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19 May 2016

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

ERC0197 - NATIONAL ELECTRICITY AMENDMENT (UPDATING THE ELECTRICITY B2B FRAMEWORK) RULE 2015 – Draft Determination.

Ergon Energy Corporation Limited (Ergon Energy), in its capacity as a Distribution Network Service Provider (DNSP) in Queensland, welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *National Electricity Amendment (Updating the electricity B2B framework) Rule 2015 – Draft Rule Determination*.

Please find attached Ergon Energy's submission. Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jenny Doyle', with a large, sweeping flourish extending to the right.

Jenny Doyle
Group Manager Regulatory Affairs

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Enc: Ergon Energy's submission



**Submission on the
*National Electricity
Amendment (Updating the
electricity B2B
framework) Rule 2016*
- Draft Rule
Determination**

19 May 2016

**Submission on the *National Electricity
Amendment (Updating the electricity B2B
framework) Rule 2016 – Draft Rule
Determination***

Ergon Energy

19 May 2016

This submission, which is available for publication, is made by:

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Introduction

Ergon Energy Corporation Limited (Ergon Energy) in its capacity as a Distribution Network Service Provider (DNSP) in Queensland welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *National Electricity Amendment (Updating the electricity B2B framework) Rule 2015 - Draft Rule Determination* (the Draft Determination).

While Ergon Energy supports the overarching intent of the Draft Determination, we are concerned about some key aspects of the framework proposed therein. Specifically, Ergon Energy has serious concerns regarding the B2B procedures delivery timeframes in the context of the scheduled commencement of the competition in metering and related services rule in December 2017. Ergon Energy is also concerned about the proposed structure and operation of the Information Exchange Committee (IEC) and in particular the need to ensure adequate representation across appropriate member categories. These concerns are outlined further in our submission.

Additionally, as a member of the Energy Networks Association (ENA) Ergon Energy has contributed to and supports the ENA's submission.

Timeframes

Ergon Energy acknowledges the competition in metering and associated B2B rule changes as complex reforms requiring substantial time to finalise. However, we are concerned that delays in finalising the new and revised Australian Energy Market Operator (AEMO) procedures to support the commencement of competition in metering, will make it extremely challenging for DNSPs such as Ergon Energy to be sufficiently prepared for the 1 December 2017 commencement of this significant metering rule change. Specifically, critical AEMO procedures that were due to be finalised by September 2016 will not be finalised until June 2017, leaving only six months for industry to build, test and implement significant B2B e-hub systems that are required for the commencement of competition in metering. Ergon Energy agrees with the ENA, that in consideration of the abovementioned timeframe concerns, there are logically three overall options for implementation:

- Expedited delivery of critical AEMO procedures;
- Delayed commencement of competition in metering; or
- A 'staged' implementation.

Ergon Energy also agrees with the ENA, that there appears little capability within the current schedule to fast-track the finalisation of B2B processes to allow further time for the e-hub systems build, without an extension to the timeframe for commencement of competition in metering. Even under a best case scenario within the AEMC's proposed schedule, wherein the new B2B procedures are delivered around March 2017, there would still only be nine months to deliver the required changes, well short of the 12-18 months typically required for such a major reform in the sector.

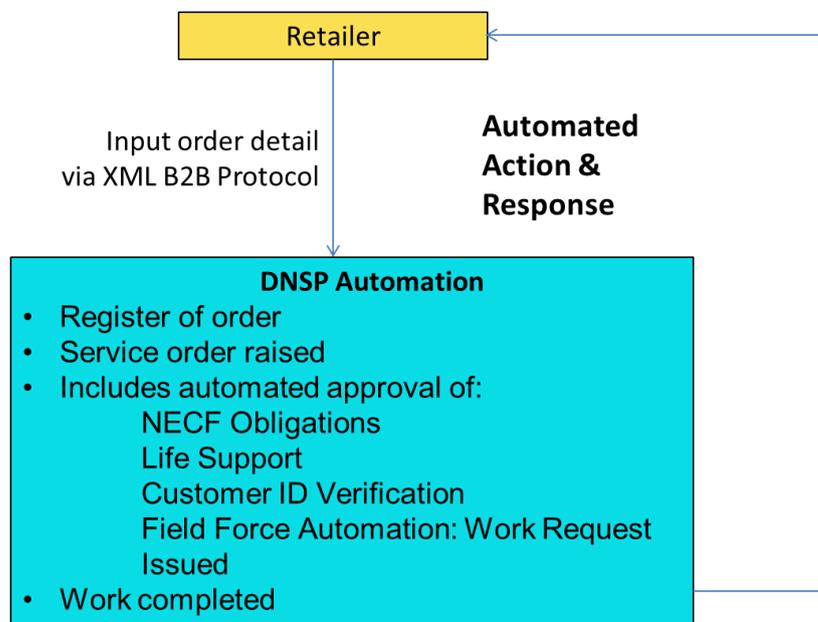
Although we acknowledge the AEMC allowance for this concern by enabling B2B transactions to occur outside of the e-hub by "other" means¹, Ergon Energy considers such an approach may in

