



23 July 2015

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

Locked Bag 14051  
Melbourne City Mail Centre  
Victoria 8001 Australia  
T: 1300 360 795  
[www.ausnetservices.com.au](http://www.ausnetservices.com.au)

Electronic Lodgement – EMO 0029

Dear Mr Owens

### **Heading**

AusNet Services appreciates the opportunity to respond to the AEMC Draft Advice to COAG, "Implementation Advice on the shared market protocol".

The Shared Market Protocol (SMP) (the B2B processes to support smart meter service access) is a vital component and enabler of the Metering Contestability framework, and in particular for the delivery of services to Distributors (and Energy Service Companies (ESCOs) and hence for achievement of the broader customer, network, and societal benefits of the national contestability accelerated New and Replacement rollout program.

AusNet Services broadly supports a number of the AEMC proposals in the Draft Advice regarding the approach for establishing the processes and procedures to support the contestable metering regime proposed in the Metering Contestability Rule change. In the Draft Advice a range of matters largely aligns with the thinking of AusNet Services, and distributors more broadly, as reflected in the Victorian DBs' and the ENA submissions to the Metering Contestability Draft Determination.

However, we have concerns with some aspects of the AEMC proposals, generally at the detailed level, but in some instances this is directed to the fundamentals of the regime.

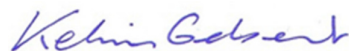
In this submission we have hence expressed our support for those aspects of the AEMC SMP proposals which align with our views, but have noted where we have concerns, and where appropriate have put our alternative views.

Detailed comments are provided in the Appendix. In summary AusNet Services' positions are:

- It is appropriate that the B2B stakeholders who bear the costs and risks, should manage the new and revised smart meter B2B Procedures through a restructured IEC
- It is important that the restructured IEC maintains a balance of impacted stakeholders and that the number of distributor and retailers should be increased to support that outcome. The IEC structure should also ensure that B2B decisions are made by the service users, but with clearly recognised and formalised input from service providers.
- The B2B Principles as proposed, with a suggested minor revision, are an appropriate basis for IEC decision making. However the wider range of Principles will make decisions more subjective and AEMO scrutiny of IEC Recommendations should recognise this.
- The IEC as the change manager for B2B Procedures should be responsible for end-to-end service measures. The allocation of Service Level measure determination to AEMO, as proposed in the Metering Contestability Rule change, is not consistent with this end-to-end responsibility allocation and hence should be revised.
- Mandating the IEC to establish B2B Procedures for the Minimum Service Specification services is appropriate. Also the Metering Coordinator obligation to ensure the capability for, and use of, B2B Procedures should be made absolutely clear.
- AusNet Services continues to support a broader range of services being included in the Minimum Service Specification. However if this is not forthcoming, the IEC should be assigned a specific role to consider whether there are other non-mandated B2B requirements which should be available coincident with Metering Contestability.
- Accreditation for B2B use is supported.
- In our view the most effective and efficient approach with respect to B2B costs allocation is to largely retain the current arrangement of payment by retailers, but with non-regulated third party providers paying directly. Other models are likely to lead to distortions and dis-incentivise development and use of standardised B2B.
- Metering Contestability should not commence until the B2B Procedures are implemented to support smart meter services.

Should you have need of any further details with respect to any of the AusNet Services positions please call Peter Ellis on (03) 9695 6629.

Sincerely,



Kelvin Gebert  
Regulatory Framework Manager  
**AusNet Services**

## Appendix

### AusNet Services Detail Submission

#### Draft AEMC implementation Advice on the Shared Market Protocol

##### 1 Governance

AusNet Services agrees with what we assess from the Advice is the AEMC view with respect to what constitutes the SMP. That is, the SMP is fundamentally nothing more than an extension of the B2B regime to support the new services enabled by smart meters.

As stated by AEMC, SMP has two components which need to be properly considered:

- a) additional and/or modified B2B processes and transactions, and
- b) enhanced transaction handling capability

We provide the following input based around this fundamental premise.

