendations to the COAG Energy Council, including the proposed governance arrangements, key obligations to be placed on parties, cost recovery and implementation.

1.1 A shared market protocol

Parties that are involved in the supply of electricity to shared consumers (such as retailers and DNSPs) need to communicate with each other about certain services they are providing. The messages sent between companies could relate to a number of different functions, such as collecting data for the purposes of billing and settlement, or providing customer services like arranging a new connection or enabling a customer to switch retailer. When advanced meters become available to small customers, the number of services that will be available through the customer's meter is likely to increase. The range of messages being sent between companies providing those services is also likely to increase.

A shared market protocol is a general term used to describe an agreed standard for communications sent between parties accessing the services available through advanced metering infrastructure. For the purposes of this advice, the concept also includes the method of communication - the electronic platform used to send the messages between parties.

A shared market protocol is expected to promote competition in the market for services enabled by advanced meters by reducing barriers to entry for new energy service providers while not inhibiting innovative methods of communication. It would do this by reducing the likelihood that a new entrant would need multiple systems to communicate with different parties in the market. A shared market protocol is also expected to promote beneficial outcomes for consumers by supporting the delivery of products and services to them at a reduced cost.

⁴ AEMC 2014, Framework for open access and common communication standards, Report, 31 March 2014.

The AEMC's open access advice recommended that a shared market protocol could be implemented by expanding the current business to business (B2B) arrangements in the National Electricity Rules (NER) (described in section 2.6 below). However, it also noted that the current IT platform used for B2B communications, the B2B e-hub, may not be able to meet the requirements that may be necessary for advanced metering services. This is because advanced metering services are likely to require a higher delivery speed, increased volume of communications or increased congestion and security requirements.⁵ AEMO and stakeholders have also expressed concern that the existing B2B e-hub would not be able to deliver the 'near instant' messages that are desirable to provide some of these advanced metering services.

This advice recommends that implementing a shared market protocol would involve updating the B2B arrangements for B2B procedures in the NER, to provide for the services that are expected to be enabled by advanced meters. AEMO could redevelop the B2B e-hub to the extent necessary to support any changes to the B2B procedures, for example to deliver 'near instant' messages.

Given the range of parties with an interest in B2B procedures is likely to increase, it is also necessary to review the governance arrangements for B2B procedures.

1.2 Consultation

The Commission has extensively consulted with stakeholders in the development of this advice.

A consultation paper outlining the issues for consideration was released on 19 December 2014. Nineteen submissions were received and are published on the AEMC's website.

The Commission held a stakeholder workshop on 15 April 2015 to engage with stakeholders on initial policy positions and the detail of some issues such as governance arrangements. The workshop included a presentation by AEMO on its advice to the COAG Energy Council on the technical requirements for a shared market protocol. Approximately 40 stakeholders attended this workshop.

A draft advice outlining the draft recommendations was released on 25 June 2015. Twenty one submissions were received and are published on the AEMC's website.

Stakeholder views on each of the issues are provided throughout this advice.

⁵ AEMC 2014, Framework for open access and common communication standards, Report, 31 March 2014, pp.20-21.

1.3 Structure of report

This advice is structured as follows:

- Chapter 2 provides the background to this advice including related projects, AEMO's advice on a shared market protocol and the current B2B framework;
- Chapter 3 outlines the objective, principles and assessment framework that has guided this advice, assesses the proposed arrangements against the national electricity objective (NEO) and assesses the potential impacts of the proposed arrangements;
- Chapters 4 to 8 set out the advice, including the alternatives considered and rationale for the recommendations;
- Appendix A provides an overview of the recommendations, being the main changes that would be required to the NER to implement the recommendations;
- Appendix B lists the issues raised in AEMO's submission to the draft advice and provides responses to those issues; and
- Appendix C lists the issues raised in submissions that have not been addressed in the body of this advice and provides responses to those issues.

In addition, there are two attachments to this advice:

- a draft rule change proposal for consideration by the COAG Energy Council; and
- the proposed changes to the NER that would be required to implement the recommendations, in the form of a proposed rule. The proposed rule is based on the draft rule provided in the expanding competition in metering and related services (competition in metering) draft rule determination.⁶

⁶ The competition in metering final rule determination will be released on 26 November 2015. We note that the final rule may differ to the draft rule. However, basing the proposed rule in this advice on the competition in metering draft rule provides the best indication of how the new arrangements would be drafted in the NER.

2 Background

This chapter provides an overview of the previous reviews and related rule change requests that have led to this advice on implementing a shared market protocol. It also includes a short overview of AEMO's advice on a shared market protocol and the current B2B and IEC arrangements in the NER that are relevant to this advice.

2.1 Power of choice

In December 2012, COAG endorsed a comprehensive package of national energy market reforms to support investment in market outcomes in the long term interests of consumers. One of the areas of reform seeks to address the impediments to, and promote the commercial adoption of, demand side participation in the National Electricity Market (NEM).

As part of these reforms, COAG Energy Council agreed to implement a number of the recommendations in the AEMC's power of choice review.⁷ This review identified opportunities for consumers to make more informed decisions about how they use electricity. The review also addressed the market conditions and incentives required for DNSPs, retailers and other parties to maximise the potential of efficient demand side participation and respond to consumer choice.

An area of focus of the power of choice review was the role of enabling technology, including advanced meters, in supporting these outcomes. Two of the recommendations involved introducing:⁸

- A framework in the NER that provides for competition in metering services for residential and small business consumers. Facilitating competition was expected to improve the range of demand side participation products and services available to consumers.
- A framework for open access, interoperability and common communication standards. This was expected to support competition in demand side participation energy management services enabled by advanced meters and also improve the metering products and services available to consumers.

2.2 Open access advice

The AEMC's open access advice was published in March 2014.⁹ In its advice, the Commission defined a new 'gatekeeper' role to manage access to the new services that will be provided by advanced metering infrastructure. As part of the competition in

⁷ AEMC 2012, Power of choice review - giving consumers options in the way they use electricity, Final Report, 30 November 2012.

⁸ *ibid*, p.68.

⁹ AEMC 2014, Framework for open access and common communication standards, Report, 31 March 2014.

metering rule change process, the Commission is considering the nature and scope of the 'gatekeeper' functions and how they will be assigned between the metering coordinator (a new role), metering provider and metering data provider (see section 2.3).

The open access advice also recommended that a shared market protocol be adopted. This shared market protocol would define a format of communications between the gatekeeper and the parties wishing to access the services from advanced metering infrastructure.

The advice recommended that the shared market protocol be services based. This is because the parties seeking access to the advanced metering infrastructure are primarily interested in the services that can be provided. Also, specifying the services to be provided, rather than the actual functionality, gives greater flexibility to metering service providers and is likely to promote innovation.

The open access advice also recommended that the gatekeeper would be required to communicate via the shared market protocol when requested by another party. This would improve the level of interoperability of the access arrangements for advanced metering services and reduce barriers to entry. However, parties should be free to agree to use other market communication methods so that any potential limitations of the shared market protocol would not limit innovation.

In order to facilitate an expedited development of the shared market protocol, the Commission recommended that the shared market protocol should be established by extending the existing B2B arrangements.¹⁰ However, as implementing a shared market protocol was interrelated to the outcomes of the competition in metering rule change process, the Commission recommended that it provide supplementary advice on implementing a shared market protocol at a later date, which is the purpose of this advice.

2.3 Competition in metering rule change

The AEMC's draft rule determination on expanding competition in metering and related services (competition in metering) was published on 26 March 2015.¹¹

This advice on implementing a shared market protocol has been prepared on the basis of the following key features of that draft rule determination:

- 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.

¹⁰ *ibid*, pp.20-21.

¹¹ AEMC 2015, Expanding competition in metering and related services, draft rule determination, 26 March 2015.

- All new and replacement metering installations installed for small customers must (subject to a limited exception) have remote access and be capable of providing the services set out in the 'minimum services specification' in the NER.¹²
- The metering coordinator can only allow access to data and services provided by the metering installation:
 - to specific parties for services in the minimum services specification; or
 - to a party that has obtained consent from the small customer for other advanced metering services; or
 - to a party and for a purpose that is otherwise permitted under the NER.
- While the metering installation must meet the minimum services specification, there is no requirement for the metering coordinator to provide the advanced services enabled by the meter.¹³ Access to services is generally a matter for commercial negotiation between parties.

The competition in metering final rule determination will be published on 26 November 2015. Any significant changes to these arrangements in the final rule determination may have consequential effects for any subsequent rule change process on implementing the shared market protocol.

2.4 Governance of retail market procedures rule change

In June 2013, AEMO submitted a rule change request to the AEMC with a proposed rule that, if made, would make AEMO responsible for the development and administration of B2B procedures. It would do this by introducing a single governance framework for the making of retail market procedures under Chapter 7 of the NER.¹⁴ Under the proposed rule, the IEC would have a continued role of providing advice on matters related to B2B procedures.

AEMO submitted this rule change request because it considered that having different processes for different procedures under Chapter 7 of the NER was inefficient. In AEMO's view, the current arrangements for B2B were not suited to rapid change, which might be necessary for a rapidly evolving market. AEMO was also concerned that under the existing B2B arrangements, there may be a conflict of interest for its Board where it is obliged to make (that is, approve and publish) a B2B procedure recommended by the IEC.¹⁵

¹² The minimum services specification is discussed in Appendix C1 of the competition in metering draft rule determination.

¹³ However, there are some obligations to provide access to data for certain purposes.

¹⁴ AEMO 2013, Rule change request: electricity retail market procedure governance, 20 June 2013.

¹⁵ *ibid*, pp.5-6.

In July 2014 the Commission decided not to make a rule in relation to AEMO's rule change request. It was not satisfied that the proposed rule would better promote the NEO than the existing arrangements, or that changes were warranted at the time. The Commission considered that the IEC members have a strong incentive to make efficient decisions, as they would primarily be the ones to bear the costs of implementing changes to the B2B procedures.

The Commission also stated that it may be premature to amend the NER in anticipation of future market developments and it wished to avoid making piecemeal amendments. Changes to Chapter 7 of the NER, for example through the competition in metering rule change process, might warrant changes to the B2B framework at a later date.¹⁶

Some of these issues are revisited in this advice, which considers the governance framework for B2B procedures.

2.5 AEMO's advice on a shared market protocol

To inform the development of a rule change request, the COAG Energy Council requested AEMO to prepare advice on the technical requirements for a shared market protocol.¹⁷

Stage 1 of AEMO's advice was provided on 11 March 2015 and included possible designs for the IT platform, including IT requirements, costs and timelines for implementing each design.¹⁸ AEMO provided three design options:

- The basic model would replace the existing B2B IT platform to enable delivery of near instant messages. It would be compatible with existing B2B functionality (such as file transfer protocol (FTP)) through converters. It would also support new services through the availability of free format messages (peer to peer). AEMO estimated that the basic model may cost \$6 to \$10 million for it to develop.
- The intermediate model includes all the functionality of the basic model and in addition would be capable of transactions. Transactions are a more sophisticated, automated processing of requests that could make service delivery more efficient and less complicated for parties. For example, a service that requires a large number of messages to be sent between different parties could be reduced to several transactions. AEMO estimated that the intermediate model may cost \$8 to \$13 million for it to develop.
- The advanced model includes all the functionality of the intermediate model and in addition includes data store functionality that links the shared market protocol

¹⁶ AEMC 2014, Governance of retail market procedures, rule determination, 31 July 2014, p.8.

¹⁷ The terms of reference is available on the COAG Energy Council website.

¹⁸ AEMO 2015, Shared market protocol: part one - advice to the COAG Energy Council, 11 March 2015. Available on the COAG Energy Council website.

to other AEMO systems. It would provide a repository of data as a shared industry service, which would enable better validation of transactions and allow further automation of service delivery. AEMO estimated that the advanced model may cost \$12 to \$26 million, but would take significantly longer to implement than the basic or intermediate models for it to develop.

AEMO recommended that the intermediate model be pursued at this time, given the value to parties of near instant messages and transaction delivery. It could be implemented in 12-18 months following the development of a detailed design. It is lower cost and faster to implement than the advanced option. The key findings in relation to the IT requirements are explained further in section 6.1.2 of this advice.

Stage 2 of AEMO's advice was provided on 14 May 2015. It included how new metering services could be supported over time and opportunities to leverage the shared market protocol to provide additional services into the energy market.¹⁹

The AEMC has worked closely with AEMO in developing this advice. The recommendations in this advice are consistent with AEMO's advice on the technical requirements for a shared market protocol, being the recommendation to pursue an intermediate model at this time. Implementing the advanced model at a future date may require changes to the proposed framework in the NER.²⁰ The IEC would play an important role in deciding what features the B2B e-hub should have.

2.6 B2B and the Information Exchange Committee

Under the current B2B arrangements, communications between local retailers, market customers and DNSPs regarding the supply of electricity to end users occur through the B2B e-hub, an electronic information exchange platform provided and operated by AEMO.²¹

Local retailers, market customers and DNSPs must use the B2B e-hub for B2B communications,²² except where they have agreed to communicate a B2B communication on a basis other than as set out in the B2B procedures.²³

The B2B procedures include requirements for the content, format, delivery and timing for B2B communications.²⁴ Currently, local retailers, market customers, DNSPs,

¹⁹ AEMO 2015, Shared market protocol: part two - advice to the COAG Energy Council, 14 May 2015. Available on the COAG Energy Council website.

²⁰ For example, AEMO's advice stated an advanced model would ideally be mandatory for all parties to use, which is not proposed in this advice.

²¹ Clause 7.2A.1 of the NER.

²² B2B communications are defined in Chapter 10 of the 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'.

²³ See clauses 7.2A.1 and 7.2A.4(k) of the 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.

AEMO, metering providers and metering data providers must comply with the B2B procedures.²⁵

Unlike other procedures provided for in Chapter 7 of the NER that are established and maintained by AEMO, B2B procedures are only made by AEMO on the recommendation of the IEC. The IEC consists of three DNSP members, three local retailer/market customer members and two independent members.²⁶ 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.²⁷ Requirements with respect to the election 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.²⁸

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.²⁹ 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.³⁰ 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.³¹

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.³² AEMO must approve the recommendation of the IEC unless it concludes that:³³

- the IEC has failed to have regard to the B2B objective or the B2B principles;
- the IEC has not followed the rules consultation procedures;³⁴ or
- the recommendation would conflict with Market Settlement and Transfer Solutions (MSATS) procedures.

24 Clause 7.2A.4 of the NER.

25 Clause 7.2A.4(i) of the NER.

26 Clause 7.2A.2 of the NER.

27 Available on the AEMO website.

28 Available on the AEMO website.

29 Clause 7.2A.3 of the NER.

30 Clause 7.2A.3(i) of the NER.

31 Clause 7.2A.3(j) of the NER. The B2B objective and principles are set out in full in section 5.3.2.

32 Clause 7.2A.2(m) of the NER.

33 Clause 7.2A.3(k) of the NER.

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

3 Assessment

3.1 Assessment framework and principles

This chapter sets out the analytical framework that the Commission has used to develop its advice.

The Commission has had regard to the NEO in developing this advice. The NEO, set out in s. 7 of the NEL, 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.”

The following principles support the NEO and have guided the Commission's assessment and analysis:

- **Competition:** the framework for implementing a shared market protocol should promote competition while not giving any one party a competitive advantage. It should encourage parties to develop and offer services that support:
 - business and operational efficiency improvements for parties that currently provide these services to consumers, such as retailers and DNSPs; and
 - new services that provide benefit to consumers of electricity.
- **Innovation:** the framework should promote innovation in both the provision of new services, and in the means of the associated communications. This is likely to support:
 - business and operational efficiency improvements; and
 - additional direct benefits to consumers of electricity.
- **Consumer protection:** the framework should maintain and, where appropriate, introduce appropriate consumer protections.
- **Proportionality:** the framework should include a level of regulation that is proportionate to the issues identified in the market. In particular, the framework should not impose unnecessary administrative and compliance costs on those businesses providing demand side participation and related services.

3.2 Contributing to the achievement of the NEO

The framework for implementing a shared market protocol is intended to support the efficient uptake of products and services by small customers. It complements the draft rule for the competition in metering rule change process, which seeks to facilitate the market led roll out of advanced metering infrastructure. This advanced metering infrastructure would enable service providers to offer, and consumers to take up, a wider range of products and services that are enabled by advanced meters. A shared market protocol facilitates this by introducing a standard form of communication that parties can use to access the services available through advanced metering infrastructure.

Should this advice be implemented through a rule change, it would be likely to contribute to the NEO in the following ways.

Efficient investment in services available through advanced metering infrastructure

The recommendations are designed to improve interoperability for parties communicating about the services available through advanced metering infrastructure. Having a shared form and method of communication means that parties would not be required to have multiple systems to interact with each other. This is likely to lower barriers to entry and facilitate new participants entering the market for services enabled by advanced meters. It may also lead to greater efficiencies for existing retailers and DNSPs that may also be required to communicate with multiple parties in the market.

Promoting efficient interactions between parties is likely to reduce their operating costs. These cost savings may be passed onto end users, including small customers, who may ultimately pay for the services provided in respect of their connection point.

Minimising barriers to entry for new participants provides an environment that is conducive to competition. Improving competition in the market for services that can be provided by advanced metering infrastructure may lead to a wider variety of services being available to consumers and other parties. Service providers would be encouraged to innovate and invest in new products and services that can be tailored to the needs of their customers. If competition leads to differentiation in price and quality, customers may have access to services that better meet their individual needs, such as better quality services (for example, comprehensive energy management systems) or lower cost services (for example, simple access to energy usage data).

While the proposed recommendations provide a standard mechanism for communicating, it is worth noting that it does not provide a right for parties to access the services that are the subject of the communications. The recommendations would make transactions more efficient to the extent that parties have commercially entered into those transactions.

The recommendations also support investment and innovation in new products and services by allowing parties to agree to use an alternative method of communicating

with each other. This allows the market to determine the most efficient way of communicating about a particular service. As mentioned above, supporting innovation may lead to a wider range of products and services being offered and will allow parties to select products and services that best suit their needs. Using an alternative, more efficient form of communication should also be expected to flow through to the prices being paid by end users.

IEC - governance arrangements

Given the shared market protocol arrangements relate to communications between businesses, the Commission considers that having industry involved in decision making on B2B procedures through a representative body (an updated IEC) is consistent with the NEO.

