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

Lodged electronically: www.aemc.com.au

Reference EMO0029

Dear Mr Pierce

Draft Advice – Implementation advice on the shared market protocol

1. Introduction

EnergyAustralia (EA) welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) Draft Advice for the Implementation Advice of the Shared Market Protocol. We are one of Australia's largest energy companies, providing electricity and gas to over 2.5 million household and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 4,500MW of generation in the National Electricity Market.

2. Overview Shared Market Protocol

It is generally acknowledge that a shared market protocol will be needed to facilitate the many new opportunities and products that the Power of Choice reforms will deliver to customers. Initially this will relate to the competition in metering rule change whereby customers will have the choice to take up the many benefits that advanced metering can provide. Some of these benefits (special reads over the phone) cannot be delivered without near instant time messaging that the current B2B e-hub cannot deliver. Additionally new transactions will be required for new products and services that do not currently exist.

The competition in metering changes will facilitate new parties into the market that currently have no direct representation on the Industry Exchange Committee (IEC) which governs the B2B e-hub and supports new procedure development.

3. Specific Issues Related to the Draft Advice

3.1 Governance of B2B Procedures

Energy Australia strongly supports the AEMC's decision to reinforce the industry led IEC governance of B2B procedures and the B2B e-hub. The IEC has performed this function well in the past and we reiterate our belief that the most efficient decisions for B2B development and maintenance should continue to be made by those parties which are responsible for the costs of these functions.

However EA is not comfortable with the proposed membership for the IEC as we believe it is too focussed on providing representation for prospective new parties into the market which may or may not deliver new services that customers seek and accept. The diminishment of retailer representation from three members to one member fails to acknowledge that the majority of the existing B2B transactions deliver the core energy services to customers that are fundamental to delivering this essential service. A diversity of views from three retailer members has gone a long way to ensuring that all solutions are canvassed and the most efficient outcomes have been delivered. It would also be very difficult for a single retailer representative to adequately cover a range of views from all retailers.

The market would benefit from direct representation by more than one retailer as we strive to address issues related to the competition in metering and other services. It also fails to reflect the diverse nature of retail operations across the National Electricity Market and within jurisdictions.

The AEMC has raised the concern of aligned representatives blocking decisions and while the existing membership has been structured to control this the IEC has always sought and in most cases achieved unanimous agreement to changes to B2B procedures. EA acknowledges that in the future a broader range of membership will occur but the most important aspect going forward, at least initially, is for the right membership to be involved in making the most efficient decisions.

EA believes that the membership of the IEC should be managed initially as a transitional issue with the current membership remaining with the possibility of adding new discretionary members from time to time. The current IEC membership includes two independent members with one being the chair as well as a representative from the Australian Energy Market Operator (AEMO). These members have the responsibility to also represent a broad range of interests and have successfully done this in the past and will undoubtedly continue to do so going forward.

EA would support a new provision that the IEC membership should be reviewed 1-2 years post the introduction of competition in metering to ensure it continues to meet the market needs.

3.2 Revised B2B Principles

The revised B2B principles in this advice are generally supported subject to the following amendments:

Proposed principles in the advice paper:

Regard should be had to the reasonable costs of compliance by DNSPs, retailers, 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

EA suggests that both of these principles (above) be replaced with the following:

Regard to the costs and benefits and consideration of the national electricity objective (NEO) must be undertaken in relation to any proposed amendments to existing B2B procedures and the e-hub. A post implementation cost and benefit assessment of any changes should be undertaken to ensure that benefits are realised.

The following final principle:

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.

Should be amended as follows:

Regard should be had to the implementation costs and timeframe to any amendment to existing B2B procedures which is to be agreed by industry and AEMO.

3.3 Accreditation

The draft advice is suggesting that all parties need to apply for accreditation to use the B2B e-hub. This will give AEMO a clear understanding of who is using the B2B e-hub and create a level starting point for all users. EA is of the view that this is not required and that all existing users should be granted accreditation to avoid any unnecessary administrative accreditation processes. This could be suitably solved with a new provision in the NER that deems existing users as accredited.

3.4 Cost Recovery

As mentioned in the draft advice costs relating to operating the B2B e-hub, developing B2B procedures and operating the IEC are paid by AEMO and recouped as participant fees. It does not appear appropriate for retailers to bear all of these costs going forward considering the variety of likely new users in the market and the likely beneficiaries of the new arrangements. EA supports a review of the cost recovery mechanism with the possible inclusion of a fixed and variable approach to allocating costs to all parties.

4. Summary

While EnergyAustralia supports the development of the Shared Market Protocol, over time, we are concerned that currently there is too much energy market reform occurring in parallel and it may be inefficient to rush through this particular reform without a greater understanding of the take up of these envisaged new products and services. Industry is struggling to support the various rule and procedure change working groups with suitably experienced resources and there is a real risk that we will achieve a sub optimum outcome. Care must be taken to ensure the existing mandatory functions and governance arrangements that have serviced the industry so well to this point, are not placed at risk, in an attempt to placate all of the new parties and prospective reforms to the market. This is particularly relevant for the membership of the IEC.

Should you require further information regarding this submission please call me on 03 8628 1437.

Yours sincerely

[Signed]

Randall Brown
Regulatory Manager