##### i. IEC as change manager

It is appropriate that the necessary processes and procedures to support smart meter service access are captured in B2B Procedures, and further that as B2B Procedures, these remain under the auspices of the B2B uses through the IEC (or a body with the same fundamental concepts and principles as the current IEC) rather than through AEMO as the market operator. We agree with the basis of the AEMC's position that the cost and risk outcomes B2B processes impact on the parties which utilise these and that the decisions regarding their development should remain with these parties.

##### ii. IEC Structure

- **Service Users as decision makers:** However whilst AusNet Services support the concept of stakeholder/IEC management of the B2B Procedures we have some concerns with the AEMC's proposed makeup of the revised IEC. We are sympathetic to the need to ensure that the establishment and revision of B2B Procedures take into account a wide range of views from all the involved parties. However we consider it important that the ultimate B2B Recommendations should be made by the parties who require the outcomes and who ultimately bear the risks and the costs. We consider that these parties are the Retailers, Distributors and Energy Service Companies. Hence an IEC which has only 1 in 10 members allocated to each of these parties seems to defeat the very argument put forward for why the users should be the decision makers for B2B. Hence whilst service providers absolutely should contribute to the establishment and revision of B2B Procedures through working groups, cost estimates, as part of IEC debate, etc, it would be a distortion for this group to vote in the IEC decision with respect to the correct balanced of costs and risk on the outcomes to the users.

A potential approach would be to ensure that the IEC has a clear charter to directly and formally involve service providers both in the IEC support working groups developing the B2B Procedures, and in the IEC meeting considerations

of the B2B Procedures, and the arriving at the basis of an IEC B2B Recommendation.

- **Need for balance:** Further the Draft Advice appears to overlook the important factor of maintaining balance and weight of the various parties with respect to decision making on the IEC. Whilst every effort is made in the current IEC to reach outcomes by consensus, weight of numbers can be a component of decision making.

AusNet Services considers the need for balanced decision making should be a key driver of the IEC structure. Inclusion of service providers such as the Metering Coordinator and the MP/MDPs whose prime income is from their retailer employers, or in the shorter term are predominantly Distribution Businesses, does not appear to fully consider balance of decision making.

Further we have some concerns with AEMO's role as a "voting member" of the IEC. The AEMC have determined, in our view correctly, that the B2B outcomes should be driven by users, and hence it is unclear why AEMO is directly involved in B2B Recommendations. AEMO clearly has a major role in B2B delivery and costs and hence absolutely cannot be left out of the process of arriving at the proper basis of IEC decisions. However the decision should be the remit of the users. If AEMO is to be directly involved in B2B Recommendations, then it would be important that the input is clearly "ringfenced" from the secretarial and support role to the IEC.

AusNet Services considers that an IEC voting membership based on a modification of the current IEC three Distributors, three Retailer model to include an ESCO and potentially a customer representative, with the independents ensuring that the outcomes are based on full consideration of all factors, risks and costs is a better balance. This would ensure that the key users' decisions have a balanced view across a range of businesses and jurisdictions.

### iii. B2B principles:

We are generally supportive of the revised B2B Principles proposed in Section 6.3.2 of the Draft Advice. However these will raise some challenges for the IEC as it is difficult to establish rigorous and auditable measures to balance the wide range of potentially conflicting requirements of these principles. This will potentially lead to IEC Recommendations being determined on a more subjective basis. To ensure that IEC Recommendations made on this basis are not unnecessarily delayed when being consider by AEMO, their role in the scrutiny of B2B decisions needs to be carefully defined in the framework.

We support the vital concepts of cost/benefits analyse and consideration of necessary implementation timeframes introduced by the two new principles below proposed in the Draft Advice, and note that the IEC already pays due regard to both of these aspects of Procedure change.

- Regard should be had to the reasonable costs of compliance by 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.
- Regard should be had to the likely costs that would be incurred by, and the implementation timeframe necessary for, AEMO to implement any new B2B procedure or change to existing B2B procedures in the B2B e-hub.

However we consider that these two concepts apply equally to both stakeholders as listed in the first dot point above, and to AEMO which is the subject of the second dot point. We therefore consider that the two currently proposed Principles above should be reconsidered: one to ensure a broad cost benefit analysis including AEMO costs and benefits, and one ensuring consideration of implementation time frames both for AEMO and stakeholders.