Industry members (and ultimately, their customers) will bear the costs and receive the benefits of decisions about B2B procedures and are therefore likely to make the most efficient decisions regarding the content of B2B procedures. Promoting efficient decision making and investment in communications would be expected to place a downward pressure on costs that are ultimately paid by end users.

Placing responsibilities on industry to determine suitable communication standards is not uncommon and is seen in other sectors such as banking³⁵ and telecommunications.³⁶ In both of these examples there are varying levels of government oversight over the industry self regulatory activities. However, it indicates that other sectors have also recognised the benefits of industry being involved in decision making in relation to its communication processes.

Reducing the costs of maintaining quality, reliability and security of the supply of electricity

While it would be possible for parties to provide advanced metering services without the introduction of a shared market protocol, having a shared method of communication is likely to be less complicated and costly than dealing with parties across multiple platforms. If participants choose to offer services, having a shared platform is expected to result in the increased uptake of services that can be provided by advanced metering infrastructure.

The potential increased uptake of services by DNSPs related to network functions is expected to assist them to monitor reliability, security and quality of electricity supply. For example, access to supply status and voltage monitoring may enable DNSPs to respond more promptly to power outages or poor quality supply. In addition, access to

³⁵ The Australian Payments Clearing Association is the self regulatory body for Australia's payments industry. It is a limited liability company with around 100 industry members, including the Reserve Bank. It makes decisions about rules and procedures for five payment clearing systems that have been approved under the Payment Systems and Netting Act 1998 (Cth). See www.apca.com.au.

³⁶ The Communications Alliance represents around 130 industry members. Among other activities, it makes industry codes that set out procedures between companies, such as the Local Number Portability Code. These are then registered and enforced by the Australian Communications and Media Authority (government). See www.acma.gov.au.

services such as direct load control, remote disconnection and remote reconnection by DNSPs may enable them to manage the use of the network more efficiently and make more efficient decisions on network investment for the benefit of consumers. Deferring unnecessary investment in networks would save costs for consumers.

3.3 Impacts on parties

This section outlines the key impacts on parties should the recommendations be implemented in the NER.

End use customers

- Introducing a shared market protocol framework may facilitate an increased range of services being offered to consumers, allowing greater choice in products and services that are tailored to suit their needs. For example, services may be offered to inform consumers of their electricity usage or manage their electricity usage, which may assist consumers to save on electricity costs.
- There may be increased competition for services in the short term, and increased innovation in the long term. This may lead to lower cost services being available.
- Small customers would be represented on the IEC through the appointment of a consumer member.

DNSPs and retailers

- DNSPs and retailers must become an accredited B2B e-hub participant if they wish to use the B2B e-hub.
- DNSPs and retailers must comply with B2B procedures. They must also use the B2B e-hub for B2B communications that are provided for in B2B procedures, unless agreed otherwise with the party to whom they are communicating.
- DNSPs and retailers may be required to pay B2B costs through participant fees as determined by AEMO.
- Having access to an enhanced shared communications platform may lead to greater operational efficiencies.

Market customers that are not retailers

- Currently, local retailers and market customers are represented on the IEC. This membership category would be changed to retailers (see section 4.3.1 of this advice). As a result, market customers that are not retailers will no longer have a representative member on the IEC and will not participate in nomination and voting for IEC representatives, unless they choose to become an accredited B2B e-hub participant.

- Market customers that are not retailers will no longer be required to comply with B2B procedures or use the B2B e-hub for B2B communications.
- Market customers that are not retailers but have otherwise decided they wish to use the B2B e-hub (as an accredited B2B e-hub participant) are required to comply with B2B procedures and, in that capacity, may be required to pay participant fees as determined by AEMO (as a deemed registered participant). They may also nominate and participate in the election of the third party B2B participant IEC member and the independent IEC members.

Metering coordinators, metering providers and metering data providers

- Metering coordinators, metering providers and metering data providers will have a representative member on the IEC and can participate in nomination and election of the metering IEC member and the independent IEC members.
- Metering coordinators, metering providers and metering data providers must become accredited B2B e-hub participants to use the B2B e-hub.
- Metering coordinators, metering providers and metering data providers must comply with B2B procedures. They must also use the B2B e-hub for B2B communications that are provided for in B2B procedures, unless agreed otherwise.
- Metering coordinators may be required to pay B2B costs through participant fees as determined by AEMO.
- Having access to a shared communications platform may lead to greater operational efficiencies and provide for efficient entry of new service providers.

Third party energy service companies

- Third party B2B participants may have a representative member on the IEC and can participate in nomination and election of the third party B2B participant IEC member and the independent IEC members.
- Third party energy service companies must become an accredited B2B e-hub participant to use the B2B e-hub.
- Third party energy service companies must comply with B2B procedures. They must also use the B2B e-hub for B2B communications that are provided for in B2B procedures, unless agreed otherwise.
- Third party B2B participants may be required to contribute to B2B costs by paying participant fees as determined by AEMO.
- Having access to a shared communications platform may lead to greater operational efficiencies and lower barriers to entry for these new parties.

AEMO

- AEMO would be required to appoint a director as a member of the IEC. That member will be the chairperson of the IEC.
- AEMO would be required to:
 - develop the first IEC election procedures and operating manual;
 - carry out an election process for the new IEC, including the appointment of the consumer member and up to two discretionary members;
 - provide and operate the B2B e-hub;
 - establish and apply an accreditation process for B2B participants; and
 - update the fee structure for registered participants to account for B2B costs.
- AEMO would be required to incur upfront and ongoing costs related to providing and operating the B2B e-hub and establishing and operating the IEC. These costs may be subsequently recouped through participant fees.

IEC

- The IEC would be re-formed in accordance with the proposed rule.
- The new IEC would be responsible for developing and maintaining the B2B procedures.
- The new IEC would be required to have regard to the NEO and new B2B factors and give effect to the B2B principles when making decisions about B2B procedures.

4 Governance arrangements

Box 4.1 Recommendations

The Commission recommends that the shared market protocol be implemented through amending the current B2B framework in the NER.

The Commission recommends that the Information Exchange Committee (IEC) continues to be responsible for developing and maintaining the B2B procedures. Membership of the IEC would be expanded to include the wider range of stakeholders impacted by the B2B procedures.

Membership would include an AEMO member, who would be the chairperson, two independent members, one DNSP member, one retailer member,³⁷ one metering member,³⁸ one third party B2B participant member,³⁹ one consumer member, and up to two discretionary members.

The members representing DNSPs, retailers, metering coordinators/metering providers/metering data providers, and third party B2B participants would be nominated and elected by the category of registered participants or accredited parties the relevant member is representing. The independent members would be nominated and elected by all of the B2B parties mentioned above. The consumer member and discretionary members would be appointed by AEMO in consultation with Energy Consumers Australia and the independent IEC members respectively.

4.1 Introduction

Given the recommendation that the shared market protocol would be implemented through amending the current B2B procedures and redeveloping the B2B e-hub, a significant issue in this advice is who should be responsible for establishing and maintaining the updated B2B procedures.

The IEC currently makes recommendations on B2B procedures.⁴⁰ However, the current membership of the IEC would no longer represent the range of stakeholders that will be impacted by B2B procedures in the future, particularly communications related to services available from advanced metering installations.

³⁷ As defined under Chapter 10 of the NER, being persons who hold a retailer authorisation or, in the case of participating jurisdictions that have not introduced the NECF, a person who is registered by AEMO as a customer who engages in the activity of selling electricity to end users.

³⁸ The metering member is the IEC member elected by metering coordinators, metering providers and metering data providers.

³⁹ For the purposes of this advice, a third party B2B participant is a party that is accredited to use the B2B e-hub (see section 7.2) that is not a DNSP, retailer, metering coordinator, metering provider or metering data provider. This membership position may not be filled when the new IEC is initially formed, as there may be none of these parties.

⁴⁰ AEMO must approve such recommendations subject to a limited veto power. See section 2.5.

Governance of B2B procedures has been previously considered by the Commission in the governance of retail market procedures rule determination (see section 2.4). At the time, the Commission did not consider that there was good reason to change the governance of all retail market procedures (including B2B procedures) such that AEMO would be responsible for making and maintaining all retail market procedures. However, it was noted the arrangements could be reviewed once the outcomes of the competition in metering rule change were more certain.⁴¹ As this advice is also considering the governance arrangements for B2B procedures, it presents an opportunity to revisit the arguments put forward in the governance of retail market procedures rule determination.

This chapter covers:

- stakeholder views on the preferred governance arrangements for B2B procedures, expressed in submissions to the consultation paper, at the stakeholder workshop and in submissions to the draft advice;
- the Commission's recommendations and its rationale; and
- alternative options that were considered.

4.2 Stakeholder views

4.2.1 Consultation paper and workshop⁴²

The consultation paper sought feedback from stakeholders on whether they generally supported an industry body or AEMO being responsible for maintaining B2B procedures. At the AEMC workshop in April 2015 stakeholders discussed the AEMO model and a range of industry models based on the current IEC framework and alternative frameworks.

Submissions to the consultation paper showed divergent views on whether AEMO or an industry body should be responsible for implementing the shared market protocol through B2B procedures. Broadly, large retailers and DNSPs supported an industry body being responsible for developing B2B procedures, while small retailers, energy service companies and consumer groups supported AEMO being responsible for the B2B procedures.

Submissions in support of expanding the IEC membership considered that efficient decisions will be made by those bearing the costs and benefits of decisions.⁴³ These parties considered that the IEC framework could be updated to better reflect parties that would use the shared market protocol.⁴⁴

⁴¹ AEMC 2014, Governance of retail market procedures, rule determination, 31 July 2014, p.8.

⁴² All references in this section relate to submissions to the consultation paper.

⁴³ AGL, pp.2-3; Energy Australia, p.3.

⁴⁴ Energex, pp.1-2; ENA, p.3; Origin, p.1.

Submissions in support of an AEMO model were primarily concerned with providing an equal opportunity for smaller businesses to participate in decision making.⁴⁵ Some stakeholders considered that an industry decision maker would have conflicts of interests in making decisions that may lower barriers to entry or may benefit the long term interests of consumers.⁴⁶ Red Energy considered that an AEMO model would lead to greater consistency with other retail market procedures.⁴⁷

Some stakeholders considered that if an AEMO model were introduced, there should be more formal requirements around consultation and engagement and improved transparency and accountability.⁴⁸

Some stakeholders noted that the IEC has improved its accessibility, transparency and accountability over the last year, for example by introducing an open meeting format, and that these efforts could go further. This would enable interested parties to observe IEC meetings and participate by presenting their views.⁴⁹

Landis+Gyr suggested that a hybrid model could be considered, where an industry group proposes decisions to AEMO and AEMO decides whether the decision is equitable.⁵⁰ United noted that another alternative would be for industry to establish their own governance arrangements and IT platform, but this option was previously discounted in favour of the IEC.⁵¹

At the workshop on 15 April 2015, stakeholders were presented with a range of different AEMO and industry models for discussion. While some supported having an industry governance model with weighted industry membership, it was noted that this may facilitate voting blocks. The benefits of having both independent members and industry members were also noted, as were the benefits of having an independent chairperson. Consumer groups expressed a strong interest in having a consumer representative, considering the impacts that advanced metering services are likely to have on consumers.

Nevertheless, there was still concern from some stakeholders that it would be difficult to determine a representative membership for an industry group, and that a membership defined in the NER would be inflexible and lag behind the market conditions. These stakeholders considered that AEMO decision making would avoid these issues.

45 ATA, p.3; ERM, pp.4-5; Simply Energy, p.2.

46 ATA, p.3; EnerNOC, p.1.

47 Red Energy, p.1.

48 ENA, p. 4; Energex, p.2; EnerNOC, p.2.

49 IEC, p.3; Origin, p.1; Simply Energy, p.2.

50 Landis+Gyr, p.1.

51 United Energy, p.6.

4.2.2 Draft advice⁵²

Submissions on the draft advice indicate that general support has increased for an updated IEC model. Of the 21 submissions received, an updated IEC model was supported by DNSPs, large retailers, small retailers and some of the energy service companies. ATA, EDMI and Metropolis still explicitly preferred an AEMO model as they remain concerned that industry members would be conflicted making decisions that benefit their competitors or new entrants. However, these stakeholders acknowledge that the revised membership is an improvement on the current IEC membership and will represent a much broader range of interests.⁵³

EDMI suggested that AEMO should take a stronger role on the IEC, such as taking on the chairperson role, or being able to exercise an overriding 'supervote' for the first few years to ensure decisions are made in the interest of those not yet in the market.⁵⁴

AEMO's submission to the draft advice raised several concerns with an updated IEC model. AEMO notes the risk that industry members may prioritise their own interests over the interests of their competitors, or that industry decision making may result in 'lowest common denominator' decisions. AEMO is concerned that B2B e-hub may end up not supporting cutting edge services or leveraging the future market benefits discussed in AEMO's second piece of advice on a shared market protocol.⁵⁵ AEMO notes that under the proposed framework, IEC members could prioritise industry costs and benefits over the long term interest of consumers. AEMO also questions the oversight of IEC decisions, as AEMO considers that an IEC decision would not be subject to judicial review⁵⁶ and AEMO's ability to veto an IEC decision is very limited.⁵⁷ The Commission has carefully considered all of the issues raised by AEMO and, in addition to the discussion in the body of this advice, has provided specific responses in Appendix B.

While there was otherwise general support for updating the IEC, stakeholders raised a range of concerns with the IEC membership proposed in the draft advice. There was little consensus on how it could be improved, with some conflicting views:

- DNSPs and retailers consider that one retailer member and one DNSP member cannot represent the interests of the varying business models and jurisdictional requirements⁵⁸ and losing the experience of current IEC members during a high workload transition period may result in inefficient decision making.⁵⁹ Energy

52 All references in this section relate to submissions to the draft advice.

53 ATA, p.1; EDMI, p.3; Metropolis, p.2.

54 EDMI, p.3.

55 AEMO 2015, Shared market protocol: part two - advice to the COAG Energy Council, 14 May 2015. Available on the COAG Energy Council website.

56 AEMC considers that judicial review would be available. See comments in section 4.3.4 below.

57 Metropolis also noted the limited oversight of IEC decisions, pp.3-4.

58 AGL, p.4; Energex, p.1; Energy Australia, p.2; ERAA, p.1; Red Energy, p.1; Lumo, p.1; SA Power Networks, p.1; United Energy, p.2.

59 SA Power Networks, p.2; United Energy, p.5.

Australia was concerned that this process would lock in a new membership that included new participants in a market that was not yet certain.⁶⁰ Some stakeholders suggested there should be two DNSP members and two retailer members instead of discretionary members.⁶¹

- Some consider that metering coordinators should have a separate IEC membership from metering providers and metering data providers because of the varying business models⁶² and because of their importance in the new competitive metering framework.⁶³ Ausnet Services considers that service providers should not be voting on decisions and should only be involved in working groups as they are not impacted by decisions.⁶⁴
- While some considered the discretionary members should only come from parties active in the market,⁶⁵ others suggested that the discretionary members and/or independent members should have wider experience, such as in IT or large scale communications.⁶⁶ Energex considered that discretionary members should be appointed by the IEC (instead of AEMO) to give the IEC greater self determination.⁶⁷ Other stakeholders do not support the idea of discretionary members, as they could imbalance membership towards one type of participant.⁶⁸
- There was general support for the consumer member, and little opposition to the AEMO member.⁶⁹

A number of alternative models were proposed:

- The current IEC could simply be expanded to include one third party member and a consumer member⁷⁰ or a consumer member and a metering member.⁷¹
- There could be a transitional IEC to assist with implementation deadlines.⁷² This could include the current IEC plus the additional members. Once B2B procedures

60 Energy Australian, p.3.

61 Energex, p.1; ENA, pp.4-5; Lumo, p.2; Red Energy, p.2.

62 Active Stream, p.2; Lumo, p.2; Red Energy, p.2.

63 Landis+Gyr, p.1.

64 Ausnet, pp.2-3.

65 United Energy, p.6.

66 EDML, p.3.

67 Energex, p.2.

68 NSW DNSPs, p.3; SA Power Networks, p.2.

69 Ausnet Services considers that AEMO should not have a vote due to its other functions on the IEC, p.4. Landis+Gyr was concerned of AEMO's influence given the number of IEC member positions that AEMO held and appointed, p.1.

70 Ausnet Services, p.4.

71 Origin, p.3.

72 ENA, pp.4-5.

are developed, one of the retailer members and one of the DNSP members could be retired.⁷³

- The IEC membership and decision making process could be more flexible by allowing new members over time (which could involve an annual review), not restricting the number of members, or setting out requirements in the IEC handbook, instead of the NER.⁷⁴ Alternatively, the IEC could invite stakeholders that are particularly affected by an issue to exercise a vote on that issue.⁷⁵

Vector suggested that 10 members is too large for the IEC to operate efficiently and that it should be reduced to 7-8 members. This could be achieved by removing an independent member and having only one discretionary member.⁷⁶

Some stakeholders noted that smaller companies may have constrained resources that could affect their ability to be an IEC member. It was suggested that they should have their participation costs covered or the requirements around membership and representation should allow some flexibility.⁷⁷

Several stakeholders raised concerns that parties with multiple entities in their corporate structure may be advantaged in a voting and nomination process. They suggested imposing limitations for these related entities.⁷⁸

4.3 Recommendations

The Commission considers that the updated IEC model best achieves the objectives of this advice and can be designed in a way that mitigates concerns raised by stakeholders around industry involvement in decision making, representation and flexibility to changing market conditions. This section provides an explanation of the recommendations regarding the IEC framework in the NER. It should be read in light of the full IEC framework provided in the proposed rule (see Attachment B).

73 SA Power Networks, p.2.

74 Active Stream, p.2; AGL, p.4; Origin, p.3.

75 Red, p.2; Lumo, p.2.

76 Vector, pp.2-3.

77 IEC, p.1; Metropolis, p.3.

78 Enernoc, p.1; Metropolis, p.3; Red, pp.2-3; Lumo, pp.2-3; United Energy, p.6.

Table 4.1 Overview of recommendations

	Updated IEC
Description	Modelled on the current IEC framework, with some elements of the Reliability Panel ⁷⁹ framework - such as an expanded membership to give broad industry representation, consumer representation and an AEMO chairperson.
Members	<p>1 AEMO member (chairperson)</p> <p>2 independent members (elected by DNSPs, retailers, local retailers, metering coordinators, metering providers, metering data providers and third party B2B participants)</p> <p>1 DNSP member (elected by DNSPs)</p> <p>1 retailer¹ member (elected by retailers and local retailers)</p> <p>1 metering member (elected by metering coordinators, metering providers and metering data providers)</p> <p>1 third party B2B participant² member (elected by third party B2B participants)</p> <p>1 consumer member (appointed by AEMO in consultation with Energy Consumers Australia)</p> <p>Up to 2 discretionary members (appointed by AEMO in consultation with the independent IEC members)</p>
Decision maker	Recommendations on changes to B2B procedures made by IEC, with AEMO approving the recommendation subject to a limited veto power.