¹ Australian Energy Market Commission, *Draft Rule Determination – National Electricity Amendment (Updating the electricity B2B framework) Rule 2016*, EMC Draft Determination ,p 94.

fact have negative impacts on customers at the commencement of competition in metering. This is demonstrated by considering **Figure 1** below which outlines the significant automation embedded into just one B2B transaction.

Figure 1

Example: B2B Re-en / De-en Service Order Request: now



The automation is built around the existing roles and responsibilities of each market participant. Consequentially, with the introduction of Metering Coordinators and subsequent change in roles for existing market participants, current B2B systems are not transferrable to the new structure as all e-hub processes must be re-built to reflect each participant's new responsibilities. This means that for every B2B transaction in which time constraints do not allow for new e-hub systems to be built, manual B2B capability will be required which creates resource constraints, increased service delivery times and costs. The e-hub has been developed over a significant number of years and given the mere six month timeframe provided for the new B2B systems build, there is likely to be a considerable number of transactions required to operate without e-hub automation at the commencement of competition in metering. However, it is not possible to quantify the exact number of transactions that will require manual capability or the extent of the impact of this capability on businesses and customers until the new B2B procedures are finalised.

Although Ergon Energy considers a delay to the commencement of competition in metering would enable the most organised and cost effective introduction of the full suite of changes, we acknowledge the AEMC's advice that this would require a separate rule change. Consequently, notwithstanding this as our preferred option, Ergon Energy's agrees with the ENA that a staged implementation is the most likely outcome, despite the additional costs involved. On this basis Ergon Energy considers it imperative the transitional IEC commence work on the B2B procedures, specifically the agreed list of essential B2B services, so as to maximise the number of these services that will be available via the e-hub at the commencement of competition in metering. Further, Ergon Energy strongly urges the AEMC to accept the ENA's recommendations for the

establishment of a National Project Office; to undertake a readiness review in mid-2017 to drive the reforms; and to review the capability of the market for delivering the competition in metering rule change to the level expected by customers at commencement.

IEC Membership

As demonstrated in **Figure 1**, the level of system automation for the processing of B2B transactions means that any changes to the B2B framework will have a significant impact on the systems and processes of DNSPs such as Ergon Energy. On this basis, Ergon Energy considers that industry participants such as DNSPs with higher exposure to risks and costs must be provided with representation on the IEC, proportionate to this exposure. However, Ergon Energy notes the AEMC proposes that DNSPs have only one IEC member, equal to all other market participants, including those which would not generally be as exposed to the impacts of IEC decisions. Notwithstanding this, the AEMC has acknowledged this issue in the Draft Determination and sought to address it by allowing AEMO to appoint up to four discretionary members, one of which they note could be filled by a second DNSP.² The AEMC considers such an approach is required due to the risk that if the IEC were to compulsorily consist of two DNSP members, this may result in two similar networks being elected to the IEC; thereby limiting the committee from being a body broadly representative of the industry.³

Ergon Energy is extremely concerned that in the absence of a guaranteed second DNSP member there is a strong likelihood that network issues may not be adequately addressed due to an inherent lack of diversified DNSP representation within the IEC, to consider the impact of IEC decisions on this industry sector. Furthermore, Ergon Energy notes this will have the potential to create inefficiencies and increase costs. Notwithstanding our strong preference for the composition of the IEC to include election of two DNSP representatives, Ergon Energy strongly recommends that any discretionary appointments to the IEC by AEMO, be subjected to consultation and consideration of the views of DNSPs (and other applicable representative groups), prior to those appointments being confirmed.

In addition to our concerns about the lack of guaranteed representation across member categories, Ergon Energy is also concerned about the increasing role of AEMO under the proposed new arrangements. Specifically, AEMO will become IEC Chair and granted voting capability for the first time, alongside the power to appoint four discretionary members. Ergon Energy considers this will provide AEMO with significant and disproportionate influence, and as noted by the ENA in its submission, will result in an IEC constituted and operating as an advisory committee to AEMO, rather than one focused on ensuring the identification, facilitation and efficient delivery of key services by participants to service customers in the electricity market.

² Ibid, p 25.

³ Ibid.