

28 January 2016



Mr John Pierce
Chairman
Australian Energy Market Commission
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Dear Mr Pierce *John,*

RE: AEMC Consultation Paper – National Electricity Amendment (Updating the electricity B2B Framework) Rule 2016 (Reference: ERC0197)

Ausgrid is pleased to provide comments in relation to the AEMC's Consultation Paper on the rule change requests submitted by Red Energy and Lumo Energy (Red and Lumo), and the Council of Australian Governments (COAG) Energy Council (the proponents).

Ausgrid supports the intent of the rule change requests, which is to update the electricity business to business (B2B) framework and governance arrangements in the National Electricity Rules (NER) to establish a framework for implementing and maintaining a shared market protocol (SMP).

The implementation of the shared market protocol is a supplementary reform aimed at supporting the achievement of policy outcomes under the expanding competition in metering and related services (competition in metering) rule. It is envisaged that the establishment of a shared market protocol will promote the efficient operation of the National Electricity Market (NEM) under the competition in metering rule by ensuring that:

- B2B communications in the electricity market, including for advanced meter services, are conducted in the most efficient way possible;
- there are low cost and straight forward routes to market for existing and new companies that want to provide advanced meter services; and
- market arrangements support the development of new advanced meter services that could provide benefits to consumers.

Ausgrid notes that the rule change requests are similar in nature, in that they are both aimed at establishing a default form and method of communication (i.e. shared market protocol) for parties to access services enabled by advanced meters, while providing flexibility for parties to agree on alternative methods of communication to access services not defined by the B2B procedures.

The rule change requests further seek to achieve this objective in a similar manner by proposing amendments to the provisions in the NER relating to B2B arrangements, B2B e-hub and Information Exchange Committee (IEC). However, as noted by the AEMC while the two rule changes are similar in nature and aimed at achieving the same objective they do differ on certain aspects, particularly the

constitution of the IEC; the process for amending B2B procedures; accreditation of parties and dispute resolution.

Whilst Ausgrid supports the objective of the proposed amendments, we are concerned that the proposed implementation timeframes for this rule will impede the establishment of a shared market protocol by 1 December 2017. Ausgrid is concerned by this, as we consider that the National Electricity Objective (NEO) will be best maximised if a shared market protocol is in place to coincide with the commencement of the competition in metering rule. Any delay to establishing new B2B arrangements and B2B e-hub in time for the commencement of new obligations and roles under the competition in metering rule will likely perpetuate market inefficiencies. This is because parties would need to establish interparty agreements for the provision of new services, which would operate outside of the B2B framework. This would add complexity to the market and would likely exclude smaller market participants from competing in the market as smaller participants may not have sufficient resources to ensure separately agreed and defined interfaces for provision and receipt of services.

In addition, a failure to align the implementation of a shared market protocol to support outcomes under metering contestability is likely to delay the take-up of customer products, advanced services, and the competitive roll-out of advanced metering to support these products.

Consequently, Ausgrid considers a key focus of this rule change should be on examining how amendments to update B2B arrangements and the B2B e-hub can be implemented to best facilitate the establishment of a shared market protocol by 1 December 2017. It is vital that this rule change facilitate this objective in order to avoid the adverse outcomes noted above.

Our attached submission focuses on this issue and explores possible options for facilitating the implementation of a shared market protocol by 1 December 2017. Our submission also outlines our views regarding key elements of the rule change requests, including:

- IEC constitution;
- the proposed scope of B2B procedure amendments and the process for amending B2B procedures;
- accreditation of parties; and
- dispute resolution

If you have any queries or wish to discuss this matter in further detail please contact Murray Chandler on (02) 9269 7210 or via email murray.chandler@ausgrid.com.au.

Yours sincerely



TREVOR ARMSTRONG
Acting Chief Executive Officer

Attachment 1 – Ausgrid’s Detailed Response

1. Key concerns

Ausgrid is concerned that the timeframes for implementing the proposed amendments may put the establishment of new B2B procedures and new B2B e-hub, by 1 December 2017 at risk if left unchanged. Specifically, we are concerned by the potential for conflict to arise between the establishment of new governance arrangements and clause 11.86.6(e) and (f) of the National Electricity Rule (NER) which requires:

- the Information Exchange Committee (IEC) to make a recommendation to change the B2B procedures to take into account the competition in metering rule by 1 August 2016; and
- the Australian Energy Market Operator (AEMO) to publish B2B procedures to take into account the competition in metering rule by 1 September 2016.

Ausgrid seeks further clarification from the AEMC regarding how these timeframes are likely to be impacted by this rule change, particularly the new governance arrangements which require:

- AEMO to develop a new Retail Industry Panel election procedures and operating manual to provide for the new IEC framework by 1 August 2016;
- AEMO to run a Retail Industry Panel election process to form the new IEC by 1 October 2016;
- the IEC to develop amended procedures in accordance with the new B2B framework by 1 April 2017; and
- AEMO to develop an accreditation process for B2B e-hub participants by 1 April 2017.

We are concerned that the implementation steps outlined in dot points 1-3, may result in the development of new B2B procedures being delayed by 8 months (i.e. from August 2016 to April 2017). This is a significant delay that puts at risk the establishment of a shared market protocol by 1 December 2017, as it leaves only 8 months for:

- AEMO to redevelop the B2B e-hub to support the new B2B procedures;
- participants to make the necessary system and process changes to give effect to the new B2B procedures, and appropriate testing of these systems; and
- industry interface testing of the new B2B e-hub.