¹ A person who holds a retailer authorisation or, in the case of participating jurisdictions that have not introduced the NECF, a person who is registered by AEMO as a customer who engages in the activity of selling electricity to end users.

² A party that is accredited to use the B2B e-hub (see section 7.2) that is not a DNSP, retailer, metering coordinator, metering provider or metering data provider.

As noted in the governance of retail market procedures rule determination, transferring responsibility of B2B procedures to AEMO may be appropriate if the IEC were unable to make efficient decisions or the benefits of industry decision making were outweighed by the costs associated with the practicalities of implementing the IEC.⁸⁰

There are significant benefits to industry involvement in decision making. Given the potential for changes to B2B procedures to have cost impacts for industry participants,

⁷⁹ See rule 8.8 of the NER. The Reliability Panel includes an AEMC chairperson, an AEMO representative and five to eight other persons, five of which must represent each of generators, market customers, DNSPs, transmission network service providers and end use customers of electricity.

⁸⁰ AEMC 2014, Governance of retail market procedures, rule determination, 31 July 2014, pp.9-10.

the incentives on industry to make efficient decisions is likely to be stronger than those on AEMO. Industry is best placed to determine its communication standards and related investment, as they are likely to bear the costs of implementing an IEC decision.

In addition, the B2B procedures will relate to communications between certain registered participants and accredited service providers regarding the supply of electricity to end users. This is different from business to market (B2M) communications contained in MSATS procedures, which relate to data communications with AEMO for settlement purposes. While both B2B and B2M communications are currently supported through the B2B e-hub, B2B communications and B2B procedures are considered industry tools and do not otherwise directly affect the wholesale market or settlement process. Such a function suggests that industry involvement in decision making would be appropriate.

Some stakeholders raised concerns that incumbent users of the B2B e-hub may not make decisions in the long term interests of consumers or that would reduce barriers to entry for new entrants. Some consider that industry representatives would be unable to separate IEC decision making from the competitive interests of their employer. The proposed IEC would be broadly representative of the parties interested in B2B communications. If IEC members do not fulfil the expectations of the parties that voted for them or appointed them, they would not be re-elected or re-appointed, or the IEC election procedures could provide for them to be removed in those circumstances.⁸¹ However, in the Commission's experience, elected members to stakeholder groups take their responsibilities seriously.

It is envisaged that having an AEMO director as the chairperson of the new IEC would help to give effect to the intention that it would be a strategic group. The IEC would be considering the impact of decisions against a broader set of B2B factors and B2B principles. There would also be a significant workload over the next few years and IEC members would not be expected to negotiate the detail of B2B processes in their meetings. That level of detail is anticipated to fall to working groups under the IEC that have more specific technical knowledge and an open membership that allows any interested stakeholder to participate.

While the recommendation is not to transfer responsibility for B2B procedures from the IEC to AEMO, the Commission notes the value in having an AEMO director as the chairperson to provide leadership and focus to IEC decision making. AEMO also has important new roles in appointing the discretionary and consumer members.

4.3.1 IEC Membership

The range of stakeholders that may be impacted by B2B procedures is expected to increase in the future. One of the challenges in considering industry decision making models is determining a membership that adequately includes these new interests:

⁸¹ For example, see section 9 of the IEC election procedures.

- Metering coordinators and other (third party) energy service providers may wish to provide services enabled by advanced meters. These parties may be new to the market.
- Metering providers and metering data providers will work closely with metering coordinators to provide those services. This may result in them sending significantly more communications through the B2B e-hub than they currently do.
- Consumers may also have an increased interest in B2B procedures. New services may be created and offered to consumers and the costs of providing these services may be passed on to consumers.

It is proposed that IEC membership would include an AEMO member, two independent members, one DNSP member, one retailer member, one metering member, one third party B2B participant member, one consumer member, and up to two discretionary members.⁸²

Having only one IEC member from each of these membership groups reduces the likelihood that members will form voting blocks. This model has been effective in the Reliability Panel,⁸³ which includes a broad representation of members making decisions with regard to the NEO. The updated IEC is intended to be broadly representative. It would be impractical to have a member for every different business model and the member categories have been selected to provide broad experience across the parties that have an interest in B2B procedures.

Each of the categories of IEC members would need to be defined in the NER. The following paragraphs explain the recommendations related to each IEC member.

It is proposed that an **AEMO** director would act as chairperson for the IEC.⁸⁴ This arrangement is similar to the Reliability Panel, which has an AEMC commissioner as the chairperson and has been considered successful, in part, because of these arrangements. As chairperson of the IEC, AEMO would be able to provide strategic guidance and focus to IEC decision making, which would remain subject to member voting.

AEMO also has wide ranging industry experience that would be useful to represent the interests of any party not directly represented on the IEC, such as potential new entrants. It has a broad view of developments within the sector and could provide input on opportunities for synergies with other AEMO work where appropriate, such as the gas FRC hub.⁸⁵ Having an AEMO member on the IEC also allows direct AEMO input on the interactions between B2B procedures, MSATS procedures, procedures related to the minimum services specification (as part of the proposed competition in

⁸² Clause 7.17.6(b) of the proposed NER.

⁸³ Set out in rule 8.8 of the NER.

⁸⁴ Clauses 7.17.6(d) and 7.17.10(c) of the proposed NER.

⁸⁵ The gas FRC hub is the gas equivalent of the electricity B2B e-hub.

metering framework) and the B2B e-hub. This may improve the administrative efficiencies of IEC recommendations on B2B procedures.

AEMO would also have a role in developing the initial IEC election procedures and operating manual, it may be the IEC secretariat and it would have a limited veto power over IEC recommendations.⁸⁶ There may be perceived or actual conflicts of interest with AEMO undertaking multiple roles.⁸⁷ However, these risks are unlikely and would be outweighed by the benefits that may be achieved from having an AEMO member on the IEC.

Two independent members are to be included in the IEC. The two independent members must be independent of DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and AEMO. A definition of independence would be incorporated into the NER (rather than being in the IEC election procedures, as is currently the case), to provide certainty and clarity.⁸⁸ A party would be independent from another party if they are not:

- an employee or director of that party; or
- an adviser or consultant to that party where the relationship is a significant source of income for that adviser or consultant.

One stakeholder noted that this requirement of independence may be too restrictive, given the wider range of participants they must be independent from.⁸⁹ While this may be more restrictive than the current requirements, it is an appropriate requirement given independent members should not be perceived as favouring any particular participant. IEC members would also be required to excuse themselves from an IEC decision if they have a material conflict of interest in the decision.⁹⁰

Currently the independent members of the IEC are able to be paid. It is proposed that these arrangements continue.⁹¹

The **DNSP member** is a person who is nominated and elected by registered DNSPs.⁹²

The **retailer member** is a person who is nominated and elected by retailers. A retailer is defined as a party that holds a retailer authorisation or, in the case of participating

⁸⁶ Clause 7.17.5(b) of the proposed NER

⁸⁷ For example, if AEMO decided to exercise its veto power over an IEC recommendation, the AEMO chairperson would have been involved in making that IEC recommendation.

⁸⁸ Clause 7.17.11(a) of the proposed NER.

⁸⁹ EDMI, submission to the draft advice, p.1.

⁹⁰ Clause 7.17.8(a)(5) and (b) of the proposed NER.

⁹¹ Clause 7.17.13(b) of the proposed NER.

⁹² See the amended definition of DNSP member in the proposed NER.

jurisdictions that have not introduced the NECF, a person who is registered by AEMO as a customer who engages in the activity of selling electricity to end users.⁹³

It is recommended that the retailer representative replace the existing local retailer/market customer representative as the new member better reflects the parties that would be impacted by B2B procedures. There are now many retailers that are not local retailers, as a result of retail competition. There are also market customers that are not retailers, such as aluminium smelters and other large users that are not likely to be impacted by B2B procedures. B2B communications are more likely to relate to connection points for small customers,⁹⁴ while large customers are more likely to arrange alternative services that suit their specific needs. However, an interested market customer could still participate in IEC decision making as an independent member, a third party B2B participant member or a discretionary member if it were eligible and elected or appointed into one of those positions.

Although submissions from DNSPs and retailers expressed concern with reducing the number of IEC members to one DNSP and one retailer, this is consistent with the intention that the IEC be broadly representative. There will be varying business models and regulatory obligations for participants in many of the different IEC member categories. Some stakeholders are concerned that the IEC will lose experience and corporate knowledge by reducing the number of DNSP and retailer members. Those interested would be able to participate in the development of B2B procedures through the formal consultation process or possibly through IEC working groups.

The Commission considers that **metering coordinators, metering providers and metering data providers** should have one collective member on the IEC.⁹⁵ It is appropriate that the interests of service providers are represented on the IEC, given they will be integral to the provision of metering services. Although there are potentially different business models and regulatory obligations between these types of companies, they will likely work closely together to provide metering services.

For the purposes of this advice, the **third party B2B participant** is a B2B e-hub participant (see section 7.2) that is not a DNSP, retailer, metering coordinator, metering provider or metering data provider. The member for this group would represent the interests of other parties providing new services that are enabled by advanced meters.⁹⁶ This could include a wide range of companies providing innovative services that are not yet envisaged, or it could include participants that are not otherwise captured. For example, should embedded network managers be created as a new

⁹³ See the new definition of retailer member in the proposed NER. Also see definition of retailer in Chapter 10 of the NER.

⁹⁴ Small customers will have new and replacement meters that meet the minimum services specification and B2B communications will be developed for the services in the minimum services specification.

⁹⁵ See the new definition of metering member in the proposed NER.

⁹⁶ See definition of third party B2B participant member in the proposed NER.

category of participant under the AEMC's embedded networks rule change process and wish to use the B2B e-hub, they would fall into this category of IEC member.⁹⁷

The **consumer member** would represent the interests of small customers of electricity.⁹⁸ Going forward, small customers are likely to become more interested in B2B procedures as some may wish to benefit from services enabled by advanced meters, such as data services or load control services. They may also be interested in the way in which DNSPs or retailers use advanced metering services with respect to their connection point. Any cost impact of decisions by the IEC is likely to impact consumer electricity prices or the cost of services provided by third parties. For these reasons, it is important to include a consumer representative on the IEC to allow direct consumer input on these decisions. The consumer representative is also likely to have useful insights into which new services a significant proportion of consumers are likely to value and should therefore be supported by the B2B procedures.

Up to two **discretionary members** may be included in the IEC at AEMO's discretion. This provides a degree of flexibility in membership and enables the IEC to be broadly representative of parties with an interest in B2B procedures over time. Under the proposed rule, AEMO has the discretion to appoint up to two discretionary members to represent a class of people that AEMO considers has an interest in B2B procedures and those interests are not adequately represented on the IEC. Discretionary members must be independent of AEMO, based on the definition of independence proposed above.⁹⁹ It is also proposed that discretionary members may be paid if that is considered appropriate, as it is not known who they are representing.¹⁰⁰

Some stakeholders have expressed concern that the appointment of discretionary members could favour one type of participant. We consider the discretionary members to be one of the strengths of this IEC model going forward. It allows AEMO to ensure the IEC membership evolves with changing market conditions, without needing to undergo a rule change process.

The alternative models proposed in stakeholder submissions have been closely considered. The Commission has concluded that moving to a broadly representative IEC model is preferable to having specified numbers of members in each IEC member category. This would be the case if the current IEC was expanded with several new members.

Stakeholder suggestions to make the IEC governance arrangements more flexible have not been adopted into this advice. The ability of AEMO to appoint discretionary members provides a degree of flexibility over time and if this became inadequate, membership could be altered through a rule change process. It is preferable to limit the

⁹⁷ If embedded network managers become accredited as a B2B e-hub participant to use the B2B e-hub, they would be a third party B2B participant provided they are not also a B2B e-hub participant in another category (such as a metering coordinator). Accreditation is discussed at section 7.2.

⁹⁸ Clauses 7.17.8(d) and 7.17.11(d)(2)(ii) of the proposed NER.

⁹⁹ Clause 7.17.11(d)(5) of the proposed NER.

¹⁰⁰ Clause 7.17.13(b) of the proposed NER.

number of IEC members to provide a suitable group size and clarity of the voting arrangements. Interested parties may participate at the working group level.

The stakeholder suggestion that the IEC should be able invite an affected group of stakeholders to exercise a formal vote on an issue has not been adopted. The IEC is required to consult publicly on key decisions, such as recommendations to change the B2B procedures, and explain how it has considered submissions (see Chapter 5 of this advice).

It is not proposed that a transitional IEC be created to develop the updated B2B procedures. This would create significant legal complexity and is not necessary given there will be opportunities for parties not on the IEC to participate through working groups and consultation on the proposed B2B procedures. It is preferable that the new IEC would be responsible for recommending the B2B procedures.

4.3.2 Election and appointment of members

Under the proposed NER, certain requirements regarding the nomination and appointment process for IEC members would be incorporated into the NER (rather than the IEC election procedures, as is currently the case), to provide certainty and clarity of the process. These particular requirements are an important feature of the overall framework as they balance the membership of the IEC between different interests.

Similar to the current arrangements, the representatives for DNSPs, retailers, metering coordinators/metering providers/metering data providers and third party B2B participants would be nominated and elected by the category of registered participant and/or accredited party the relevant member is representing. The two independent members would be nominated and elected by DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.¹⁰¹

The consumer representative would be appointed by AEMO in consultation with Energy Consumers Australia.¹⁰² Energy Consumers Australia has been selected for this task because it is a national energy consumer advocacy body on national energy market matters of strategic importance and material consequence for energy consumers, in particular household and small business consumers.

Up to two discretionary members may be appointed by AEMO in consultation with the two independent IEC members. In appointing the discretionary members, AEMO would consider the parties that have an interest in B2B procedures and whether those interests are adequately represented on the IEC. The discretionary members must be independent of AEMO.¹⁰³

¹⁰¹ Clauses 7.17.10(e) to (i) of the proposed NER.

¹⁰² Clause 7.17.10(b) of the proposed NER. Energy Consumers Australia is a consumer advocate on national energy market matters, established by the COAG Energy Council in January 2015. See www.energyconsumersaustralia.com.au.

¹⁰³ Clauses 7.17.10(d) and 7.17.11(d)(5) of the proposed NER.

Some stakeholders raised concerns with AEMO appointing the discretionary members. However, AEMO is in a good position to identify the potential gaps in experience and representation on the IEC and would appoint these members in consultation with the industry elected independent IEC members. As a result, there would be five to six industry elected IEC members (including the two independent members), one to three IEC members appointed by AEMO and the AEMO member.

Other stakeholders suggested that discretionary positions should be used to incorporate IT or communications experience into IEC decision making. This would be possible to the extent that AEMO considers these are a class of people that have an interest in B2B procedures and those interests are not adequately represented on the IEC. Should industry or the IEC otherwise consider this experience is necessary, they would be able to elect an independent member that has this experience (so long as all other requirements in the NER are satisfied) or engage that person to provide advice to the IEC.

It is also proposed that the requisite qualifications for IEC members would be elevated into the NER.¹⁰⁴ While these requirements have not changed significantly from the current knowledge requirements outlined in the IEC election procedures, the intention is that IEC members should have at least a basic understanding in each of the listed knowledge requirements. It is not necessary that they be experts in each of these areas. Voters would need to ensure that the person they are nominating and electing meets these requirements.

This supports the intention that the new IEC would be a strategic group, with working groups set up to carry out the detailed technical work. While it is important that each of the IEC members are able to understand their recommendations and the implications, it is more important that they have complementary expertise and are able to engage in robust discussion on how the B2B procedures can be developed in a way that is consistent with the NEO, the B2B factors and B2B principles.

It is worth noting that there may be few or no third party B2B participants, particularly in the early years of the updated IEC. It is proposed that the third party B2B member need only be elected to the IEC once there is at least one third party B2B participant accredited with AEMO that has nominated a person for election as a member of the IEC.¹⁰⁵ While third party B2B participants may be smaller businesses that may not have resources to be an IEC member themselves, they may elect a suitable representative outside of their business to the position. The IEC may have some scope to address the potential resourcing issues by making the requirements in the IEC election procedures and operating manual conducive to smaller IEC representatives. As the market develops the number and size of third party B2B participants may increase. However, the IEC may need to operate for some periods without a full membership. The proposed NER would allow for this possibility (see section 4.3.4 below).

¹⁰⁴ See rule 7.17.11 of the proposed NER.

¹⁰⁵ Clause 7.17.6(b)(1)(vii) of the proposed NER.

In addition, there may be no registered metering coordinators when the new IEC is initially formed (see the implementation timeframes in Chapter 8). As a result, the first metering member would be elected by accredited metering providers and metering data providers. The IEC election procedures could provide a trigger for re-election once metering coordinators are registered as registered participants.

Nomination and voting restrictions for related entities

Currently, some companies have multiple legal entities that are separately registered with AEMO. As a consequence, they receive multiple votes in the IEC processes. This has not been a significant issue under the current arrangements, given there are three retailers and three DNSPs on the IEC.

Stakeholders raised concerns that if multiple related bodies corporate¹⁰⁶ are registered in an IEC voter category then it would be possible for them to use multiple votes to elect their candidate to the IEC.

There are several scenarios to consider in the proposed new IEC framework. Some companies will have multiple related bodies corporate within an IEC member category (such as AGL's retailer businesses in each state and territory) or one corporate entity with multiple accreditations within one voter category (such as Metropolis as both a metering provider and metering data provider). It is recommended that these related entities will collectively only have one vote within their member category, and one vote for independent IEC members. This would prevent distortions that may otherwise arise from related entities being able to vote multiple times for IEC members.¹⁰⁷

Another scenario is where a company has related bodies corporate across two or more IEC member categories, such as Energex's DNSP business and its metering provider and metering data provider business (Metering Dynamics). It is recommended that in this scenario, the related bodies corporate should be able to exercise one vote in each of their IEC member categories (but as discussed above, only one vote in the metering member category). With regard to voting for the independent members, it is proposed that every group able to vote in their separate member categories would receive a vote for the independent members. For example, a company that has both retailer and metering coordinator registrations will receive two votes for the independent members.¹⁰⁸

Figure 4.1 provides an example of two sets of companies and their voting rights under the proposed arrangements. The light blue companies include two retailers and a metering provider/metering data provider. The dark blue companies include a DNSP, metering coordinator and metering provider/metering data provider.

