

28th January 2016

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney NSW 1255

CONSULTATION PAPER

National Electricity Amendment (Updating the electricity B2B framework)

Dear Mr Pierce,

Metropolis Metering Services Pty Ltd (Metropolis) is an AEMO accredited Metering Provider and Metering Data Provider with a significant volume of contestable advanced meters installed across homes and businesses in all states and territories in the NEM.

Metropolis welcomes this opportunity to provide a response to the draft advice for *Updating the electricity B2B framework*. As an existing accredited, competitive metering services provider, Metropolis has a keen interest in expanding the benefits of advanced metering throughout the Australia. As a leading innovator in metering services Metropolis applauds efforts to support advanced metering service delivery and take up.

Sincerely,

Charles Coulson
Regulatory Manager

Overview

Metropolis support the current B2B arrangements. These arrangements provide for standardised communication of metrology services. These services are critical to the market, and every service provider must provide them for the market to continue to function.

The current arrangements also provide for access to services from regulated businesses, where there is otherwise little incentive for the regulated business to offer the service. It is worth noting that contestable meter providers are not required to offer non-metrology services via B2B.

Metropolis also accept that the current IEC membership was appropriate when the IEC was initially created and support the efforts of all parties to expand the membership to include the expanded stakeholder base.

Finally, Metropolis accept that the B2B e-hub operated by AEMO was suitable for the transactional nature of services when it was introduced a decade ago.

However, Metropolis does not believe that the impact on each of these features is fully explored within the Rule change requests.

1. Policy objectives

The *Power of Choice* review is generally about removing restrictions in the areas of competition, and ensuring cost-reflectivity in regulated areas. Metropolis's view is that the current B2B rule change is unintentionally regressive in these areas.

The general message of the rule proposals are that the existing capabilities should be maintained and support the new metering capabilities, while expanding the representation on the IEC to reflect the changing market. At this level, the rule change proposals are appropriate and will ensure additional services are offered, with more transparent governance oversight.

However, neither of the rule change requests contemplate that the services offered will be changing from regulated to contestable. As such, neither the rule change requests nor the consultation paper assess the impact of imposing significant additional regulation on the contestable market.

Metropolis see this as an accidental outcome which is inconsistent with the objectives and principles of the *Power of Choice* review. Namely:

- **Competitive neutrality.** Forcing competitive providers to build and offer a specific series of services is a simple market distortion, with the predictable outcome that service providers will be disadvantaged in negotiating for price, and may be forced to provide

services which are not required. This is a poor outcome for any provider, and a barrier to entry for incoming service providers.

- Encouraging innovation. The rule change proponents state that the changes support innovation by allowing the service to not be used. While this is a farcical statement, it does highlight that B2B is not intended to be used as a tool for supporting innovation in metering services. Any benefits accrued to innovation should be discarded.

2. IEC Membership

Metropolis struggle to envisage a situation where a retailer with millions of customers can effectively represent a competitor with a few thousand. The IEC representation should be further expanded to consider where representation should be split by more than market role. Likewise, Metropolis have no confidence that a DNSP owned regulated meter provider can accurately reflect our interests on the IEC.

IEC voting rights are also problematic. As Metropolis raised in our submission to the *Implementation advice on the shared market protocol*:

Metropolis is concerned that many parties have multiple roles within the market, which could be used to abuse the voting process. One example is that DNSPs own MPs, MDP and will also own MCs. This could potentially result in the 13 DNPS's having:

- 13 regulated MCs (required for the go-live of the rules),
- 13 regulated MPs,
- 13 regulated MDPs
- 5 (estimate) competitive MPs
- 5 (estimate) competitive MDPs

Under the proposed Rules, this would give the DNSPs 49 votes for the MC/MP/MDP representative. It is quite possible the DNSP subsidiaries may vote as a bloc, considering they are the only participant group who are not competing with each other. Compare this with the independent providers: if there are 10 independent providers (which is a high estimate, especially early in the market), each being MC, MP and MDP, that's still only 30 votes.

Metropolis propose a couple of possible solutions:

- That DNSPs be explicitly ineligible to vote for the Metering roles, as their interests are represented via the DNSP representative
- That competitive and regulated providers be represented by two separate IEC members

3. AEMO B2B e-hub

The existing AEMO B2B e-hub is based on obsolete technology and the enhancement of this platform should be separated from the design of services. It is difficult to see the existing transaction-based platform, even if enhanced, being viable for the next decade as technology

advances towards streaming, real-time information visualisation, personal analytical capabilities, and other as-yet-undefined technology.

In particular, the value that the AEMO B2B e-hub provides should be assessed against alternative options. Metropolis's assessment is that the platform offers few services and is excessively costly. Continuing to build on this platform simply because it is there, without an assessment of alternatives, is a risky approach.

Box 5.1

1. Is there a need to update the B2B framework?

Yes. The B2B framework is designed to support a small number of large, incumbent retailers in an environment where services are offered by a small number of large, regulated distributors. This framework of mandating services (which are then priced via the AER) is inappropriate in a competitive environment.

2. What are the appropriate arrangements for IEC membership?

Metropolis applaud and support the efforts to include third party and consumer representatives.

However, the recommended IEC memberships do not sufficiently ensure smaller participants are represented in the FRMP or Metering roles. The differences in business models and B2B needs between large incumbent retailers and new entrant retailers is extreme. In the same way, the differences between a network owned MP and a contestable MP is extreme.

Metropolis recommend that any membership requirements include a representative of:

- Small Retailers
- Contestable MPs

3. What are the appropriate arrangements for B2B decision making?

Metropolis consider that if correct representation exists, the arrangements for B2B decision making are secondary.

4. Are the proposed obligations on parties appropriate?

The concept of accreditation or certification for third parties to use the B2B e-hub does not explore the market response to this rule. If the accreditation process is not free and easy, it would become a barrier to using it. Third parties are unlikely to subject themselves to AEMO accreditation where there is a relatively straightforward alternative, such as direct contracting with the MC (or MP/MDP).

5. *What are the benefits/issues with 3rd parties becoming registered participants to use B2B e-hub?*
The primary issue is described above: The process for becoming a registered participant is onerous, and the value to a third party is dubious.

The benefits described are:

- the ability to recover costs from third parties
- maintain a register of participants “for future use”
- enforcing obligations on third parties (eg, privacy)

None of these are a benefit for the third party – each one is an obligation. And there is a straightforward method of bypassing the obligations while simultaneously receiving a superior service.

Box 5.2

1. *What changes are needed to consider the difference between the draft and final competition in metering and embedded networks rule changes?*

Metropolis have no view on this question.

Box 5.3

1. *If a rule is made, is 1-December-2017 achievable?*

Metropolis consider our capability to develop services and adapt to changing rules is superior to other parties, and will align to the delivery timeframe agreed by other parties.

2. *What risks to the schedule exist? What contingencies could be considered?*

Metropolis strongly recommend that separation of the service definitions and message delivery (ie, B2B procedures separated from AEMO B2B e-hub). This would allow the core requirements of service definitions to be progressed without the risk of infrastructure delays, while also allowing sufficient assessment of the value of the IT infrastructure.

3. *Are there any implementation steps missing?*

Metropolis have no view on this question.

4. *When will participant systems be ready?*

Metropolis consider our capability to develop services and adapt to changing rules is superior to other parties, and will align to any delivery timeframe agreed by other parties.

5. *Should any exemptions to normal consultation be granted?*

No. As described above, Metropolis have concerns regarding:

- The change in policy position
- The technical solution that has been discussed to date
- The market response to this rule

With so many questions, it is inappropriate to reduce the consultation period.

END