



27 January 2016

Richard Owens
Senior Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Owens

RE: Updating the Electricity B2B Framework Consultation Paper

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission's (the Commission) Consultation Paper on upgrading the electricity B2B framework, in response to rule change requests lodged by Red and Lumo Energy, as well as the COAG Energy Council.

About ERM Power Limited

ERM Power is an Australian energy company that operates electricity generation and electricity sales businesses. Trading as ERM Business Energy and founded in 1980, we have grown to become the fourth largest electricity retailer in Australia, with operations in every state and the Australian Capital Territory. We are also licensed to sell electricity in several markets in the United States. We have equity interests in 497 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, both of which we operate.

ERM Power also was a representative on the Commission's Open Access and Common Communication Standards Advisory Committee, and AEMO's Minimum Functionality and Shared Market Protocol Reference Group that were convened to consider issues related to the rule change requests.

Our submission responds only to those consultation questions of particular importance to our business.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

Jenna Polson
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Proposed B2B arrangements

1. Given the changes to the NER from the competition in metering and embedded networks final rules and the new services that can be offered using advanced meters, is there a need to update the current B2B framework?

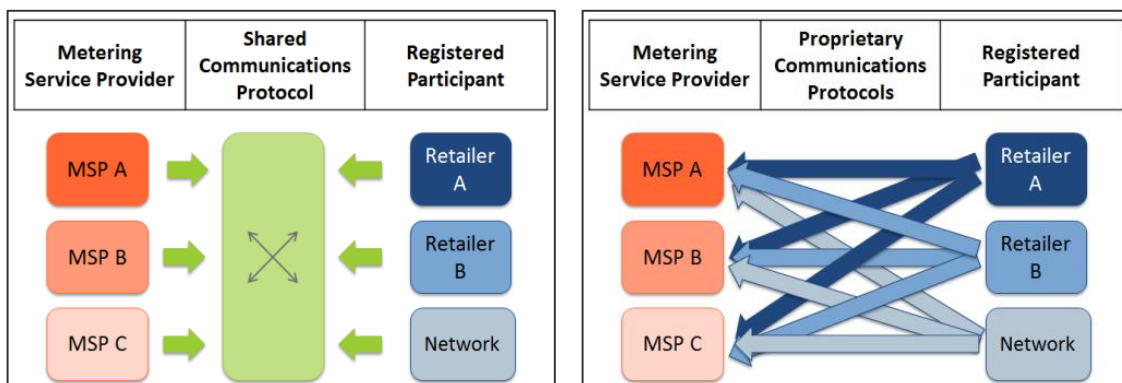
ERM Power believes there is a need to update the current B2B framework, both to ensure the technical functionality can support advanced services, and to establish a governance framework appropriate to the range of parties expected to be involved in these processes.

Technical

Some of the greatest consumer benefits from advanced metering are likely to rely on near-real time transactions. This means the ability to communicate data or instructions in a matter of seconds. The current B2B framework is not technically capable of supporting this. Without providing this functionality, it is expected that a range of advanced services will not be supported through an industry-wide communications framework (or shared protocol).

In the absence of a shared protocol that supports the products and services sought by customers, it is likely that individual businesses will develop their own means of communicating to with particular service providers to deliver these services. The diagrams below illustrate the inefficiency intrinsic in developing a range of individual proprietary communications protocols, rather than one shared communications protocol that can be used across industry.

Figure 1: Comparing shared protocol with individual proprietary protocols



A shared communications framework would allow all parties to communicate in the same “language” when requesting and responding to transactions. This is the most efficient approach. We recommend the current B2B framework is updated to enable this for advanced services.

Governance

The recent NER amendments introduce new parties that are likely to use, or have an interest in, the systems, processes and procedures that support advanced services. Changes to these may have material implications on their business decisions. Equally, their perspectives and experiences are likely to be important considerations when making decisions relating to B2B systems, processes and procedures.

ERM Power therefore believes that the current B2B governance framework must be updated to allow participation and consultation of these parties on issues relating to the B2B framework.

2. What are the most appropriate arrangements for IEC/Retail Industry Panel membership, including the arrangements for election/appointment of members and requisite qualifications of members?