Under this example, retailers A and B will be able to exercise one vote collectively for the retailer member and one vote collectively for the independent members.

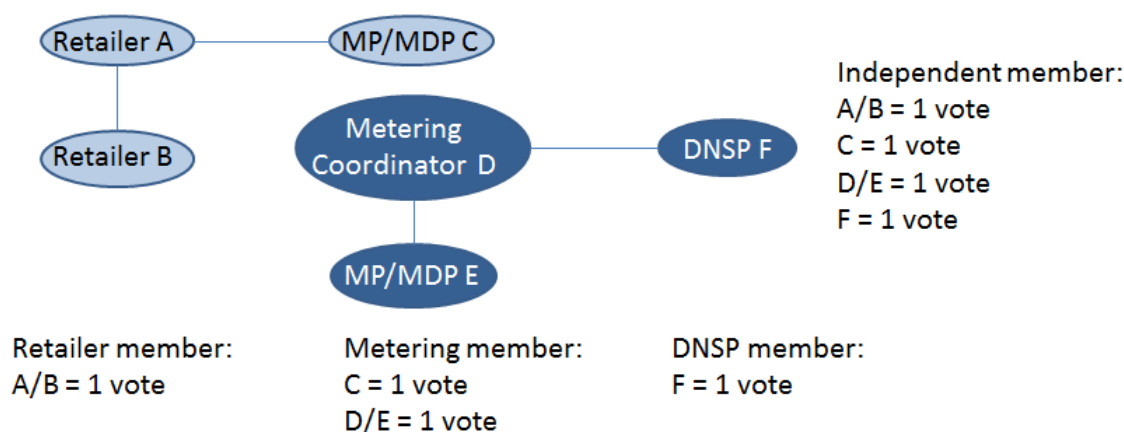
¹⁰⁶ Related bodies corporate under the Corporations Act include a holding company and its subsidiaries, or two or more companies that are subsidiaries of the same holding company.

¹⁰⁷ Clause 7.17.10(j) and (k) of the proposed NER.

¹⁰⁸ *ibid.*

MP/MDP C will be able to exercise one vote for the metering member and one vote for the independent members. Metering coordinator D and MP/MDP E will be able to exercise one vote collectively for the metering member and one vote collectively for the independent members. DNSP F will be able to exercise one vote for the DNSP member and one vote for the independent members.

Figure 4.1 Voting for related entities



4.3.3 IEC procedures

Currently the detail on IEC nomination and election requirements and IEC operation are outlined in the IEC election procedures and operating manual. These documents would need to be updated following any amendments to the IEC framework in the NER. The Commission's recommendation is that a transitional provision be introduced that would require AEMO to develop the first election procedures and operating manual for the new IEC (see Chapter 8 of this advice).

The Commission understands that the first IEC election procedures and operating manual for the current IEC were developed by industry as part of the package of documents that was submitted to National Electricity Code Administrator¹⁰⁹ for consultation and implementation. Some stakeholders have suggested that the current IEC could develop the IEC election procedures and operating manual for the new IEC, instead of AEMO. However, the parties that would be voting on those procedures under the current framework (DNSPs, market customers and local retailers) do not represent the range of stakeholders that would be involved in the new IEC. For this reason, the recommendation is that AEMO should develop the first IEC election procedures and operating manual in consultation with industry.

Subsequent changes to the IEC election procedures and operating manual would remain subject to voting by industry, but slightly modified from the current

¹⁰⁹ In 2005, the National Electricity Code Administrator functions were replaced by the AEMC and AER.

arrangements to take account of the new IEC membership.¹¹⁰ Changes to the IEC election procedures or operating manual would require the support of at least 75 per cent of the registered participants or accredited parties (as the case may be) in each of at least three of the following four groups:

- DNSPs;
- retailers;
- metering coordinators/ metering providers/ metering data providers; and
- third party B2B participants.

The Commission does not consider it necessary to give consumers a vote on the IEC election procedures and operating manual. There would be practical difficulties in determining which consumers should participate in the voting. Instead, consumer views on the IEC election procedures and operating manual will be part of the IEC considerations prior to voting, through input by the consumer member.

4.3.4 Meetings and decision making

Currently, the quorum for IEC meetings is five (out of eight) members, comprising two DNSP members, two local retailer/market customer members, and one independent member.¹¹¹

The new IEC will have between seven and ten members, given there would not be a third party B2B participant member initially¹¹² and AEMO may choose not to appoint any discretionary members. The Commission's recommendation is that the quorum for a meeting would be five (out of seven or eight) members or six (out of nine or ten) members, one of which must be the AEMO member as chairperson.¹¹³ While some stakeholders suggested that particular members must be present,¹¹⁴ there is generally only one IEC member from each stakeholder group and in practice voting requirements will mean key decisions can only be made if a significant majority of members is present.

The NER also currently sets out the number of members that must support particular IEC decisions.¹¹⁵ The Commission's recommendation is to retain an approach that is proportional to the current requirements. Given the number of members on the IEC would be between seven and ten members, a decision of the IEC to recommend a new

¹¹⁰ See rule 7.17.12 of the proposed NER.

¹¹¹ Clause 7.2A.2 (l) of the NER.

¹¹² The new IEC would be formed prior to an accreditation process for third party B2B participants. In addition, going forward there may be periods where there are no third party B2B participants using the B2B e-hub.

¹¹³ Clause 7.17.9(b) of the proposed NER.

¹¹⁴ NSW DNSPs, submission to the draft advice, p.3.

¹¹⁵ See clause 7.2A.2(m) of the NER.

B2B procedure, a change to existing B2B procedures or the approval of an IEC works program¹¹⁶ would require the support of 70 per cent of IEC members, rounded up to the next whole number. Any other decision of the IEC would require the support of 60 per cent of IEC members, rounded up to the next whole number.¹¹⁷ The following table provides an overview of the proposed requirements.

Table 4.2 Proposed IEC quorum and decision making requirements

Number of IEC members ¹¹⁸	7	8	9	10
Quorum	5	5	6	6
Votes required for a B2B recommendation or IEC works program decision	5	6	7	7
Votes required for other IEC decisions	5	5	6	6

Some stakeholders are concerned that the new IEC will make decisions at the 'lowest common denominator'. While this is a theoretical risk with group decision making, the proposed IEC model does not require consensus and decisions can be made where a few IEC members are absent or disagree with a decision.

Oversight of IEC decision making

Similar to the current IEC framework, AEMO would have a limited veto power over IEC recommendations.¹¹⁹ AEMO may only veto an IEC recommendation where it considers that the NEO, B2B factors¹²⁰ and/ or B2B principles have not been considered, there is an inconsistency with MSATS procedures, or the rules consultation procedures have not been followed.¹²¹ While these occurrences may be unlikely, particularly given AEMO's membership on the new IEC, it is an appropriate safeguard for AEMO given their responsibility as the party that approves and makes the B2B procedures and operates the B2B e-hub.¹²²

¹¹⁶ The work program prepared by the IEC in respect of the development, implementation and operation of the B2B procedures and other matters which are incidental to effective and efficient B2B communications.

¹¹⁷ Clause 7.17.9(c) of the proposed NER.

¹¹⁸ Note this is the total number of IEC members and not the number of IEC members present at a given meeting.

¹¹⁹ Clause 7.2A.3(k) of the NER.

¹²⁰ B2B factors are discussed in Chapter 5 of this advice.

¹²¹ Clause 7.17.5(b) of the proposed NER.

¹²² AEMO's decision to approve or not approve B2B procedures is subject to judicial review. In practice, however, as a Court can only review the lawfulness of AEMO's decision (based on the limited grounds it has to veto an IEC recommendation), a flaw in the IEC's recommendation could not form the basis for the review of AEMO's decision unless the flaw was one of those matters that would give rise to an ability for AEMO to exercise its veto power and AEMO failed to exercise that power.

In addition to AEMO's limited oversight role referred to above, a person aggrieved by an IEC recommendation in relation to the B2B procedures or AEMO's B2B decision:

- may seek merits review of the decision under the B2B dispute resolution process under chapter 8 of the NER; and/or
- challenge the lawfulness of an IEC recommendation or AEMO's B2B decision by seeking common law judicial review.

In practice, given that judicial review will focus on the lawfulness of the decision, rather than its merits, person aggrieved by the IEC's recommendation are likely to find the B2B dispute resolution process under chapter 8 of the NER a more accessible and, in most cases, appropriate avenue for challenging IEC decision making. In addition, as the granting of common law judicial review is discretionary, a Court may not grant relief if the party seeking judicial review has not first sought merits review of the relevant decision under chapter 8 of the NER.

4.4 Other options considered

The Commission considered a number of governance options for establishing and maintaining the B2B procedures, including an AEMO model and various adaptations to the existing IEC framework and other frameworks such as the Reliability Panel.¹²³

AEMO governance model

Under the AEMO model, AEMO would be responsible for establishing and maintaining the B2B procedures in accordance with the requirements set out in Chapter 5 of this advice. AEMO would be required to undertake formal consultation under the rules consultation procedures. As with its management of other procedures, the Commission anticipates that under this framework, AEMO would set up a working group or consultative forum to provide early input on issues before formal consultation is carried out.

B2B Panel

A B2B Panel option was loosely modelled on the Reliability Panel framework. Membership included a representative for DNSPs, retailers, metering coordinators/metering providers/metering data providers, third party B2B participants, consumers and two discretionary members.

Under the B2B Panel option, AEMO would be the chairperson and secretariat. AEMO would also be responsible for nominating and appointing all of the members. However, the representatives for DNSPs, retailers, metering coordinators/metering providers/metering data providers and third party B2B participants must have the support of at least one third of the relevant class of registered participant or accredited service provider. The consumer representative would be appointed by AEMO in

¹²³ Set out in rule 8.8 of the NER.

consultation with Energy Consumers Australia. The discretionary members would be appointed by AEMO.

Recommendations about B2B procedures would be agreed by majority vote, or where members are equally divided on a matter, the chairperson would have a casting vote.

Other variations to an updated IEC

The Commission considered a large number of different possibilities for updating the membership of the IEC. Some examples that were discussed at the stakeholder workshop include:¹²⁴

- Expanding the current IEC membership and having a different number of members in each membership category. This 'weighting' could be based on the cost impact on each category, for example if parties in that category use the B2B e-hub more often, or there are more parties in that category using the B2B e-hub.
- Expanding the current IEC membership and having only one IEC member for each membership category.
- Changing the IEC membership such that the majority of members are independent members.
- Changing the IEC membership such that all members are independent members.

¹²⁴ The presentation from the stakeholder workshop is published on the AEMC website.

5 Making and amending B2B procedures

Box 5.1 Recommendations

The Commission recommends that B2B procedures must, in addition to the existing content requirements set out in the NER, provide for B2B communications to support each of the services in the minimum services specification.

The IEC may include B2B communications relating to other services in the B2B procedures where they relate to 'an end user or supply to an end user'.

When making recommendations for changes to B2B procedures, the IEC must have regard to the NEO and B2B factors, and give effect to the B2B principles.

The existing B2B principles would be updated and new B2B factors introduced to reflect the new users of and services provided through the B2B e-hub. The new B2B factors would require the IEC to have regard to:

- 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 compared to the likely benefits from B2B communications;
- the likely impacts on innovation in, and barriers to entry to, the market for services facilitated by advanced meters resulting from making the new B2B procedure or changing the existing B2B procedures; and
- the implementation timeframe necessary for AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants to implement relevant changes to be compliant with any new B2B procedure or change to existing B2B procedures.

For the purposes of complying with the rules consultation procedures when consulting on a new B2B procedure or change to an existing B2B procedure, the IEC would be required to:

- notify the following parties about consultation: DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and other people who, in the IEC's reasonable opinion, have, or have identified themselves to the IEC as having, an interest in the B2B procedures; and
- include in the draft and final reports that are published as part of the rules consultation process, details of the IEC's consideration of the NEO, B2B factors and B2B principles.

5.1 Introduction

Given the Commission's recommendation that the shared market protocol would be implemented by updating the existing IEC and B2B framework in the NER, this chapter outlines the recommendations on how the IEC would develop and maintain the B2B procedures.

This chapter covers:

- stakeholders' views on the criteria for decision making, expressed in submissions to the consultation paper, in the stakeholder workshop and in submissions to the draft advice; and
- the Commission's recommendations and rationale for the proposed content of B2B procedures, objectives for IEC decision making and process for decision making.

5.2 Stakeholder views

5.2.1 Consultation paper and stakeholder workshop¹²⁵

In submissions to the consultation paper, stakeholders generally considered that an objective and principles were important to guide the decision making of the body that would be responsible for maintaining the B2B procedures. These views were reinforced at the stakeholder workshop where stakeholders agreed that the NER should set out a clear process and criteria for decision making.

Stakeholders generally supported the NEO as a consideration for the decision maker.¹²⁶ Some stakeholders noted the existing B2B principles are still relevant,¹²⁷ while others noted the B2B objective and principles as currently drafted would no longer represent the expected range of users and evolving nature of services.¹²⁸ Some of the new principles that could be included were:

- cost impacts for B2B users;¹²⁹
- consumers' interests;¹³⁰
- supporting innovation;¹³¹

¹²⁵ All references in this section relate to submissions to the consultation paper.

¹²⁶ ERM, p.6; Lumo, p.2; Metropolis, p.3; Red Energy, p.1.

¹²⁷ Ergon, p.4; Energex, p.3; Landis+Gyr, p.2; Simply Energy, p.4.

¹²⁸ Energy Australia, p.4; IEC, p.2; Origin Energy, p.1; Simply Energy, p.3.

¹²⁹ AGL, p.3; Energy Australia, p.4; Simply Energy, p.3.

¹³⁰ AGL, p.4; ATA, p.4; Lumo, p.2; Red Energy, p.1.

¹³¹ ATA, pp.3-4.

- making decisions in a timely manner;¹³²
- improved transparency of decision making;¹³³
- ensuring reliability, safety and security of supply (recognition of network obligations);¹³⁴ and
- compliance with jurisdictional safety regulation.¹³⁵

Vector suggested that the body responsible for maintaining the B2B procedures could be responsible for developing the principles for decision making.¹³⁶

Some small retailers suggested that having a suitable decision making process and criteria is more important than the identity of the body responsible for maintaining B2B procedures, as a comprehensive framework should guide any decision maker to an appropriate outcome. These parties and the IEC also noted that parties that are not part of the relevant working group are unable to provide input on issues prior to formal consultation under the rules consultation procedures. Early consultation could be broader and more formalised.¹³⁷

In addition, several stakeholders considered that an 'expedited change management process' should be available to enable the shared market protocol to quickly support new services. This may be useful where there are rapidly changing market conditions.¹³⁸

5.2.2 Draft advice¹³⁹

In submissions to the draft advice, stakeholders expressed general support for the content of B2B procedures and B2B principles. However, specific comments were raised on certain issues.

Some stakeholders were concerned that the content requirements for B2B procedures only related to services in the minimum services specification. Some suggested that the IEC should be specifically required to consider other services, such as services that would support the delivery of network services (particularly load control).¹⁴⁰ There was some agreement that the B2B procedures should include performance

132 ERM, p.6; Red Energy, p.2; Simply Energy, p.4.

133 Energex, p.3; Lumo, p.2; Red Energy, p.2.

134 ENA, p.2.

135 United Energy, p.1.

136 Vector, p.3.

137 IEC, p.4.

138 ERM, p.5; Simply Energy, p.3.

139 All references in this section relate to submissions to the draft advice.

140 Ausnet Services, p.7; Energex, p.2; ENA, p.7; SA Power Networks, pp.2-3.

requirements for the B2B e-hub,¹⁴¹ although AEMO noted its concern with being required to provide an e-hub that can meet those requirements without an adequate cost recovery mechanism.¹⁴²

Several stakeholders suggested that the IEC should be responsible for determining the service levels for services in the minimum specification, as this would give IEC end to end responsibility for the B2B requirements¹⁴³

While parties supported the policy intent of the new B2B principles, many stakeholders suggested alterations to the wording of those principles.¹⁴⁴ It was suggested that the NEO and B2B principles may be in conflict and that competitive companies may be conflicted in applying some of them.¹⁴⁵ Active Stream suggested that the IEC should be able to add or remove principles (with the agreement of industry) to ensure they remain relevant over time.¹⁴⁶

With regard to the process for decision making, the proposed requirements around consultation and notification were generally supported. Metropolis suggested that there should be more requirements to disclose other activities, such as making submissions to external processes.¹⁴⁷ United Energy considers that a requirement for the IEC to consult with AEMO on costs is not necessary, as AEMO will be a member of the IEC and well integrated into the change process.¹⁴⁸

5.3 Commission's assessment

This section discusses whether the content requirements for B2B procedures in the NER should be amended, whether the existing B2B objectives and principles are suitable, and whether the IEC's current decision making process for B2B procedures is suitable going forward.

5.3.1 Content of B2B procedures

The NER currently includes requirements for the content of B2B procedures, such as the ability to impose obligations on parties under the procedures and content and format requirements for B2B communications.¹⁴⁹ B2B communications are broadly

¹⁴¹ Landis+Gyr, p.2; United Energy, p.9.

¹⁴² AEMO, p.5.

¹⁴³ Ausnet Services, pp.5-6. IEC, p.3.

¹⁴⁴ Ausnet Services, pp.4-5; Energy Australia, pp.2-3, ERAA, p.3; IEC, p.3; Origin, p.3; Red Energy, pp.3-4; Lumo, pp.3-4; United Energy, p.9.

¹⁴⁵ Metropolis, p.3

¹⁴⁶ Active Stream, p.2.

¹⁴⁷ Origin, p.4; Metropolis, p.3.

¹⁴⁸ United Energy, p.9.

