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Ref: NB/TF/JD

Thursday 21 November 2013

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Pierce

RE: Submission on the National Electricity Amendment (Governance of retail market procedures) Rule 2014 Consultation Paper

Ergon Energy Corporation Limited (EECL), in its capacity as a Distribution Network Service Provider in Queensland, and Ergon Energy Queensland Pty Ltd (EEQ), in its capacity as a non-competing area retail entity in Queensland, hereinafter referred to as Ergon Energy, welcome the opportunity to provide comment to the Australian Energy Market Commission on its *National Electricity Amendment (Governance of retail market procedures) Rule 2014* Consultation Paper (the Consultation Paper).

Specific comments in relation to each of the questions raised in the Consultation Paper are included in the attached 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'.

Jenny Doyle
Group Manager Regulatory Affairs

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Enc: Ergon Energy's submission



Submission on the National Electricity Amendment (Governance of retail market procedures) Rule 2014

21 November 2013

**Submission on the *National Electricity
Amendment (Governance of retail market
procedures) Rule 2014***

Australian Energy Market Commission

21 November 2013

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

Ergon Energy Corporation Limited and Ergon Energy Queensland Pty Ltd

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Introduction

Ergon Energy Corporation Limited (EECL) and Ergon Energy Queensland Pty Ltd (EEQ), welcome the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *National Electricity Amendment (Governance of retail market procedures) Rule 2014* Consultation Paper (the Consultation Paper).

This submission is provided by:

- EECL, in its capacity as a Distribution Network Service Provider (DNSP) in Queensland; and
- EEQ, in its capacity as a non-competing area retail entity in Queensland.

In this submission, EECL and EEQ are collectively referred to as 'Ergon Energy'.

Ergon Energy is generally supportive of the approach suggested by AEMO in its rule change request relating to the operation of, and accountability for, retail market procedures. Further, Ergon Energy generally agrees that maintaining concurrent frameworks within the National Electricity Rules (the Rules) is inefficient and impractical. On this basis, Ergon Energy generally acknowledges a need to introduce reasonable flexibility in the procedures to facilitate and reinforce future market and technological changes.

In response to the AEMC's invitation to provide comments on the Consultation Paper, Ergon Energy has provided detailed comments in the attached table. Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AEMC require.

Table of detailed comments

Question(s)	Ergon Energy Response
<i>1. The Assessment Framework</i>	
(a) Is the assessment framework outlined in section 4 appropriate for the consideration of this rule change request?	Ergon Energy broadly supports the introduction of a governance framework that allows those who are best placed to make particular decisions to be responsible for making such decisions. This approach will help to streamline decision making processes and provide an environment for efficient outcomes.
<i>2. Significance and scope</i>	
(a) Do you consider that the governance framework for the development of B2B and other chapter 7 procedures is appropriate or could it be improved? In what way?	Ergon Energy recognises that opportunities for improvement of the current governance framework exist. In particular, Ergon Energy notes that the existence of concurrent, though related frameworks within the Rules is inefficient and does not facilitate certainty in the market. With this in mind, Ergon Energy considers that the establishment of a uniform governance framework for all Chapter 7 procedures will improve efficiency and facilitate the desired certainty in the market.
(b) Could market developments in the future affect the appropriateness of governance arrangements? If so, how?	Ergon Energy does not believe that the evolution of the market will adversely affect the appropriateness of governance arrangements where those arrangements are appropriately designed. On the contrary, Ergon Energy is concerned that inflexible or inappropriate governance arrangements will potentially hamper or interfere with the ability of other/new market participants to successfully enter or integrate into the market. Product development and improvement, new technologies and business processes are rapidly changing, and in turn, the governance framework applicable to these market advances must be flexible enough to enable the market to evolve quickly.
<i>3. Flexibility and responsiveness</i>	
(a) Do you think that the governance arrangements for chapter 7 procedures have been sufficiently flexible to date?	In a reasonably static market, the Chapter 7 procedures were adequate, although with a rapidly evolving market, Ergon Energy believes there is now a need for more flexible governance arrangements.
(b) Have any participants been excluded by how the B2B	Ergon Energy has no specific comment.