## 2 Processes and Procedures

B2B processes must by definition be end-to-end processes. That is they must extend from the service request, through the service action, and to the services response. Hence a user of a service makes a request to a service provider for that service, the required actions are carried out (eg the service provider interfaces with the meter), and the service provider delivers the service response to the user.

Sometimes the end-to-end process is driven by an obligation for the industry to meet a specific regulatory obligation or series of obligations eg customer must be energised within two days of their request to their retailer; in other cases the end-to-end process is driven by business requirements eg in Victoria metering data must be delivered to Retailers by 6 am next day to enable effective retailer trading.

It is the users who have driven the need for the end-to-end process to be supported by standardised B2B processes.<sup>1</sup>

### i. Basis of B2B Procedures and measures

As per the above discussion AusNet Services supports the role of the IEC as the change manager of the B2B Procedures, and make the following comments with respect to the factors impacting this role.

- **B2B delivery mechanism (SMP Platform) performance:** Many services from Smart meters cannot be utilised to anything like their full potential unless the end-to-end timeframes for service delivery are close to real time. For example if the Distributor fault/control room cannot get meter/customer supply status details very quickly, then the opportunity to better inform the Distributor of the most efficient fault response will pass.

Hence AusNet Services supports the need for considering enhancement of the B2B delivery mechanism provided by AEMO (the so called SMP Platform), so as

<sup>1</sup> As stated in Victorian Distributor submissions (and in the AusNet Services late submission re Metering Contestability Rules drafting) if the statement re the business drivers being driven by end-to-end service levels is accepted as the basis of B2B, then Rules 7.8.3(a), (b) and (c) together mean that the Metering Contestability must ensure their service providers have the capability to deliver these end to end service levels, including a capability to support these through IEC determined B2B Procedures. Benchmark market service practice is for "capability" to be demonstrated and ensured through accreditation.

to not restrict near real time end-to-end service measures being applied to smart meter services. We have no specific view as to whether the 5 second time frame recommended by AEMO in its COAG advice is the optimum balance of the transaction times (and potentially SMP platform costs) and the timing of other aspects of the end to end process.

Given the view above regarding the IEC role with respect to B2B Procedures, and the need for end-to-end service measures to support user requirements, AusNet Services supports the AEMC view that it is appropriate for the IEC to specify the B2B delivery mechanism service measures.

- **B2B service measures:** However we have some concerns with the draft Metering Contestability Rule (7.8.3 (c)) allocating the establishment of the service measures for the Minimum Service Specification services to AEMO.

This appears to be inconsistent with the AEMC's model that the IEC (ie the users) should be the determinants of their B2B requirements. As noted above B2B is an end-to-end mechanism to meet the requirements, obligations and/or business drivers, of the users. Under the model which would result from the currently proposed role allocations, the IEC would do a business requirements review and determine the processes and procedure to meet the requirements; they would also specify the delivery mechanism performance measures to support these business requirements. However AEMO would determine the end-to-end service measures potentially without reference to the IEC business requirements review outcomes.

AusNet Services suggests that the approach most consistent with the IEC being reconfirmed as the B2B change manager, is to allocate the determination of the B2B service measures to the IEC.

## ii. Scope of B2B Procedures

As detailed below AusNet Services generally endorses the AEMC approach with respect to the scope of B2B Procedures to support Metering Contestability.

- **Mandated B2B for Minimum Service Specification services** The benchmark practice is for the requirement for a B2B Procedure for a particular business exchange to be determined by the IEC analysis of the various parameters of that exchange (eg volumes, costs, risks, etc). However we agree with the AEMC assessment that in the case of the Minimum Service Specification services, which have been determined by AEMO and endorsed by COAG as required to obtain the benefits of the national contestability accelerated New and Replacement rollout program, it is appropriate for the IEC to be mandated to put the necessary B2B Procedures in place.
- **B2B for other smart meter services** We support the AEMC expectation that the IEC would also consider whether to include in the B2B Procedures (Section 6.3.1 p31) other commonly available smart meter services. The Final Advice should provide stronger support for this IEC role with respect to the IEC carrying out an assessment of the day one of metering contestability B2B processes and transactions, and to the allocation of sufficient time in the development time schedule for these considerations. As discussed in Section 4 of this submission it

will be well into 2019 before the next industry implementation/release which would be the next opportunity to extend the B2B processes to include those not included in the 2017 Metering Contestability implementation.