¹⁴⁹ Clause 7.2A.4 of the NER.

defined as communications between certain parties relating to an end-user or supply to an end user.¹⁵⁰

The Commission recommends that a new requirement be introduced in the NER to ensure that B2B procedures provide for B2B communications to support each of the services set out in the minimum services specification (as proposed in the competition in metering draft determination).¹⁵¹

These services should be supported as a minimum as they are the services most likely to be accessed by parties and are defined in the NER. They are expected to deliver benefits to the majority of small customers receiving those services and all new and replacement metering installations must be capable of providing these services under the competition in metering draft rule determination.¹⁵²

The IEC may also include content related to other communications in the B2B procedures.¹⁵³ The definition of B2B communications (relating to an end user or supply to an end user) is broad enough to include communications related to advanced metering services as well as continuing to include the existing B2B communications contained in the B2B procedures.¹⁵⁴ Noting the concerns raised by DNSPs about other commonly used services such as load control not being included in B2B procedures, the Commission expects that the IEC would consider whether to also include these services in the B2B procedures. The IEC is the most appropriate body to decide what additional services should be included in B2B procedures. As explained in AEMO's first advice, the shared market protocol is also expected to support free format requests that could be used for any service, and the Commission expects that the IEC would include content related to those communications in the B2B procedures.

B2B procedures would be able to include performance requirements for the B2B e-hub.¹⁵⁵ The advanced metering services that will be offered through the B2B e-hub will rely more heavily on near instant delivery times, meaning that the performance of the hub may be vital for some services (see section 6.3.2).

150 B2B communications are defined in Chapter 10 of the 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.

151 Clause 7.17.3(a)(1) of the proposed NER.

152 See Appendix C1 in the competition in metering draft rule determination for a full explanation of the proposed requirements related to the minimum services specification.

153 Clause 7.17.3(a)(2) of the proposed NER.

154 The definition of B2B communications will be broadened by referring to communications between B2B parties, which includes DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants. Currently, B2B communications are only between DNSPs, local retailers and market customers. This will have the effect of extending the types of services that can be provided for in B2B procedures.

155 Clause 7.17.3(a)(5) of the proposed NER. An example of a performance requirement is the timeframe in which the B2B e-hub is required to process communications.

The B2B procedures must also allow parties to communicate outside the B2B e-hub if they agree to do so.¹⁵⁶ Further details regarding the requirements on parties to comply with B2B procedures and use the B2B e-hub are set out in section 7.3.

5.3.2 B2B objective and principles

Currently, IEC members must have regard to the B2B objective and B2B principles in exercising any right, power or discretion under the B2B arrangements.¹⁵⁷ In addition, when making decisions about B2B procedures, the IEC must seek to achieve the B2B objective and have regard to the B2B principles.¹⁵⁸

The current B2B objective states that "the benefits from B2B communications to local retailers, market customers and distribution network service providers as a whole should outweigh the detriments to local retailers, market customers and distribution network service providers as a whole".¹⁵⁹

The current B2B principles are that the B2B procedures should:

- provide a uniform approach to B2B communications in participating jurisdictions in which there are no franchise customers;¹⁶⁰
- detail operational and procedural matters and technical requirements that result in efficient effective and reliable B2B communications;
- avoid unreasonable discrimination between local retailers, market customers and distribution network service providers; and
- protect the confidentiality of commercially sensitive information.

The recommendation is to amend the decision making framework such that the IEC must have regard to the NEO and, in doing so, take into account the B2B factors. The IEC must also, to the extent they are consistent with the NEO, give effect to the revised B2B principles.¹⁶¹

As a result, the current B2B objective would no longer apply. However, the consideration of cost impacts (included in the current B2B objective) would instead become a B2B factor (see below).

The Commission recommends removing the reference to franchise customers in the first B2B principle. The principle would be that "B2B procedures should provide a

¹⁵⁶ Clause 7.17.3(a)(4) of the proposed NER.

¹⁵⁷ Clause 7.2A.2(n) of the NER.

¹⁵⁸ Clause 7.2A.3(j) of the NER.

¹⁵⁹ Chapter 10 of the NER.

¹⁶⁰ A franchise customer is a customer that must purchase electricity from its local retailer as retail competition does not apply.

¹⁶¹ Clause 7.17.4(q) of the proposed NER.

uniform approach to B2B communications in participating jurisdictions". When this principle was first applied, franchise customers were relevant as not all jurisdictions had applied retail competition. Now that there are very few franchise customers, it is not necessary to treat those jurisdictions differently with regard to the approach to B2B communications.¹⁶²

The other existing B2B principles would be updated to reflect the new set of users of the B2B e-hub.

The revised B2B principles would be:¹⁶³

- B2B procedures should provide a uniform approach to B2B communications in participating jurisdictions.
- B2B procedures should detail operational and procedural matters and technical requirements that result in efficient, effective and reliable B2B communications.
- B2B procedures should avoid unreasonable discrimination between DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.
- B2B procedures should protect the confidentiality of commercially sensitive information.

The new B2B factors would be:

- 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 compared to the likely benefits from B2B communications.
- The likely impacts on innovation in, and barriers to entry to, the market for services facilitated by advanced meters resulting from making the new B2B procedure or changing the existing B2B procedures.
- The implementation timeframe necessary for AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants to implement relevant changes to be compliant with any new B2B procedure or change to existing B2B procedures.

A requirement for the IEC to 'have regard to' the NEO is similar to the requirements on AEMO¹⁶⁴ and the AEMC¹⁶⁵ to carry out its functions having regard to the NEO. It is not considered necessary to make this requirement any stronger for the IEC, as the new

¹⁶² No stakeholders raised any issues with this proposal in submissions to the draft advice.

¹⁶³ See definition of B2B principles in the proposed NER.

¹⁶⁴ Section 49(3) of the NEL.

¹⁶⁵ Section 32 of the NEL.

B2B factors would also provide some guidance to the IEC on making decisions that are consistent with the NEO.

We note some stakeholder concern that having no overarching objective may result in IEC members making decisions that favour low business costs over the long term interests of consumers. It is not necessarily true that decisions that minimise compliance costs for businesses are not in the long term interests of consumers, as high compliance costs may ultimately result in higher prices for end users. However, the requirement for the IEC to have regard to the NEO means that in practice, the IEC would be guided to make decisions that are consistent with the NEO. In addition, the IEC may only consider the B2B factors and B2B principles to the extent they are consistent with the NEO.¹⁶⁶

To the extent there are any conflicts between the B2B principles, the IEC may determine which of those principles should prevail.¹⁶⁷ This enables the IEC to weigh up the B2B principles against each other and, having regard also to the NEO and B2B factors, achieve the best outcome for B2B e-hub participants and consumers as a whole. It is expected that the B2B factor related to benefits to consumers from improved innovation and lower barriers to entry will guide the IEC to consider the interests of new entrants to the market.

While a B2B factor on making decisions in a timely manner has not been recommended, there is a B2B factor to consider the impacts of implementation timeframes. This should guide the IEC to have regard to whether it should initially make a smaller B2B procedure covering a reduced set of services that can be quickly implemented, or a larger B2B procedure that may take longer to implement.

5.3.3 Procedural requirements for decision making

The method for making and amending B2B procedures is currently contained in clause 7.2A.3 of the NER. The Commission is not recommending significant change to this process, but notes it will need to be updated to reflect the wider group of parties that may be impacted by B2B procedures.

Before the IEC consults on a proposal to amend the B2B procedures, it must seek AEMO's advice on whether there are any conflicts with MSATS procedures.¹⁶⁸ This requirement would be expanded to include consulting with AEMO on whether the changes that would be required to the B2B e-hub as a consequence of the procedure change and the likely costs involved, for inclusion in the consultation documents.¹⁶⁹ Even though AEMO would be involved in the IEC as chairperson, these requirements formalise the consultation between AEMO and the IEC on these topics and enable

¹⁶⁶ Clause 7.17.4(q) of the proposed NER.

¹⁶⁷ Clause 7.17.4(r) of the proposed NER.

¹⁶⁸ Clause 7.2A.3(d) of the NER.

¹⁶⁹ Clause 7.17.4(i)(2) of the proposed NER.

stakeholder feedback on whether they see value in the amendment given the potential implementation costs.

The IEC is currently required to comply with the rules consultation procedures set out in rule 8.9 of the NER and supplemented by clause 7.2A.3 of the NER.

Local retailers, market customers, DNSPs and AEMO are currently nominated as the parties that must be notified of a consultation process. This would be amended to refer to AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and such other people who have identified themselves to the IEC as having an interest in B2B procedures.¹⁷⁰

The IEC is currently required to publish draft and final reports as part of the consultation process. Among other things, these are required to include details on how the IEC has considered the B2B objective and principles and how it has considered each submission having regard to the B2B objective and principles.¹⁷¹ It is recommended that the nature of this obligation be changed to require the IEC to provide details on how it has considered the NEO and each of the B2B factors and B2B principles (as listed above) and how the IEC has considered each submission having regard to the NEO, B2B factors and the B2B principles.¹⁷²

With regard to the introduction of an expedited change management process, this may not be necessary given the expected availability of free format requests within the B2B e-hub.¹⁷³ AEMO has advised that an upgraded B2B e-hub would support both defined format requests (for specific B2B communications) and free format requests (essentially peer to peer communications).¹⁷⁴ While there would be some defined fields to enable routing, the message itself would likely have flexible free text elements. Parties would be able to use free format requests to communicate new services until those services were (if ever) supported by B2B procedures as defined format requests.

¹⁷⁰ Clauses 7.17.4(j) and (k) of the proposed NER.

¹⁷¹ Clauses 7.2A.3(g) and (h) of the NER.

¹⁷² Clauses 7.17.4(l) and (m) of the proposed NER.

¹⁷³ See section 5.3.1. The Commission would expect the IEC to consider whether this type of B2B communication should be included in B2B procedures.

¹⁷⁴ AEMO 2015, Shared market protocol: part two - advice to the COAG Energy Council, 14 May 2015, pp.8-9.

6 IT platform

Box 6.1 Draft recommendations

The Commission's recommendation is that AEMO must provide and operate the B2B e-hub.

The B2B e-hub must facilitate B2B communications that are listed in the B2B procedures, which would include communications related to each of the services set out in the minimum services specification. It must also meet the performance standards specified in the B2B procedures.

6.1 Introduction

This chapter covers:

- AEMO's advice on IT requirements for implementing a shared market protocol;
- stakeholder views on having a shared IT platform; and
- the Commission's assessment regarding the development and operation of the B2B e-hub.

6.1.1 Background

As discussed in section 2.2, the AEMC's open access advice considered the form of the communications between parties seeking access to services from advanced meters. It also considered the parties that would be responsible for managing access to advanced meter functionality (according to the competition in metering draft rule determination, this would be the metering coordinator). The open access advice recommended that a standard form of communications be adopted in order to reduce barriers to entry for new retailers and energy services providers. That is, parties that wished to communicate in relation to advanced metering services would only need to develop a single protocol.¹⁷⁵

The open access advice also recommended that a shared market protocol should be implemented by extending the current B2B arrangements. Having a shared IT platform to facilitate communications for advanced metering services, in addition to shared processes and procedures, further reduces the barriers to entry for new retailers and energy services providers.¹⁷⁶

¹⁷⁵ AEMC 2014, Framework for open access and common communication standards, report, 31 March 2014, pp.14-15.

¹⁷⁶ *ibid*, pp.20-21.

6.1.2 AEMO's advice on implementing a shared market protocol

As discussed in section 2.5, in order to facilitate the development of the shared market protocol through an enhanced B2B e-hub, AEMO was requested by the COAG Energy Council to provide an assessment of the IT requirements that would be necessary to enhance the B2B arrangements.¹⁷⁷

The key findings in relation to the IT requirements were that:

- The existing B2B e-hub used for communications in relation to electricity consumers is based on file transfer protocol (FTP) and it would not deliver the near instant communications necessary to enable all the potential benefits of services from advanced services. In particular, the platform for the shared market protocol would need to deliver communications within one to five seconds.
- The B2B e-hub could be upgraded to provide increased performance including near instant communications, the use of more modern web portal interfaces and more advanced technologies.
- The intermediate IT platform proposed by AEMO¹⁷⁸ would allow its users to communicate using the existing FTP systems at near zero cost (some minor testing requirements are anticipated) or they could develop more advanced IT systems, including near instant communications. This means the users of the upgraded IT platform would only need to upgrade their IT systems if they considered it was efficient to do so.
- The proposed IT platform could also include additional business to market (B2M) functionality where stakeholders communicate with AEMO, such as when providing data and information to MSATS.

6.2 Stakeholder views

The consultation paper did not specifically ask stakeholders whether a shared IT platform (the B2B e-hub) was desirable, as it did not distinguish between the IT platform and the associated messaging. However, EDMI noted that it would be more accurate to use the term 'shared market messaging' instead of 'shared market protocol'. The introduction of 'shared market messaging', in which only the format and content of communications between parties is defined and parties are free to use any standard protocol, would reduce compliance costs, encourage systems innovation, allow efficient adaption to new security requirements and makes it easier for new entrants to enter the market.¹⁷⁹

¹⁷⁷ AEMO 2015, Shared market protocol: part one - advice to the COAG Energy Council, 11 March 2015. Available on the COAG Energy Council website.

¹⁷⁸ The intermediate IT platform includes the ability to deliver messages and transactions (including peer to peer messages) but does not include a 'data store'.

¹⁷⁹ EDMI, submission to the consultation paper, p.1; EDMI, submission to the draft advice, p.2.

At the stakeholder workshop, the majority of stakeholders agreed that a shared IT platform was desirable as it would enable verification of parties and security for the transfer of information. Stakeholders also considered that having one centralised communication point is less costly and more simple to deal with.

Stakeholders acknowledged that the existing B2B e-hub would need to be upgraded as 'near instant' messaging is not currently supported. When considering the different models put forward in AEMO's advice on the shared market protocol, they considered that the intermediate model was ideal. It adds more speed and convenience (like the basic model) but also provides interaction with MSATS through transactions, which was considered very valuable. Stakeholders did not support the advanced model that included a 'data store'.

The consultation paper did not specifically ask stakeholders who should provide the shared IT platform. Stakeholders at the workshop agreed that AEMO should be the provider of the IT platform. In submissions to the draft advice, stakeholders supported AEMO providing the B2B e-hub.¹⁸⁰

Some stakeholders reiterated the importance that existing B2B functionality is maintained, as having to upgrade their systems would be costly and unnecessary for parties that do not intend to access advanced metering services.¹⁸¹

Metropolis expressed concern that the proposed e-hub would not support live streaming updates, and therefore questioned its value beyond transactional communications.¹⁸² EDMI noted that the framework should not prevent any particular technical solutions from being implemented, such as cloud computing.¹⁸³

6.3 Commission's assessment

The Commission considers that a shared IT platform is desirable. A shared platform supports interoperability between parties and does not inhibit innovation given the ability for parties to agree to use alternative methods of communication (obligations on parties are discussed in Chapter 7 of this advice).

6.3.1 Operator of the B2B e-hub

Ideally, the framework for a shared market protocol would be implemented as quickly as possible, including the upgrading of the B2B e-hub. This is desirable to maximise the

¹⁸⁰ United Energy, submission to the draft advice, p.9; Origin, submission to the draft advice, p.4.

¹⁸¹ NSW DNSPs, submission to the draft advice, p.4; United Energy, submission to the draft advice, p.9.

¹⁸² Metropolis, submission to the draft advice, p.4

¹⁸³ EDMI, submission to the draft advice, p.5.

benefits that are anticipated from the deployment of advanced meters under the new competitive framework for the provision of advanced meters.¹⁸⁴

The existing B2B e-hub that facilitates B2B communications was developed and maintained by AEMO. The Commission recommends that AEMO should continue in this role.¹⁸⁵

6.3.2 Technical performance of the B2B e-hub

The technical performance of the upgraded B2B e-hub may influence whether particular advanced metering services are offered through the B2B e-hub. This may also influence the potential benefits available to consumers from these meters. In particular, the IT platform should:

- be able to provide near instant messaging so that the associated services can be provided sufficiently quickly to effectively capture the benefits of the services;
- have sufficient capacity to manage the quantity of services expected to be facilitated by advanced meters;
- allow its users to choose the most appropriate means of messaging for their commercial and technical needs; and
- be sufficiently flexible to be able to provide any additional functionality that is required to support the requirements of amended B2B procedures.

Near instant messaging could enable DNSPs to access meter information to manage network security and reliability in a timely manner. It could also allow service providers, such as retailers, to access services while addressing a telephone inquiry from a customer. The time taken for the platform to process and deliver a request for services will determine a minimum possible time for a service to be provided to a customer.

The Commission's recommendation is that the B2B e-hub must be capable of meeting the performance requirements set out in the B2B procedures (see section 5.3.1).¹⁸⁶ These performance requirements would not apply to the parties communicating with each other or the services they are providing, as this would depend on commercial negotiation. The exception would be the services in the minimum services specification, which would have minimum service levels and standards defined in

184 AEMC 2015, Expanding competition in metering and related services, draft rule determination, 26 March 2015.

185 Clause 7.17.1(a) of the proposed NER.

186 Clause 7.17.1(b)(2) of the proposed NER.

other AEMO procedures as a result of amendments to the NER expected from of the competition in metering rule change process.¹⁸⁷

The required technical performance could also have a material impact on the cost of implementing and operating the IT platform. Therefore, as part of the consultation process on a new B2B procedure or change to an existing B2B procedures, the IEC would be required to seek AEMO's advice on the likely cost impacts of implementing that particular proposal (see section 5.3.3).¹⁸⁸

6.3.3 Defining the IT platform

The Commission considers that the NER need not prescribe how the B2B e-hub should be implemented. AEMO would be required to provide a B2B e-hub that is capable of satisfying the requirements in the updated B2B procedures.

¹⁸⁷ Under the competition in metering draft determination, AEMO will develop procedures that specify the minimum service levels (including service availability and completion timeframes) applicable to the delivery of services in the minimum service specification.

¹⁸⁸ Clause 7.17.4(i)(2) of the proposed NER.

7 Obligations on parties

Box 7.1 Recommendations

The Commission's recommendation is that a new accredited party role (B2B e-hub participant) be established and that any party wishing to use the B2B e-hub must be accredited by AEMO as a B2B e-hub participant.

DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants are required to use the B2B e-hub for B2B communications, unless they have agreed between themselves to use an alternative method of communication. These parties and AEMO are required to comply with B2B procedures.