Question(s)	Ergon Energy Response
governance framework, including the IEC, has been structured under the rules? In what way?	
4. Uniformity of process	
(a) Do you agree that there is increasing cross over, or likelihood of cross over, in different procedural areas occurring such that B2B procedures should no longer be treated separately from other chapter 7 procedures;	Ergon Energy anticipates there will be increasing cross-over in different procedural areas, particularly as the effects and benefits of energy market reform are realised. In order to support the effectiveness of the retail market as it evolves, Ergon Energy recommends that B2B procedures should not be treated separately from other Chapter 7 procedures.
(b) Is there justification for a continuation of greater industry control over B2B procedures than other chapter 7 procedures?	Ergon Energy does not believe there is any justification for a continuation of greater industry control over B2B procedures than for other Chapter 7 procedures. There is a significant interplay between all of the Chapter 7 procedures, and each has the potential to impact the success or otherwise of the B2B procedures. Ergon Energy would seek to reiterate the importance of uniform management of Chapter 7 procedures.
5. Accountability	
(a) Is there an accountability problem to be addressed in relation to B2B procedures where AEMO is required to make decisions based on recommendation of the IEC?	Ergon Energy recognises that there is an accountability issue arising from the IEC's ability to effectively enforce change on AEMO without necessarily having a full understanding of the impacts of their decisions. Ergon Energy is concerned that a requirement on AEMO to implement changes that are not necessarily sound or fully assessed in terms of market impact has the potential to disadvantage market participants.
(b) Which body should be making decisions on B2B matters?	Ergon Energy notes that the IEC is made up of select industry representatives, and is therefore, not a balanced representation of all market participants. As AEMO is independent, Ergon Energy believes it is best placed and most appropriate to make decisions on B2B matters, in order to represent the interests of all market participants on a fair and equitable basis. However, the decision making process should include a robust consultation process to ensure all market participants have an opportunity to raise issues with AEMO.
6. Governance of the procedure making process - Balance between rules and procedures	
(a) Should greater flexibility be introduced into the governance framework for chapter 7 procedures by moving it into AEMO procedures? Are there other	In response to Questions 6 (a) - (c), Ergon Energy does not hold any firm views on the most appropriate place for the governance framework. However, should the framework be transferred to become an AEMO responsibility, Ergon Energy

Question(s)	Ergon Energy Response
ways of achieving this?	would expect a full review of the Rules consultation procedures would be raised to ensure robust issues analysis and resolution processes are in place.
<i>Governance of the procedure making process - Ways to address the balance between rules and procedures</i>	
(b) Is it appropriate for AEMO to be able to determine and change its own process for making chapter 7 procedures, subject to the rules consultation procedures, or should there be greater or additional oversight of this process?	As above.
<i>Governance of the procedure making process - Impacts on market participants</i>	
(c) Would there be any difference in the impacts on participants if the governance framework was located outside of the NER in AEMO procedures?	As above.
7. Compliance and enforcement	
(a) Should civil penalties be available for breaches of any or all of the chapter 7 procedures or for none? Why?	<p>Ergon Energy notes that civil penalties are often an effective means of discouraging inappropriate business practices, and expects that all market participants, regardless of their role in the energy supply chain, would be subject to standardised penalties for non-compliant behaviour.</p> <p>Ergon Energy believes the current approach to civil penalties strikes a reasonable balance between decision-making freedom and consequences for undesirable behaviour, and would not expect the current penalty regime to be expanded in scope when applied to Chapter 7 or B2B procedures.</p>
8. Other issues - Opt out provisions	
(a) Is it appropriate that the opt-out provision be retained in the B2B procedures? Why?	<p>Ergon Energy agrees that the opt-out provisions in the B2B procedures should remain in place. However, the opt-out provisions should be tightened to include timeframes and disclosure rules in relation to the agreements.</p> <p>Ergon Energy would also support the modification of the arrangements to require any new opt-out agreements to include:</p> <ul style="list-style-type: none"> • Disclosure to other market participants;

Question(s)	Ergon Energy Response
	<ul style="list-style-type: none"> • Defined duration (e.g. new market participants, IT system upgrades etc.); • Equitable terms for parties i.e. not afford either party in a bilateral agreement significant financial benefit over similar participants; and • Approval by AEMO (or other governing body).
<i>9. Evolving technologies and processes</i>	
(a) Do you think that this additional power, for AEMO to authorise new and evolving technologies through procedures, is necessary or desirable?	Ergon Energy recognises that it may be necessary and desirable for AEMO to be enabled to authorise new and evolving technologies, provided market participants are capable of negotiating appropriate timeframes for introducing these new technologies. Market participants require opportunities to take measured approaches to introducing technological changes, in conjunction with ongoing systems, business and process changes. Ergon Energy expects that AEMO would seek to maintain general stability of processes whilst new technologies are rolled out.
<i>10. Other proposed changes to chapter 7 rules</i>	
(a) Do stakeholders have any comments on these additional changes, or their possible impacts?	No further comment.