However AusNet Services supports the broader Distributor view put in early submissions, that the Minimum Service Specification services as defined in the Metering Contestability Rule, is short of some fundamental services to networks which significantly enhance the benefits case for the national contestability accelerated New and Replacement rollout program. AusNet Services is not seeking to reopen that well made argument here, except to highlight the following point with respect to Load Control.

In Section 6.3.1 of the Draft Advice, AEMC used Load Control as an example of one of these services which is not included in the Minimum Service Specification. Given the clearly demonstrated impacts on network loading if the Distributor Load Control capabilities are not maintained, we would consider that the required B2B Procedure to support the current distributor Load Control outcomes being requested and provided by Metering Contestability meters, should be part of the Rules list of IEC mandated B2B Procedures.<sup>2</sup>

### **iii. Clarity of obligation for B2B**

Whilst the IEC obligation to establish B2B Procedures for the Minimum Service Specification services is clear in the Draft Advice, the regime for MCs having the capability and for using the B2B Procedures is not so clear.

It is clear that the Metering Coordinator under 7.8.3 must ensure their installations meet the Minimum Service Specification including the service measures (the Minimum Services Specification). As discussed in Section 2 (i) of this submission, the service measures to support service/benefits outcomes must be end-to-end (and AEMO at a recent industry workshop (based on the MSWG) endorsed this as their view). However the statement in the Draft Advice is less than clear with respect to the use of the B2B to achieve this demonstrated end to end capability.

The Draft Advice (Section 8.3.2) states “[all parties] would be required to comply with B2B Procedures”. AusNet Services supports this approach. As a service requestor we will want to be able to send requests for Minimum Service Specification services to all MCs and receive responses from all MCs in a standardised manner through the B2B Procedure. This would appear to be the most cost efficient approach. But given the commercially sourced nature of these services, we query whether a Metering Coordinator arrangement which provides services access using the standardised B2B, but at a premium rate above benchmark costs, meets the requirements. We believe not and hence request that the policy position with respect to the obligation for use industry standardised B2B is made absolutely clear.

---

<sup>2</sup> As noted by Distributors in various submissions load control is more than just supporting the same outcome as 11-7 time switches. AusNet Services and other distributors are using remote connectivity to change switching times within the tariff windows to better manage and spread peak loadings in parts of our networks. These meter setting change requests (and associated end-to-end capabilities) will be critical to maintaining these outcomes.

### 3 B2B Participant Arrangements

#### i. B2B Participant accreditation

AusNet Services broadly supports the concept that the users of B2B transactions as defined in the B2B Procedures should be accredited with respect to their technical basis for the use of the transactions and the B2B delivery mechanism. This is the current basis of the gas B2B hub transaction delivery arrangements. This is based on the assessment that this ensures that the users of B2B are not, through their technical incompetence imposing costs on those that they are transacting with. This accreditation should not be complicated or arduous but largely ensure transaction delivery against a test gateway.

#### ii. B2B cost allocation

AusNet Services however does not agree that this B2B accreditation regime should directly provide the basis of allocation of the costs of the AEMO B2B/SMP platform and other AEMO B2B process support costs. There are fundamentally three parties who will be requesting and receiving services through B2B. Retailers, Distributors and third party providers ie ESCOs. It is the AusNet Services view that the costs of the B2B regime should be allocated to these users rather than to their service providers.

We consider that the basics of an appropriate B2B cost recovery regime should be:

- the ESCOs pay AEMO directly for a portion of the B2B costs based on their B2B usage as a proportion of the total B2B transaction volumes. Distributors may be requesting services outside of their regulated DNSP role and in this case would be categorised as an ESCO.
- the retailers pay the remaining proportion of the B2B costs based on their market share in a manner similar to the current B2B cost allocations.
- distributors in their regulated role pay no B2B costs. We consider that this is a more effective and efficient approach than distributors paying a proportion of the costs to AEMO. If distributor payment was the approach, distributors would incorporate their costs in their tariffs. These would be paid by retailers and recovered from their customers. Payment by retailers and recovery through their retail offers is the most effective and efficient approach.