Operating costs are paid by AEMO in the first instance and recouped as participant fees. This includes costs associated with any service provided by AEMO to facilitate B2B communications (including providing and operating the B2B e-hub), developing B2B procedures and establishing and operating the IEC. Third party B2B participants would be deemed to be registered participants for the purposes of the NER provisions regarding the levying and payment of participant fees by AEMO.¹⁸⁹

7.1 Introduction

This chapter examines the Commission's recommendations on the obligations to be imposed on parties with regard to complying with the B2B procedures and using the B2B e-hub. This includes:

- accreditation requirements for using the B2B e-hub;
- obligations imposed on parties to comply with the B2B procedures and use the B2B e-hub; and
- cost recovery for providing the B2B e-hub, developing B2B procedures and operating the IEC.

7.2 Accreditation to use the B2B e-hub

Currently, parties using the B2B e-hub must comply with the B2B procedures.¹⁹⁰ Parties register themselves with AEMO in order to obtain an AEMO participant ID,

¹⁸⁹ As third party B2B participants will not be registered participants, AEMO may need the relevant participants to enter into an agreement with them as part of the accreditation process under which the participant agrees to pay participant fees as levied under rule 2.11 of the NER. This is because section 72 of the NEL (which relates to obligations under the NER to make payment to AEMO) only applies to registered participants.

¹⁹⁰ Clause 7.2A.4(i) of the NER.

which allows them to sign in to AEMO's energy market systems. They are not required to demonstrate that they have compatible back end systems for interacting with the B2B e-hub.

All of the parties currently using the B2B e-hub are either registered participants or accredited with AEMO under the NER. As they are defined under the NER, they can be identified and have obligations imposed upon them with regard to using the B2B e-hub and complying with B2B procedures. Going forward, it may be necessary or desirable to also impose such obligations on third party service providers that would otherwise not be a registered participant or accredited service provider.

7.2.1 Stakeholder views

In submissions to the consultation paper, at the workshop and in submissions to the draft advice, there was general stakeholder agreement that third parties should undergo some form of authorisation with AEMO prior to accessing the shared market protocol. This would define them within the NER, make them identifiable and contactable and reduce some of the potential security risks in using the platform. Energex suggested that training could be provided for third parties to manage some of the potential risks from data errors.¹⁹¹

Other stakeholders noted that it would be appropriate for all parties using the shared market protocol to be subject to an authorisation process. This would allow AEMO to identify users; collect fees; manage security of information; manage authorisation and defaulting parties; manage operational performance; and manage user contacts.¹⁹²

Submissions to the draft advice generally supported the creation of an accredited B2B e-hub participant role for parties using the B2B e-hub. However, some stakeholders emphasised that the accreditation requirements should not be onerous¹⁹³ and suggested ways to minimise the regulatory burden:

- deemed accreditation for existing users that only intend to use the B2B e-hub for existing B2B communications;¹⁹⁴
- lower accreditation requirements for parties only seeking access to existing services;¹⁹⁵
- combined or streamlined requirements for parties that are otherwise an accredited party (eg metering providers and metering data providers).¹⁹⁶

¹⁹¹ Energex, submission to the consultation paper, p.4.

¹⁹² ERM, submission to the consultation paper, p.7; Energy Australia, submission to the consultation paper, p.6.

¹⁹³ Ausnet Services, submission to the draft advice, p.8; Lumo, submission to the draft advice, p.4; Red Energy, submission to the draft advice, p.4; United Energy, submissions to the draft advice, p.11.

¹⁹⁴ Energy Australia, submission to the draft advice, p.3; ERAA, submission to the draft advice, p.2.

¹⁹⁵ ERAA, submission to the draft advice, p.3; Origin, submission to the draft advice, p.4.

¹⁹⁶ Metropolis, submission to the draft advice, p.5.

AEMO considered that having a separate accredited party role could add an unnecessary expense and suggested that, as an alternative, registered participants or accredited parties could request to use the B2B e-hub as an extension of their status.¹⁹⁷

7.2.2 Commission's assessment

The Commission's recommendation is that a new accredited party role (B2B e-hub participant) be established and that all parties wishing to use the B2B e-hub must be accredited by AEMO as a B2B e-hub participant.¹⁹⁸ This includes parties that are also registered participants or accredited service providers, as well as third party service providers that are not otherwise registered or accredited by AEMO.

It is preferable to create a means by which third parties using the B2B e-hub become a defined category of persons under the NER. This assists in providing a framework under which obligations related to B2B arrangements may be imposed on those parties, such as compliance with the B2B procedures and the payment of user fees. It provides a means by which these parties can be identified and contacted by AEMO and be assigned IEC nomination and voting rights. It may also be desirable to impose obligations on all parties using the B2B e-hub in a consistent manner and there may be benefits from participants having to test their IT systems before using the B2B e-hub. Accreditation allows AEMO to check that parties have appropriate IT and security to interface with and use the B2B e-hub, should this be considered necessary. This may be more important going forward as advanced metering services may present higher risks around data, security and confidentiality in the future.

We do not anticipate the accreditation requirements need to be very onerous. The accreditation requirements for metering providers and metering data providers can be quite onerous and involve periodic assessment by an independent auditor. For the accreditation of B2B e-hub participants, AEMO would have discretion to develop requirements that are appropriate to the level of risk of parties interfacing with and accessing services through the B2B e-hub.

For example, accreditation could be as simple as lodging a name and contact details with AEMO to secure a username and password for accessing the B2B e-hub. It could involve the applicant having to test their IT systems in a test B2B e-hub environment, similar to the requirements for parties accessing the gas FRC hub (the gas equivalent to the B2B e-hub). It could involve some specific IT requirements. Or it could involve something more stringent if considered necessary by AEMO.

It is not proposed that any parties would be deemed accredited. It is important that all participants meet the accreditation requirements considered necessary by AEMO to mitigate any risks of using the B2B e-hub. However, AEMO would have discretion to

¹⁹⁷ AEMO, submission to the draft advice, pp.4-5.

¹⁹⁸ Clauses 7.17.1(c) and 7.17.2(a) of the proposed NER.

apply different processes to different categories of applicant, or exempt certain parties from aspects of the accreditation process.¹⁹⁹

To support this recommendation, AEMO would be required to establish an accreditation process for B2B e-hub participants. The NER would include high level requirements that this may include IT requirements (such as the infrastructure and communications system) or payment and credit support requirements (see section 7.4) considered necessary by AEMO.²⁰⁰

7.3 Obligation to use the B2B e-hub and comply with B2B procedures

Local retailers, market customers and DNSPs are currently required to use the B2B e-hub for B2B communications, except where they have agreed to communicate a B2B communication on a basis other than as set out in the B2B procedures.²⁰¹

As discussed in section 2.2, the open access advice recommended that the 'gatekeeper' should be required to use the shared market protocol to facilitate interoperability and reduce barriers to entry. These functions are expected to be assigned between the metering coordinator, metering provider and metering data provider as part of the competition in metering rule change.²⁰²

7.3.1 Stakeholder views

In submissions to the consultation paper, stakeholders generally agreed that the metering coordinator should be required to offer services through the shared market protocol.²⁰³ Some suggested that this requirement be limited to services in the minimum services specification.²⁰⁴ Other stakeholders noted that a requirement on the metering coordinator to offer any services through the shared market protocol is unnecessary as parties will use the shared market protocol if it is the most efficient and effective form of communication.²⁰⁵ These views were reiterated at the workshop.

199 Clause 7.17.2(d) of the proposed NER.

200 Clauses 7.17.2(b) and (c)(2) of the proposed NER.

201 See section 2.6 of this advice.

202 AEMC 2015, Expanding competition in metering and related services, draft rule determination, 26 March 2015.

203 ATA, submission to the consultation paper, p.5; Ergon, submission to the consultation paper, p.4; EDML, submission to the consultation paper, p.5; Energex, submission to the consultation paper, p.3; Red Energy, submission to the consultation paper, p.2; United Energy, submission to the consultation paper, p.2.

204 AGL, submission to the consultation paper, p.4; Lumo, submission to the consultation paper, p.2; Simply Energy, submission to the consultation paper, p.5; Vector, submission to the consultation paper, p.4.

205 ERM, submission to the consultation paper, p.7; Energy Australia, submission to the consultation paper, p.5; Metropolis, submission to the consultation paper, p.4; Origin, submission to the consultation paper, p.1.

Landis+Gyr considered that the shared market protocol should be mandatory for all parties to use for services in the minimum services specification and other commonly used services, but parties could negotiate alternative communications for other new services in the market.²⁰⁶

The proposed obligations on parties to comply with B2B procedures and to use the B2B e-hub (unless agreed otherwise) were generally supported in submissions to the draft advice.

Metropolis raised concerns that service providers would be required to develop the B2B capability in case another party requests a service. Other parties only have to develop B2B e-hub capability if they wish to request one of the services available through the e-hub. This could create barriers to entry for new service providers and restrict innovation by forcing a particular technology on the industry.²⁰⁷

AEMO and NSW DNSPs noted some risks with parties being able to agree to use an alternative to the B2B e-hub. If B2B costs were levied through B2B e-hub participants, there may be an incentive for parties to not become a B2B e-hub participant and avoid paying fees. Alternatively, larger retailers or service providers may decide to use alternatives, because a shared IT platform could lower barriers to entry for their competitors.²⁰⁸

SA Power Networks considers that some services should be required to be communicated through the B2B e-hub. For example, services that have the potential to impact on customer safety or continuity of supply. For these services the B2B e-hub would ensure a safe communication environment, and would make the use of these services fully auditable.²⁰⁹

7.3.2 Commission's assessment

The Commission's recommendation is that DNSPs, retailers, metering coordinators,²¹⁰ metering providers, metering data providers and third party B2B participants would be required to use the B2B e-hub for B2B communications. However, parties may agree between themselves to use an alternative method of communication.²¹¹ This maintains the current requirement in the NER related to using the B2B e-hub.

206 Landis+Gyr, submission to the consultation paper, p.2.

207 Metropolis, submission to the draft advice, p.5.

208 AEMO, submission to the draft advice, p.4; NSW DNSPs, submission to the draft advice, p.4.

209 SA Power Networks, submission to the draft advice, p.3.

210 Exemptions for certain metering coordinators, such as transmission network service providers, to comply with B2B requirements is being considered as part of the competition in metering rule change process. Should such an exemption be introduced, clause 7.17.1(g) of the proposed NER sets out further drafting.

211 Clauses 7.17.1(e) and (f) of the proposed NER.

In addition, AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants would be required to comply with B2B procedures.²¹²

This approach supports interoperability and minimises one of the potential barriers to entry for new participants to the market for advanced metering services. It also potentially reduces operating costs for DNSPs and retailers. If there was no requirement to use the B2B e-hub, parties may need to develop multiple systems to interact with multiple service providers. The recommendation allows parties to agree to alternative methods of communication to facilitate innovation in the market. It is important that parties have the flexibility to negotiate to use alternatives to the B2B e-hub to support new services to customers. However, we anticipate that most existing parties will wish to use the B2B e-hub for interoperability reasons.

Under the competition in metering draft rule determination, there is no obligation on the metering coordinator to provide services in the minimum services specification or other advanced metering services. The price and other terms related to accessing those services would be negotiated between the parties.²¹³ However, the effect of the recommendation in this advice is that if the metering coordinator chooses to offer a service that is supported by the B2B e-hub, it must use the B2B e-hub for communications related to that service, unless agreed otherwise. To the extent that the metering coordinator has contracted with the metering provider or metering data provider to deliver these services, they would also be required to use the B2B e-hub to provide advanced metering services, unless agreed otherwise.

While parties may agree between themselves to use an alternative method of communication (outside the B2B e-hub), it is important that the B2B procedures continue to apply.²¹⁴ It may be vital that some services include particular information in the message or that a particular process be followed. For example, disconnection and reconnection services could have serious impacts on life support customers and risks can be managed by including specific information when requesting those services and following an agreed process.

It is not necessary to require certain services be transacted through the B2B e-hub. The process and content requirements for B2B communications would be outlined in B2B procedures and parties would be required to comply with these.

²¹² Clause 7.17.1(d) of the proposed NER.

²¹³ AEMC 2015, Expanding competition in metering and related services, draft rule determination, 26 March 2015, Appendix E.

²¹⁴ Clause 7.17.1(f) of the proposed NER.

7.4 Cost recovery

Currently, costs related to operating the B2B e-hub, developing B2B procedures and operating the IEC are paid by AEMO and recouped as participant fees.²¹⁵ These fees are currently paid by retailers.

Implementing the Commission's recommendations may involve significant upfront costs to redevelop the B2B e-hub (if necessary to support the updated B2B procedures), constitute the new IEC and develop new B2B procedures. Transitional arrangements are discussed further in Chapter 8 of this advice.

There would also be a new set of users of the B2B e-hub that warrants revisiting the current fee payment structure for ongoing cost recovery.

7.4.1 Stakeholder views²¹⁶

A framework regarding cost recovery was not discussed in the consultation paper.

At the workshop, stakeholders generally supported a user pays approach but considered it would be most efficient if fees are paid by the parties charging customers (such as retailers and energy service companies) rather than only being payable by metering coordinators. They also considered that the fee structure should reflect market share and not create barriers to entry.

Submissions to the draft advice showed general support for cost recovery through a user pays model. Stakeholders encouraged AEMO to develop the cost recovery mechanism openly and in close consultation with industry.²¹⁷

AEMO expressed some concern that it may not be able to recover the upfront investment costs if a user pays model is introduced and parties choose not to use the B2B e-hub in the future.²¹⁸

Some stakeholders noted that overall compliance costs could be reduced by only recovering costs from parties that directly bill the end users, such as retailers and third party providers.²¹⁹ Metropolis and Ausnet Services consider that service providers should not be required to pay fees, as they do not benefit from B2B communications.²²⁰ This could be achieved through a principle for determining fees that 'fees should reflect the extent to which the category of B2B e-hub participant benefits from the use of the B2B e-hub'.²²¹

²¹⁵ Clause 7.2A.6(a) of the NER.

²¹⁶ All references in this section relate to submissions to the draft advice.

²¹⁷ Active Stream, p.2; AGL, p.2; Vector, p.4.

²¹⁸ AEMO, p.5.

²¹⁹ Vector, p.3; United Energy, p.11.

²²⁰ Ausnet Services, p.8; Metropolis, p.2.

²²¹ Metropolis, p.6.

Stakeholders suggested that a fee structure could:

- be based on the extent to which each party uses the new services, or their market activity;²²²
- be based on the number of NMIs to which the party provides services;²²³ or
- include fixed and variable components.²²⁴

Ausnet Services suggested an alternative model whereby the current framework was retained (cost recovery through participant fees) and AEMO was able to recover additional costs from third parties using the B2B e-hub.²²⁵

DNSPs noted that funding for significant changes to the B2B arrangements have not been included in their last round of AER determinations and may not reach the 'pass through' threshold required to recover the costs from customers.²²⁶

7.4.2 Commission's assessment

Currently, it is appropriate that only retailers pay fees for B2B (through participant fees) as any costs imposed on DNSPs would ultimately be passed back to the retailer. Service providers are not charged these fees as they are not part of the cost recovery framework (registered participants) and any fees would be ultimately passed onto the retailer.²²⁷

Ideally, the framework for cost recovery would be simple yet flexible enough for AEMO to recover B2B costs from parties that use the B2B e-hub and comply with B2B procedures in a cost reflective manner. It is useful to consider the potential interactions and relationship between parties in deciding the cost recovery model.

In the future, third party B2B participants would also be accredited parties and some may provide services directly to consumers. If these parties do not contribute to B2B fees, either directly or indirectly, their use of the B2B e-hub may be cross subsidised by other users. This may not be an issue where there are a small number of B2B communications involved. But if there are a large number of parties or they are sending a significant number of B2B communications through the B2B e-hub, it may be inequitable and could distort competition if they are not contributing to the costs of operating the B2B e-hub.

222 Energex, p.2; AGL, p.2.

223 Lumo, p.4; Red Energy, p.4.

224 Energy Australia, p.3; Lumo, p.4; Red Energy, p.4.

225 Ausnet Services, p.8.

226 NSW DNSPs, p.5; SA Power Networks, p.3; United Energy, p.11.

227 The accreditation fees for metering providers and metering data providers currently only cover direct costs of periodically engaging auditors to assess their business against the accreditation requirements.

DNSPs may also wish to access services through advanced meters and it may be considered appropriate that they pay user fees in the future.

It is also important that AEMO has certainty that it will be able to fully recover its costs, as it will be required to pay the upfront costs of facilitating B2B communications (such as operating the B2B e-hub), developing B2B procedures and operating the IEC.

Cost recovery through participant fees

It is recommended that AEMO recover B2B costs through participant fees under Chapter 2 of the NER. The current requirement that costs are paid by AEMO and recouped as participant fees would continue to apply.²²⁸

Third party B2B participants would be deemed to be registered participants for the purposes of rule 2.11 of the NER²²⁹ and as a consequence, AEMO would be able to allocate participant fees in relation to B2B costs to DNSPs, retailers, metering coordinators and third party B2B participants.²³⁰

Metering providers and metering data providers are not registered participants and would not be charged participant fees. As with the current arrangements, this is appropriate as they provide services to other parties using the B2B e-hub.

This option recognises that it may be appropriate to recover some B2B costs from parties that choose not to use the B2B e-hub, as these parties would benefit from other IEC activities and the development of B2B procedures.

AEMO would develop a structure for the participant fees taking into account any changes to the B2B arrangements in accordance with rule 2.11 of the NER. Clause 2.11.1(b) of the NER currently requires that participant fees, to the extent practicable, be consistent with the following principles:

- participant fees should be simple;
- participant fees should recover the budgeted revenue requirements;
- the components of participant fees charged to each registered participant should reflect the extent to which the budgeted revenue requirements involve that category of registered participant; and
- participant fees should not unreasonably discriminate between categories of registered participants.

There is significant discretion for AEMO to determine suitable fee structures for registered participants that are cost reflective. For example, it would be possible for

²²⁸ Clause 7.17.13(a) of the proposed NER.

²²⁹ Clause 2.11.1A of the proposed NER.

²³⁰ A separate budgeted revenue requirement for B2B costs would be included in a new clause 2.11.3(b)(7A) of the proposed NER. This would enable AEMO to separate those costs and apply it to the registered participants to which it relates.

AEMO to determine fee structures that include fixed and variable components, applying fees to some types of participants and not others (so long as the discriminatory application of fees is reasonable), or apply fees according to NMI, number of B2B communications sent or any other metric (noting that participants fees should be simple).