ERM Power supports the Retail Industry Panel membership as described in the Red/Lumo Energy rule change request. We believe that this approach provides the best opportunity for industry to be involved in decision-making processes relating to the B2B framework. In particular, the allocation of two places each for retailer, DNSP and metering members better accounts for the diversity of views and business models within each class compared to the COAG Energy Council proposal. This approach also provides the flexibility for discretionary members from other categories to participate to ensure other relevant views can be represented where they have interest and availability to participate.

We also believe the restriction on related entities representing multiple classes is appropriate, to mitigate the risk of decisions being unduly weighted by particular commercial interests.

4. Are the proposed obligations on parties appropriate, including the accreditation requirements and Red and Lumo's proposed certification requirements?

We consider it appropriate that all B2B e-hub users be captured under the NER in some manner (such as accreditation or registration) to establish appropriate rights and obligations. This is particularly important for those users that are not currently registered participants or accredited service providers. However, it is not clear to us that a separate accreditation process is justified for registered participants, who already have a range of market obligations under the NER, including the requirement to comply with B2B procedures. We believe registered participants should be deemed to be B2B e-hub participants.

ERM Power supports the Red/Lumo Energy proposal for AEMO certification of user systems. However, we note that this process would need to be managed more efficiently than has been the case in the past. For example, central management and clear timeframe setting would make the process far more efficient and reduce costs for both AEMO and participants.

Implementation

1. If a rule is made, is a 1 December 2017 implementation date for the new B2B procedures and upgraded B2B e-hub achievable? If not, why not and what is an alternative date?

ERM Power considers it important that the communications platform to enable an industry-wide approach to advanced services is functional from 1 December 2017, to align with the enabling rules for competition in metering. This is because we expect a number of participants to immediately offer advanced services when the proposed metering competition framework commences. If there are participants that decide to offer a service that is not supported by the available shared communications protocol at the required time, it is likely that they will develop their own communications method to deliver that service. If there are a material number of participants that are communicating in this manner, then the efficiency benefits of establishing a shared communications protocol could be compromised.

We believe implementation by 1 December 2017 is achievable, assuming AEMO and industry processes are managed appropriately.

2. Which implementation tasks above may be at risk of not being met in the given timeframes and why? Would any of the timeframes need to be adjusted? Can any of these tasks be completed sooner, eg developing the election procedures and operating manual, or do some of them require more time? How would any changes impact other timeframes and the target deadline of 1 December 2017?

We consider the development and finalisation of the technical solution for the upgraded B2B framework to be the aspect of implementation that poses the greatest risk to the 1 December 2017 deadline. To date, participants have been given only a high-level description of potential technology solutions, with very little opportunity to share their views on the implications for their businesses. Should technology proposals be contentious, this could place the project delivery at serious risk.

As indicated in the Red/Lumo Energy rule change request, there is nothing to prevent AEMO from upgrading or changing the technology used for the B2B e-hub if it is deemed unfit for current or future purposes. This means that AEMO could immediately review the existing technology to scope and consult on the expected changes. We recommend AEMO commence this task as soon as possible.

3. Are any implementation steps missing?

We have not identified any missing steps.

4. How much time would participants expect to need to update their systems to comply with the new B2B procedures and use the upgraded B2B e-hub? When can participants commence this work, for example can work commence following publication of draft B2B procedures?

Given the limited information available about the technology solution that may be proposed in response to the rule change requests, there is a reasonable degree of uncertainty about the time required to enable compliance with the new B2B procedures and use of the upgraded B2B e-hub. At this stage, we expect system development to take between 6 and 12 months. While we will be able to begin scoping and planning work based on draft procedures, this development period will not start until the final version of procedures have been published.

5. Should any of the steps have reduced requirements to speed up implementation, such as an exemption from having to follow the rules consultation procedures? Which steps could be run concurrently with other steps? Are there any further options that could be considered to minimise implementation timeframes?

While an exemption from having to follow the rules consultation procedures would reduce the implementation timeline, we are concerned that doing so may compromise the functionality of the final outcome (for example, if participant concerns are not appropriately accounted for). Any exemption should be applied with restraint, only to those aspects of the procedures that are agreed by industry to be uncontroversial, and where a reduced timeframe is deemed necessary to enable the effective date to be met.

The Commission notes that the Retail Industry Panel may decide to implement only the minimum set of advanced services from the effective date, to assist in meeting the 1 December 2017 effective date. ERM Power would support this approach, provided a clear timeline is established for enabling other services. This would allow industry to plan the provision of their products and services according to the enabling framework.