### 4 Transitionals and implementation

#### i. Metering Contestability and SMP aligned

We believe it is highly desirable that the commencement of the Metering Contestability regime coincides with the establishment of the NER and Procedure changes to support and define the necessary B2B (SMP) changes to enable the provision of services from smart meters to parties seeking to take advantage of these services. Or where the party already has access to smart meter services from a smart meter they have installed (in Victoria from AMI meters installed under the Victorian mandated rollout), to ensure continuity of those services.

The latest version of AEMO's Power of Choice time schedule (tabled as part of the AEMO workshop on Thursday 16 July) indicated that the next industry procedure change / systems implementation would be at the end of 2018, 12 months after the



service date of the Metering Contestability changes. However this is based on the next implementation commencing a number of months before the Metering Contestability implementation completion date; ie two overlapping implementations in parallel! Our preliminary view is that following a major implementation like the Metering Contestability changes, rather than overlap, at least three months should be allowed for “bedding in” before commencing another major change. If the overlap is eliminated and the implementation gap adopted, then the service date for the B2B changes (SMP) to support the Minimum Service Specification services would be well into 2019.

Hence there would likely be at least an eighteen months period where Distributors and ESCOs requesting services, and MCs wanting to deliver those services, will have to attempt to manage these interactions using non-standard B2B processes with attached costs, risks, and uncertainties of outcome. This is unlikely to be acceptable given a key deliverable of the new and replacement rollout is the support of these services. Further, a key feature of these services which is essential to the benefits to be derived from the services, is the need to them to be available in near real time. We therefore conclude that the changes to the AEMO e-hub to enable guaranteed rapid service transaction handling must also be coincident with the commencement of contestability.

We therefore recommend that the Final Advice, rather than retaining the view expressed in the Draft Advice that “To the extent possible the Commission will seek to align these implementation timeframes [contestability, e-hub upgrade, and B2B for Minimum Service Specification services]”, should recognise that alignment is essential to the achieving the desired new and replacement rollout outcomes.

## ii. AEMC Advice support for alignment

AusNet Services considers that the following approach could be taken in the Final AEMC Advice to ensure minimum barriers to achieving the earliest possible start to metering contestability whilst ensuring alignment of the SMPs implementation:

- more clearly define in the Advice details of the AEMC’s expectations of the SMP regime including with respect to the SMP platform broad outcomes. It should be clear that the requirement is to achieve an early SMP outcome to support contestability.
- provide AEMO and IEC with obligations to commence development work before the Metering Contestability and SMP Rules changes are in place

## iii. AEMC Advice support for alignment

AusNet Services considers that the following option be considered as the basis of ensuring this alignment:

- **Time schedule for SMP:** that a detailed milestone program / time schedule including the development of the necessary B2B support for the Minimum Service Specification services, and consideration by IEC of other services be prepared by the IEC (with AEMO support as necessary) ASAP.
- **AEMC setting of implementation date:** if this IEC time schedule extends the Procedure development period (and subsequent design-build-test date) beyond those dates suggested by AEMC in their recent Metering

Contestability Rule time extension, that AEMC (after critically examining the time schedule) recognise these dates in their Final Determination.<sup>3</sup>

- **Immediate start:** that IEC and AEMO proceed with process and Procedure development, including for Minimum Service Specification services support, immediately rather than wait for the SMP Rules change to be finalised. As propose by the IEC in their Gantt Chart in late 2014, with the proper direction from AEMC, and with good faith and co-operation on behalf on industry, the necessary B2B and other necessary processes and Procedures could be developed and advanced through consultation, with only the Final Determination being absolutely reliant on the governance structure being defined in the NER. Based on the AEMO time schedule tabled at their 16 July workshop, it would be expected that with some pre-work, the new IEC could be in place before the SMP B2B Procedure Draft Determination.

---

<sup>3</sup> AusNet Services supports the concept of having a go/no go decision point in the time schedule which would allow for an independent assessment of broad industry readiness for Metering Contestability and for a revised effective date if there are implementation issues. Refer Victorian Distributor DB submission.