It is also recommended that AEMO be given the ability to impose fee payment and credit support requirements as part of the accreditation requirements for B2B e-hub participants. This would provide some recourse for AEMO should, for example, a third party B2B participant fail to pay fees owed to AEMO.²³¹

Cost recovery through participant fees also provides certainty that AEMO can recover its B2B costs over time.

Alternatives considered

The Commission also considered a solely user pays model, which would involve B2B costs being recouped from B2B e-hub participants, or categories of B2B e-hub participants, as determined by AEMO.

However, there are some significant issues with this option. For example, there is a risk that B2B e-hub participants cease to use the B2B e-hub and AEMO may not be able to recover its B2B costs, or that the number of B2B e-hub participants drops to a level such that the fees required for AEMO to recover its B2B costs from each B2B e-hub participant are prohibitively high. To a certain extent, this risk would be mitigated through the IEC having to consider the costs of implementing its recommendations when making decisions.

Applying fees to B2B e-hub participants also means that parties that choose not to become accredited as a B2B e-hub participant would not pay these fees. These parties are still required to comply with B2B procedures and would be involved in other IEC activities. However, as they would not be paying B2B e-hub participant fees, they would not be contributing to these activities.

²³¹ Clause 7.17.2(c)(2) of the proposed NER.

8 Transitional and implementation

8.1 Introduction

This chapter sets out the interim steps that would need to be undertaken by AEMO, the IEC and industry to implement the recommendations set out in this advice.

The Commission has considered the interactions with the competition in metering rule change process. The timeframes set out in this chapter represent the timeframes that may be necessary to implement a shared market protocol by the proposed commencement of the new competition in metering rules on 1 December 2017.

These implementation timeframes are at an early stage of development and are subject to a subsequent rule change process and further consultation with AEMO and industry.

8.2 Stakeholder views

In submissions to the consultation paper, stakeholders were asked whether any significant issues would arise if the new arrangements were not in place when the competition in metering rule commences. Many stakeholders considered that the new arrangements should begin at the same time, or as soon as possible after, the competition in metering rule commences.²³² Otherwise, parties may have to develop their own communication methods, compromising the effectiveness of the new B2B framework.

EDMI considered that as the shared market protocol would not be mandatory; it is a valuable convenience but not vital to support competition in metering.²³³ Vector considered that introducing the new framework at a later date would not prevent businesses from deploying advanced meters.²³⁴

Opinions on these impacts were still split in submissions to the draft advice. While some DNSPs consider it vital that the new arrangements are in place on 1 December 2017 to minimise inefficiencies,²³⁵ other stakeholders note that the existing B2B arrangements would continue to apply and will provide some options for

²³² ERM, submission to the consultation paper, p9; Energex, submission to the consultation paper, pp4-5; Origin, submission to the consultation paper, p2; Simply Energy, submission to the consultation paper, p6.

²³³ EDMI, submission to the consultation paper, p7.

²³⁴ Vector, submission to the consultation paper, p5.

²³⁵ Ausnet Services, submission to the draft advice, p.2; ENA, submission to the draft advice, p.8; Energex, submission to the draft advice, p.3; SA Power Networks, submission to the draft advice, p.4.

communication.²³⁶ Several stakeholders specifically noted that the commencement of competition in metering should not be delayed to accommodate timeframes for the new B2B framework.²³⁷

ATA did not agree that the Victorian deployment of advanced meters has demonstrated that the market can cope with advanced meters using the current B2B e-hub, as was stated in the consultation paper. ATA considers that while there is not a shared market protocol in Victoria, not having such a protocol has lowered operational efficiency, limited benefits to consumers and resulted in fewer services being offered.²³⁸

Several stakeholders were concerned with the proposal that AEMO develop the first IEC election procedures as it erodes the status of the IEC as an industry body and may add to implementation timeframes. There is an existing process for updating the IEC election procedures and the current IEC or an interim IEC should be responsible for this.²³⁹

Ergon noted that if the new B2B framework is not available when the competition in metering rule commences, certain obligations might need to be relaxed. For example, if there are inconsistencies between obligations and abilities to deliver services.²⁴⁰

With regard to minimising timeframes, stakeholders were generally supportive of carrying out steps concurrently where possible, but generally not supportive of reduced consultation requirements. Some stakeholders suggested that the current IEC and its working group could begin updating the B2B procedures as soon as possible. This could be done with wide industry consultation and the work could be handed over to the new IEC once formed.²⁴¹ However, NSW DNSPs were concerned with any option that reduced implementation timeframes at the expense of including services, as this could result in a less competitive market.²⁴²

Some stakeholders noted that the timeframes should include industry build requirements of three to six months.²⁴³ Energex estimates that developing and

236 Active Stream, submission to the draft advice, p.2; AGL, submission to the draft advice, p.3; Metropolis, submission to the draft advice, p.6; Vector, submission to the draft advice, p.4; United Energy, submission to the draft advice, p.3.

237 Active Stream, submission to the draft advice, p.2; Lumo, submission to the draft advice, p.5; Red Energy, submission to the draft advice, p.5.

238 ATA, submission to the consultation paper, p.6.

239 Energex, submission to the draft advice, p.2; ENA, submission to the draft advice, p.8; ERAA, submission to the draft advice, p.2; IEC, submission to the draft advice, pp.4-5; United Energy, submission to the draft advice, p.12.

240 Ergon, submission to the consultation paper, p.5.

241 IEC, submission to the draft advice, pp.3-4; NSW DNSPs, submission to the draft advice, p.7.

242 DSW DNSPs, submission to the draft advice, p.4.

243 Metropolis, submission to the draft advice, p.6; NSW DNSPs, submission to the draft advice, p.6.

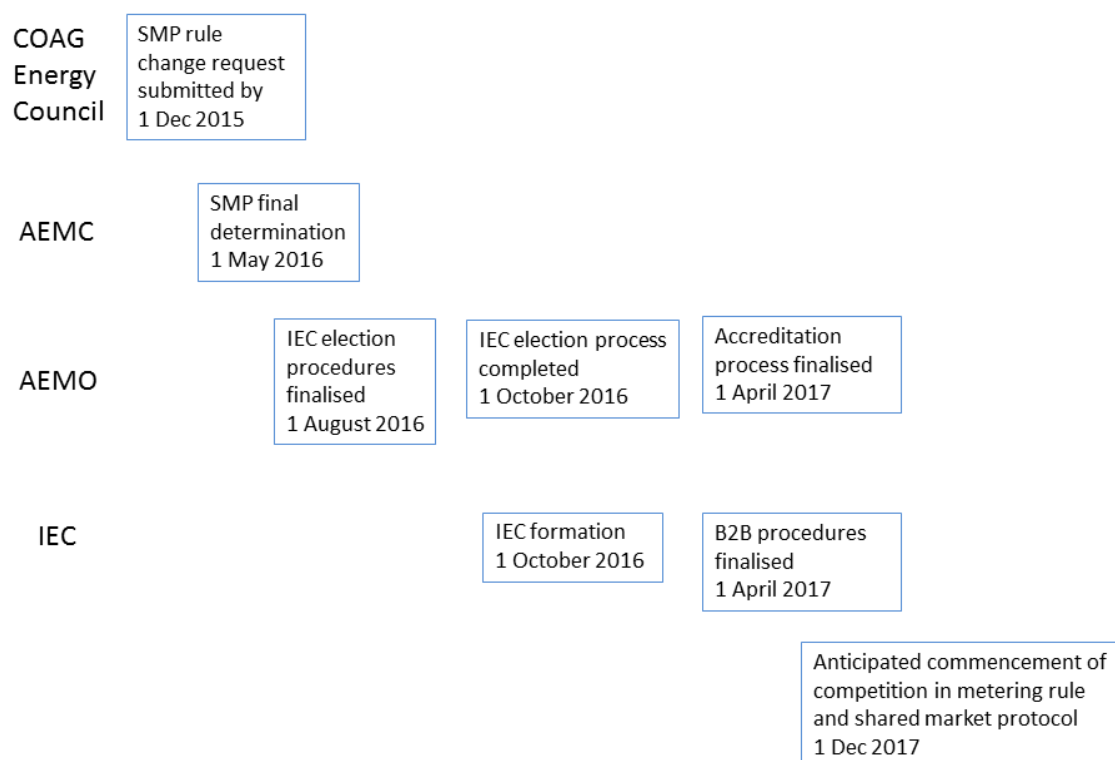
implementing business systems changes would take 12-18 months from the finalisation of B2B procedures.²⁴⁴

Some stakeholders also suggested that a program manager be engaged to coordinate implementation of the new B2B arrangements and other Power of Choice reforms.²⁴⁵

8.3 Implementation requirements

If this advice were to be implemented through a rule change process, AEMO, the new IEC and industry would need to undertake a number of interim steps to develop procedures and the redeveloped B2B e-hub. For the purposes of estimating the timing for each of these steps, it has been assumed that a rule change request is received by the AEMC by 1 December 2015 and a final rule determination is made by 1 May 2016.²⁴⁶

Figure 8.1 Indicative implementation timeframes



²⁴⁴ Energex, submission to the draft advice, p.3.

²⁴⁵ Energex, submission to the draft advice, p.3; IEC, submission to the draft advice, p.4.

²⁴⁶ Due to statutory timeframes for carrying out a rule change process, AEMC's ability to publish a final rule determination by 1 May 2016 would depend on receiving a rule change request by 1 December 2015. It would also depend on the AEMC receiving a rule change request that is materially similar to the recommendations in this advice, as analysing and consulting on a materially different proposal would take additional time.

The following tasks have been identified:

- The new IEC would need to be constituted and B2B procedures would need to be developed. The following tasks would need to occur sequentially:
 - AEMO would develop the IEC election procedures and operating manual to provide for the new IEC framework by 1 August 2016.²⁴⁷ AEMO would be required to consult in developing the new IEC election procedures and operating manual, but to meet the implementation timeframes above, it would not be required to comply with the Rules Consultation procedures.
 - AEMO would run an IEC election process to form the new IEC, including appointment of the consumer representative and, if it considers appropriate, discretionary members, by 1 October 2016.
 - The newly formed IEC would develop amended B2B procedures in accordance with the new framework by 1 April 2017, including approval through the AEMO board.
 - (1) It is not proposed that the first set of B2B procedures be limited to existing services provided through the B2B e-hub and the services in the minimum services specification. The IEC would be able to include whatever services it considers appropriate in the given timeframes.
 - (2) While developing and recommending the updated B2B procedures is the responsibility of the newly formed IEC, it is anticipated that AEMO may use an existing open industry forum (such as the Electricity Retail Consultative Forum) to begin informally considering the required changes prior to the formation of the new IEC. It may be most appropriate to start this work following the publication of a draft determination on updating the B2B framework, as part of the subsequent rule change process. It is not appropriate that the existing IEC have a formal role in this work.
 - The new IEC would determine the commencement date of the updated B2B procedures. While there are clear benefits from having the updated B2B procedures and any upgrade to the B2B e-hub commence on 1 December 2017, the IEC is best placed to determine if that is possible and appropriate.
- If necessary, the B2B e-hub would be upgraded to comply with the requirements set out in the new B2B procedures. The extent to which the B2B e-hub needs to be upgraded would not be known until the B2B procedures are finalised. In making the recommendation about B2B procedures, the IEC would have liaised with AEMO on timing implications for implementation.
- AEMO would pay for the upfront costs of setting up the IEC, preparing B2B procedures and developing the B2B e-hub.

²⁴⁷ Also see Chapter 4.

- AEMO would need to amend its participant fee structure to incorporate the recovery of setting up the IEC, preparing B2B procedures and developing the B2B e-hub.
- AEMO would develop an accreditation process for B2B participants, in consultation with DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants, by 1 April 2017.
- Industry members would need to obtain accreditation as a B2B participant prior to using the B2B e-hub when the rule commences on 1 December 2017.

A Overview of recommendations

This appendix provides an overview of the key changes that would be required to the NER to implement the Commission's recommendations for implementing the recommendations in this advice.

A.1 Governance arrangements

The existing framework for IEC membership set out in clause 7.2A.2 of the NER would need to be amended to reflect the following:

- The IEC membership would consist of one AEMO member, two independent members, one DNSP member, one retailer member, one metering member, one third party B2B participant member, one consumer member and up to two discretionary members:
 - The AEMO member would be an AEMO director, who would act as chairperson for the IEC.
 - The two independent members are persons who are nominated and elected by registered DNSPs, retailers and metering coordinators, and accredited metering providers, metering data providers and third party B2B participants. They are independent of DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and AEMO.
 - The DNSP member is a person nominated and elected by registered DNSPs.
 - The retailer member is a person nominated and elected by retailers, being persons who hold a retailer authorisation or, in the case of participating jurisdictions that have not introduced the NECF, a person who is registered by AEMO as a customer who engages in the activity of selling electricity to end users.
 - The metering member is a person nominated and elected by registered metering coordinators and accredited metering providers and metering data providers.
 - The third party B2B participant member is a person nominated and elected by persons that are accredited by AEMO to use the B2B e-hub (a B2B e-hub participant) but are not a DNSP, retailer, metering coordinator, metering provider or metering data provider.
 - The consumer member is a person appointed by AEMO in consultation with Energy Consumers Australia.

- Up to two discretionary members could be appointed by AEMO in consultation with the independent members to represent a class or classes of persons that have an interest in B2B procedures and whose interests are not adequately represented on the IEC. The discretionary members must be independent of AEMO.
- For the purposes of the above, a party is taken to be independent of another party if they are not:
 - (a) an employee or director of that party; or
 - (b) an adviser or consultant to that party where the relationship is a significant source of income for that adviser or consultant.
- Related entities would be subject to some restrictions around nomination and voting of IEC members.
- The requirements in the NER regarding the IEC election procedures and IEC operating manual would need to be amended to reflect the following:
 - The first IEC election procedures and operating manual would be developed and published by AEMO, prior to forming the new IEC.
 - Subsequent changes to IEC election procedures and operating manual would require the support of at least 75 per cent of the persons in each of at least three out of four voter categories for the following members: DNSP members; retailer members; metering members; and third party B2B participant members.
- Requirements in the NER with respect to the conduct of meetings and decision making of the IEC would need to be amended to reflect the following:
 - The quorum for a meeting would be five (out of seven or eight) IEC members or six (out of nine or ten) IEC members, as the case may be.
 - A decision of the IEC regarding a new B2B procedure, a change to existing B2B procedures or the approval of an IEC works program²⁴⁸ requires the support of at least 70 per cent of IEC members. Any other decision of the IEC would require the support of at least 60 per cent of IEC members.

A.2 Making and amending procedures

The framework in the NER for making and amending B2B procedures (clause 7.2A.3) and the content requirements for B2B procedures (clause 7.2A.4) would need to be amended to reflect the following:

²⁴⁸ The work program prepared by the IEC in respect of the development, implementation and operation of the B2B procedures and other matters which are incidental to effective and efficient B2B communications.

- B2B procedures must, in addition to the existing content requirements set out in clause 7.2A.4 of the NER, provide for B2B communications to support each of the services set out in the minimum services specification.
- B2B procedures may include performance requirements for the B2B e-hub.
- B2B procedures must allow for parties to communicate outside the B2B e-hub.
- When making decisions about B2B procedures, the IEC must have regard to the NEO and the new B2B factors and give effect to the revised B2B principles. The new B2B factors are:
 - 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 compared to the likely benefits from B2B communications.
 - The likely impacts on innovation in, and barriers to entry to, the market for services facilitated by advanced meters resulting from making the new B2B procedure or changing the existing B2B procedures.
 - The implementation timeframe necessary for AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants to implement relevant changes to be compliant with any new B2B procedure or change to existing B2B procedures.
- The revised B2B principles are:
 - B2B procedures should provide a uniform approach to B2B communications in participating jurisdictions.
 - B2B procedures should detail operational and procedural matters and technical requirements that result in efficient, effective and reliable B2B communications.
 - B2B procedures should avoid unreasonable discrimination between DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.
 - B2B procedures should protect the confidentiality of commercially sensitive information.
- Before the IEC consults on a proposal to make a new B2B procedure or change the existing B2B procedures, it must seek AEMO's advice on whether there are any conflicts with MSATS procedures, the changes that would be required to the B2B e-hub and the likely costs of making such a change. This advice would be included in the consultation package.

- For the purposes of complying with the rules consultation procedures when consulting on any new B2B procedure or change to the existing B2B procedures, the IEC must:
 - notify the following parties of the consultation process: DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants, AEMO and other parties that have identified themselves to the IEC as having an interest in the B2B procedures; and
 - publish draft and final reports in accordance with clauses 8.9(g) and (k) of the NER, which must contain details of the IEC's consideration of the NEO and each of the B2B factors and B2B principles (as listed above) and how the IEC has considered each submission having regard to the NEO, B2B factors and B2B principles.

A.3 IT platform

The requirements under rule 7.2A related to the operation of the B2B e-hub would need to be amended to reflect the following:

- The B2B e-hub must support B2B communications listed in the B2B procedures, which would include B2B communications to support services in the minimum services specification.
- The B2B e-hub must meet performance requirements specified in the B2B procedures.

A.4 Obligations imposed on parties

The nature and scope of certain obligations imposed on parties under rule 7.2A of the NER would need to be amended to reflect the following:

- 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 by AEMO as a B2B e-hub participant. AEMO must establish an accreditation process for B2B e-hub participants.
- AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants are required to comply with B2B procedures.
- DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants must use the B2B e-hub for B2B communications, unless they have agreed between themselves to use an alternative method of communication.
- Operating costs associated with any service provided by AEMO to facilitate B2B communications (including providing and operating the B2B e-hub) and the costs

of developing B2B procedures and establishing and operating the IEC are paid by AEMO and recouped as participant fees.

- Third party B2B participants would be deemed to be registered participants for the purposes of rule 2.11 (participant fees). As a consequence, the fee structure for participant fees developed by AEMO may include DNSPs, retailers, metering coordinators or third party B2B participants.

B Responses to issues raised by AEMO

This appendix outlines the key issues raised in the AEMO submission to the draft advice, including the attachment from HWL Ebsworth, and the AEMC's responses to those key issues raised.

Issues raised by AEMO	AEMC Response
Governance	
<p>The AEMC's advice does not provide for leveraging the shared market protocol beyond the broader delivery of transactional services, to deliver additional services and efficiencies into the energy market. For example, having B2B and MSATS under different governing arrangements may limit the ability to access future benefits, such as development of 'behind the meter data'. (AEMO, p.3)</p>	<p>AEMC supports AEMO's recommendation in its advice to the COAG Energy Council that an 'intermediate shared market protocol' model be introduced.</p> <p>Under the proposed framework, the IEC would be responsible for determining which services would be supported through the B2B procedures into the future. In order to achieve the efficiencies referred to by AEMO, the IEC and AEMO will need to work together so that the B2B and MSATS procedures are developed in a consistent manner.</p>
<p>There must be clear accountability and a process to ensure all user interests are taken into account, while being independent of undue influence of those interests. (AEMO, p.2)</p>	<p>Under the framework provided in the advice, the membership of the IEC has been designed to represent a broad range of user interests.</p> <p>In addition, the IEC would be required to carry out consultation in accordance with the rules consultation procedures and follow other process requirements set out in the NER. This includes an explanation of how the IEC has considered the NEO and each of the B2B factors and B2B principles in coming to a recommendation about B2B procedures.</p>
<p>The governance arrangements for a shared market protocol must reflect the agile, competitive market it represents. It must adapt to new participants. (AEMO, p.2)</p>	<p>Noted. The inclusion of an ability for AEMO to appoint up to two discretionary members will give it discretion to appoint additional members to the IEC if it considers a person or class of person has an interest in the B2B procedures and those interests are not adequately represented on the Committee. In addition, the inclusion of a third party B2B participant member category means that any party that uses the B2B e-hub and is not otherwise</p>

Issues raised by AEMO	AEMC Response
	represented on the committee would be represented.
<p>An elected industry group could not be fully representative of the parties interested in the B2B procedures. Discretionary members do not alleviate this concern and may further imbalance the represented interests. (AEMO, p.3)</p>	<p>The IEC is intended to be broadly representative of the range of parties that may be interested in the B2B procedures. The Reliability Panel is an example of an elected industry group that is broadly representative and has been effective at making decisions.</p> <p>The proposed IEC membership includes the parties that would be expected to use the B2B e-hub - DNSPs, retailers, metering coordinators, metering providers, metering data providers and any other party that has elected to use the B2B e-hub by becoming a B2B participant. It also includes parties that might otherwise have an interest in B2B procedures, such as consumers and AEMO and Independent members that can contribute their knowledge and experience to the Committee.</p> <p>The ability for AEMO to appoint discretionary members is it intended to give it the discretion to appoint additional members to the IEC if it considers a person or class of person has an interest in the B2B procedures and those interests are not adequately represented on the Committee.</p> <p>Individual parties that are not elected or appointed to the IEC are able to participate through working groups or formal consultation.</p>
<p>The objectives stated in the draft advice are regulatory objectives (competition, effective communications and reduced barriers to entry). Incumbent market participants are concerned with maximising profits and there is a risk that these parties would be conflicted. (HWL, p.4)</p> <p>Members associated with an industry participant cannot reasonably represent their competitors interests at all times. The individual interests of participants is likely to diverge further as the market develops. (AEMO, p.3)</p> <p>Organisations that do not have a representative as an IEC member are</p>	<p>While there is a theoretical risk that industry representatives may act in their own interest, no evidence has been provided that this has been an issue to date in the IEC.</p> <p>Industry representatives represent the interests of their competitors in many other settings, such as in industry organisations or statutory bodies like the Reliability Panel. The Commission's experience is that members in such roles make efforts to represent the group that elected them.</p> <p>However, this risk has been mitigated by having non-industry members on the</p>

Issues raised by AEMO	AEMC Response
unlikely to have their interests adequately represented. (AEMO, p.3)	<p>IEC, such as independent members, a consumer member and AEMO.</p> <p>In addition, the IEC will be required to make decisions with regard to NEO and B2B factors and giving effect to the B2B principles.</p> <p>If interested, parties not on the IEC may participate through working groups or formal consultation. This provides a valuable input into the operation of the B2B framework.</p>
Having a greater range of interests on the IEC may result in consensus decision making at the lowest common denominator, or in more frequent failure to make decisions. (AEMO, p.3; HWL, p.10)	Seven (out of ten) IEC member votes would be required to recommend making a B2B procedure. This requires quite broad support from IEC members, but not support from every IEC member. This is appropriate given the costs of implementing any decision are ultimately paid by industry through participant fees.
<p>Industry representation does not necessarily produce the best decisions. There must be an independent or impartial regime.</p> <p>Communications matters for the banking and telecommunications industries are grounded in a clear leadership and ultimate determination for the regulator, acting in the public interest. Industry provides input and in telecommunications there is some deferral to self regulation. (HWL, p.5)</p>	<p>Placing responsibilities on an industry body to determine suitable communication standards is common in other sectors. In examples from the banking and telecommunications sectors, there is some government oversight of the industry's self-regulatory activities.</p> <p>The new IEC would include representatives that are not directly affiliated with industry, such as the independent members, a consumer member and an AEMO member. This is significant representation from outside industry. The IEC would also be required to have regard to the NEO in making decisions and decisions would be open to merits review under Chapter 8 of the NER as well as common law judicial review.</p>
There is no overarching objective for IEC decision making. The requirement that the IEC must 'have regard' to the NEO is very weak. (HWL, p.4)	The requirement that the IEC have regard to the NEO is similar to the requirement that the AEMC ²⁴⁹ and AEMO ²⁵⁰ have regard to the NEO in carrying out their functions. The new B2B factors would direct the IEC to have

249 Section 32 of the NEL.

250 Section 49(3) of the NEL.

Issues raised by AEMO	AEMC Response
<p>There are also conflicts between the B2B principles, such as industry costs and the long term interests of consumers. (AEMO, p.4)</p>	<p>regard to some specific matters in considering the NEO.</p> <p>While in some circumstances there may be conflicts between the B2B factors, it would not always be the case. Decisions that minimise compliance costs for businesses may also be in the long term interests of consumers, as high compliance costs may ultimately result in higher prices for end users. Having said that, the IEC will necessarily have to balance a number of different factors and explain how that decision takes into account the NEO, the B2B factors and the B2B principles.</p> <p>A participant who considers that the IEC has wrongly balanced these factors may seek merits review of the IEC's decision under Chapter 8 of the NER.</p>
<p>The voting arrangements in the IEC election procedures do not allow preferences, which could result in an unrepresentative outcome. (HWL, p.10)</p>	<p>Noted. To the extent that parties consider this an issue, this would most appropriately be addressed through amending the IEC election procedures.</p>
<p>There is a risk that the shared market protocol will be limited to established or minimum services, instead of supporting innovation and reducing barriers to entry.</p> <p>Cutting edge services would likely be provided elsewhere because parties will be unlikely to divulge information on new service design to their competitors. (AEMO, p.3)</p>	<p>The IEC may decide to include cutting edge services in B2B procedures if, for example, they are used by a large number of participants, provide significant market benefits or would be inexpensive to implement.</p> <p>It is not appropriate to force parties to use the e-hub for new innovative services if they wish to use an alternative platform. Innovation will be supported by allowing parties to use an alternative to the B2B e-hub, or they could use free format messages within the e-hub. This issue would arise regardless of the governance model.</p>
<p>There are possibilities of 'stalemate' that would affect the ability to progress decisions. For example, AEMO exercising its limited veto power over an IEC decision or decision making at the lowest common denominator. (HWL, p.7)</p>	<p>As with all group decision-making (including Board decision-making) this theoretical possibility exists. However, consensus is not required for key IEC decisions and therefore the IEC can proceed with changes to the B2B procedures even if some parties do not support the change.</p> <p>The risk that AEMO may veto a decision because of an inconsistency with MSATS procedures should be minimised through AEMO being able to raise issues as the IEC chairperson or formally through the requirements for</p>

Issues raised by AEMO	AEMC Response
	consultation on MSATS issues.
<p>The safeguards against aberrant decision making are weak, as there is no mechanism to evaluate the performance of IEC members and the IEC is not subject to judicial review. (HWL, pp.6, 10)</p> <p>AEMO's limited veto power over IEC recommendations does not enable it to make a more preferable rule that better meets the decision making criteria. (AEMO, p.4)</p>	<p>In terms of review of the performance of IEC members, voter categories for each IEC member could be empowered under the IEC election procedures to remove members for under performance. Currently, IEC members can be removed if they no longer have the support of 75 per cent of eligible voters in their membership category (see section 9 of the IEC election procedures).</p> <p>In addition to any ability of participant (as a member of the voting category for its representative on the committee) to address the poor performance of an individual member of the Committee, a participant may seek merits review of IEC decisions under chapter 8 of the NER. In addition, IEC decisions are subject to common law judicial review.</p>
<p>Operational efficiency is likely to be low, given both the IEC and AEMO's involvement in budgeting, resourcing and decision-making. (HWL, p.6)</p>	<p>The potential inefficiencies from having both AEMO and the IEC involved in approval of budgeting and IEC recommendations are expected to be outweighed by the significant benefits from having direct industry and consumer involvement in decision making. In addition, having an AEMO member chairing the IEC is anticipated to improve the operational efficiencies.</p>
<p>Governance arrangements should seek to minimise conflicts of interest by decision-makers and should provide mechanisms to mitigate or manage conflicts when they arise. (AEMO, p.7)</p> <p>Suggestions include that any member with a material interest in a decision may not vote on the issue, or that there be a majority of independent directors. (HWL, p.8)</p>	<p>The proposed NER will permit an IEC member to have regard to the interests of the people it represents on the IEC. However, a member of the IEC will not be permitted to vote where is has a material personal interest in the decision.</p>
<p>AEMO would be involved in any dispute resolution process about B2B decisions, it provides administrative support for the IEC, and it facilitates cost recovery for IEC expenses. However, AEMO does not have any influence over IEC decisions or expenditure. (HWL, p.11)</p>	<p>It is proposed that AEMO would be more involved in IEC deliberations as an IEC member and the chairperson. While AEMO will not be able to direct IEC decisions (decisions would be made by voting), it will have greater involvement and able to provide guidance and leadership to other IEC members on the impacts of decisions and the work program.</p>

Issues raised by AEMO	AEMC Response
Obligations	
<p>Having a voluntary shared market protocol provides a disincentive for larger retailers and service providers to use and support it, as a shared market protocol may lower barriers to entry for their competitors. (AEMO, p.4)</p>	<p>AEMO's advice to the COAG Energy Council recommended a voluntary 'intermediate' shared market protocol. The AEMC agrees with that advice. Almost all submissions to the AEMC's draft advice supported a voluntary approach.</p> <p>The proposed approach is that parties will be required to comply with B2B procedures and use the B2B e-hub unless they agree to an alternative. It is expected that most parties will wish to use it for ease of interoperability. The drafting of obligations to comply with B2B procedures and use the B2B e-hub reflects the current requirements and this has not been an issue to date.</p>
<p>Parties should not be required to be accredited by AEMO as a B2B participant. Instead, registered participants or accredited parties should be able to request registration as a simple extension to their status, rather than a separate process and expense. (AEMO, pp.4-5)</p>	<p>It is agreed that the accreditation process should not be expensive or onerous. AEMO would be responsible for determining an appropriate accreditation process based on the risks involved in parties using the B2B e-hub. AEMO would have discretion to decide the extent of these requirements and would be able to exempt certain categories of participants from certain requirements if it considers this appropriate.</p> <p>It is preferable to create a new role (B2B participant) that includes users of the B2B e-hub that are not otherwise registered participants or accredited parties. This is necessary to place obligations on those third parties, such as compliance with B2B procedures and the payment of fees.</p>
Cost recovery	
<p>A user pays principle may be a disincentive for parties to become B2B participants and there is a risk that AEMO may not be able to recover all costs. (AEMO, p.5)</p>	<p>Noted. AEMO should have confidence that it can recover costs, as this expenditure will be required by the NER. It is proposed that AEMO be able to recover its costs by way of participant fees and that it can levy participant fees on third party B2B participants if it considers this is appropriate.</p>
Implementation	

Issues raised by AEMO	AEMC Response
<p>It is not vital that the shared market protocol be provided when the competition in metering rule change commences. The development of governance materials, procedures and systems will be a significant body of work and should be considered independently. (AEMO, p.5)</p>	<p>Noted. While there are significant benefits in redeveloping the B2B e-hub for the commencement of the competition in metering final rule, whether that is achievable will be determined by the IEC when developing the revised B2B procedures.</p>

C Responses to submissions not addressed in this advice

This appendix outlines the issues raised in submissions to the consultation paper and draft advice that are not otherwise addressed in the body of this advice.

Stakeholder(s)	Issue	Response
	Governance	
IEC (draft advice), p.1; NSW DNSPs (draft advice), p.3; United Energy (draft advice), p.6.	The IEC should continue to have transparent and open meetings and processes (such as allowing non voting observers to meetings), to support an inclusionary and representative approach. Working group meetings should include broad representation, with meeting packs being distributed to all interested parties.	The AEMC agrees with these comments. However, making a rule on these matters is outside the scope of this advice. Operation of the IEC would be outlined in the IEC operating manual.
United Energy (draft advice), p.6.	Allowing discretionary members to be DNSPs or retailers is inconsistent with the objective of having a representative group.	It is intended that the new IEC would be broadly representative of parties with an interest in B2B procedures. AEMO may choose to appoint a person as a discretionary member to the IEC who works for a DNSP or retailer if it considers that class of people is not adequately represented on the IEC.
	Procedures	
United Energy (consultation paper), p.2.	AEMO should be required to facilitate the transition of new services into the shared market protocol.	It is not appropriate to require the transition of new services into the B2B framework. This would be a matter for the IEC to decide, having regard to the NEO and B2B principles.
United Energy (draft advice), pp.4-5.	Most of the services in the minimum services specification are already available and are in the B2B procedures. The inclusion of further communications should be based on whether there are parties willing to sell the services and parties wishing to buy the	The IEC would decide which services should be supported by B2B procedures having regard to the NEO and B2B principles. The new B2B principles include having regard to

Stakeholder(s)	Issue	Response
	services at volume.	the costs and benefits of the proposed B2B communication.
Ausnet Services (draft advice), pp.5-6; IEC (draft advice), p.3.	The IEC should be responsible for determining the service levels for the services in the minimum services specification, as this would give the IEC end to end responsibility for B2B communications.	<p>Responsibility for determining service levels for the services in the minimum services specification is being addressed through the competition in metering rule change process.</p> <p>Service levels for other services should be determined by commercial negotiation.</p>
	IT	
EDMI (draft advice), pp.1, 5.	In order to achieve significant scaling up of speed and volume of messages, the B2B e-hub would need to use cloud based computing technology.	This advice does not nominate the technology used to deliver the B2B e-hub. This would be a matter for AEMO as the party responsible for providing the B2B e-hub.
EDMI (draft advice), p.5.	AEMO and the IEC should ensure that new parties to the market can carry out research and testing for new services within the B2B e-hub.	This is outside the scope of this advice. AEMO and the IEC are expected to consider these issues when determining implementation dates for changes to the B2B procedures to add new services and when designing any necessary changes to the B2B e-hub to meet the requirements set out in B2B procedures.
	Obligations	
NSW DNSPs (draft advice), pp.3, 5.	The accreditation process should include network services and network data to mitigate the risks of networks stability and security impacts if communications (like load control) are not adequately defined in B2B procedures.	This is outside the scope of this advice. The IEC may consider these risks when developing the B2B procedures.
NSW DNSPs (consultation paper), p.3; Energex (draft advice), p.2; NSW DNSPs (draft advice),	Metering Coordinators and B2B e-hub participants should be required to comply with jurisdictional regulations.	Metering Coordinators and B2B e-hub participants are already required to comply with any applicable jurisdictional regulations. There is no need to re-state these requirements in the NER.

Stakeholder(s)	Issue	Response
p.3.		
ENA (consultation paper), p.5; NSW DNSPs (consultation paper), p.2; United Energy (consultation paper), pp.1-2.	There should be some form of light handed regulation on the metering coordinator's services. For example, that an offer to provide services must be fair and reasonable.	The responsibilities of the metering coordinator with regard to providing access to services are being addressed through the competition in metering rule change process.
United Energy (consultation paper), p.12.	Metering Coordinators may need to adopt a process to allow third parties access to certain services and certain NMLs.	The responsibilities of the metering coordinator with regard to providing access to services are being addressed through the competition in metering rule change process. A redeveloped B2B e-hub may assist metering coordinators by providing some high level verification of parties.
	Implementation	
Ausnet Services (draft advice), pp.9-10; NSW DNSPs (draft advice), p.6.	Timelines should be aligned with other rule change processes such as competition in metering.	While there would be benefits in aligning the updating of the B2B framework with other related rule change processes, implementation timeframes cannot be decided until a subsequent rule change on updating the B2B framework has been assessed.
EDMI (draft advice), pp.5-6.	There will be a lot of learning about the desired products in the six months following the commencement of competition in metering. The development of the e-hub would be greatly improved if it can incorporate this experience. It would also be more manageable to carry out implementation over a longer period of time.	<p>Noted. The only requirement in the NER would be for the B2B procedures (and effectively the B2B e-hub) to accommodate B2B communications to support services in the minimum services specification. Any B2B communications beyond this and the timing for introducing those B2B communications into B2B procedures would be a matter for the IEC.</p> <p>The implementation date for the new B2B procedures will also be for the IEC to decide.</p>

Stakeholder(s)	Issue	Response
ENA (consultation paper), p.3.	A shared market protocol should not be considered until interrelated matters, such as the competition in metering rule change and COAG Energy Council work on regulating new products and services in the market, are finalised.	<p>The AEMC is mindful of the interactions between this work and interrelated matters. This advice is being developed in parallel to the competition in metering rule change process.</p> <p>This advice does not affect the COAG Energy Council work on regulating new products and services in the market.</p>
AGL (consultation paper), p.2; ENA (consultation paper), p.3; Vector (consultation paper), p.5.	The new arrangements should be reviewed in three years, or periodically, to ensure they are efficient and continue to meet market participants' and consumers' needs.	The Commission does not consider including a formal review process in the NER to be necessary. Parties may lodge a rule change request in respect of the B2B and IEC frameworks in the NER at any time. Alternatively, the COAG Energy Council may request advice or direct a review be carried out at any time.
Landis+Gyr (consultation paper), p.3.	AEMO should review the current B2B e-hub to determine the impediments and constraints with regard to using it for advanced metering services. This would aid the transition period.	This suggestion is outside the scope of this advice. AEMO conducted such a review as part of its advice to the COAG Energy Council.

D 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
FTP	File transfer protocol
IEC	Information Exchange Committee
MSATS	Market Settlement and Transfer Solutions
NECF	National Energy Customer Framework
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NMI	National Metering Identifier