This timeframe is insufficient given that some market participants may need up to 12 months to make process and system changes following the finalisation of the shared market protocol and associated procedures, and require a further 3-4 months after the delivery of the new B2B e-hub to establish appropriate data and test both processes and systems prior to the final ‘go-live’ of the new B2B framework and systems. Therefore a potential delay of up to 8 months in developing new B2B procedures is concerning as the majority of required work for industry to implement the new B2B framework cannot commence until the B2B procedures are defined.

Consequently, while we are supportive of the need to amend governance arrangements we are concerned that implementation timeframes for these amendments will make establishing a shared market protocol by 1 December 2017 challenging, if not impossible.

The following section of our submission discusses possible ways for ensuring that the B2B framework and systems are established to support new roles, obligations and services under the competition in metering rule. In addition, we outline the services that the new B2B framework and systems must be capable of supporting by 1 December 2017 to maintain existing customer benefits and ensure that the market operates efficiently.

1.1 B2B arrangements should be amended as a matter of priority

In our view it is crucial that new B2B procedures and B2B e-hub system are in place for the commencement of the competition in metering rule to ensure the market for contestable metering and related services operates efficiently and fosters competition. If these arrangements are not in place by 1 December 2017 it is likely to cause market inefficiencies, restrict competition and delay the uptake of services enabled by advanced metering.

Given the interdependencies between the B2B procedures, the development of the B2B e-hub, and changes to participant systems and processes we consider that updates to B2B procedures need to commence as a matter of priority.

Whilst amendments to governance arrangements are important they should not come at the expense of delaying amending the B2B procedures and allowing sufficient time for industry to implement the necessary process and system changes to give effect to the new B2B arrangements.

Consequently, Ausgrid considers that the AEMC should consider delaying restructuring of the IEC until after the B2B procedures and other market procedures have been appropriately updated to reflect the competition in metering rule. While it is desirable to have governance arrangements in place this, unlike the B2B framework and other market procedures, is not essential to the efficient operation of the market.

In our view it is not necessary for B2B procedures to be developed by a restructured IEC, as it is possible for the current IEC to accommodate the views of all parties who may have an interest in the development of B2B procedures through holding open meetings and workshops. The IEC recently demonstrated at its strategy day a willingness to adopt this approach and take on board the views of all parties to achieve the key outcomes wanted by parties to have in place for 1 December 2017.

Therefore, Ausgrid considers that the amendments to the B2B e-hub, B2B e-hub participants, and B2B procedures under this rule change should be progressed as a matter of priority through the existing IEC to allow sufficient time for industry to implement the associated changes in time for 1 December 2017.

We note that this rule change request is likely to be finalised by April/May which roughly coincides with the timeframes for which the IEC is planning on commencing consultation to amend the B2B procedures. If the Final Rule is published by early May with the amendments to B2B e-hub, B2B e-hub participants, and B2B procedures commencing on the date the Final Rule is published this would allow the IEC to develop appropriate recommendations to the B2B procedures by 1 August 2016 to reflect the outcomes under the competition in metering rule.

As it was decided not to amend B2B arrangements during the competition in metering rule, and instead progress the necessary amendments through a separate rule change, the existing requirement under clause 11.86.6(e) and (f) of the NER fall short of achieving their intended purpose without the corresponding changes contemplated by this rule change. This is because the B2B procedures as currently defined in the NER only apply to existing market participants.¹ Therefore, without the amendments proposed by this rule change the amendments to the B2B procedures would not reflect new participant roles and obligations, such as the Metering Coordinator, and subsequently do not achieve the rule's intended purpose of supporting the outcomes under the competition in metering rule.

Therefore to address this issue, we consider that the amendments to the B2B e-hub, B2B e-hub participants, and B2B procedures should be implemented as a matter of priority through the existing IEC, with the timeframe for delivering these amendments aligned to the timeframes under clause 11.86.6 (e) and (f) of the NER. We consider that this is likely to better contribute to the achievement of the National Electricity Objective (NEO) as it will enable the establishment of new B2B arrangements

¹ Refer to Chapter 10 of the National Electricity Rules (NER), definition of the term "B2B Procedures."

and systems to support the commencement of the competition in metering rule. Specifically having these arrangements in place would allow an efficient start to metering contestability and related services, and support the development of competition in the market. In addition, it would also avoid introducing additional complexity to the market from needing to establish separate interparty agreements for delivery of services.

Recommendation:

- 1) ***The AEMC progress amendments the B2B e-hub, B2B e-hub participants, and B2B procedures as a matter of priority through the existing IEC;***
- 2) ***The timeframe for delivering the amended B2B procedures should align with the timeframes under clause 18.86.6 (e) and (f) of the NER; and***
- 3) ***The AEMC delay the implementation of a reconstituted IEC until after the finalisation of B2B procedures and establishment of the new B2B e-hub.***

1.2 Prioritisation of services under B2B Procedures

Ausgrid notes that updating procedures, processes and systems to give effect to the competition in metering rule by 1 December 2017 will be challenging. To help meet this timeframe we suggest the AEMC consider prioritising the services to be reflected in B2B procedures to those that are critical to overall operation of the market and retain existing customer benefits. The B2B procedures could be later amended by the new IEC to reflect the full suite of services enabled by advanced meters by 1 December 2018.

Outlined below is the list of services that Ausgrid considers should be prioritised and available for the commencement of the competition in metering rule on 1 December 2017.

Table 1 – Prioritisation of services under B2B Procedures (Essential Services)

Priority	Service	Description	Rationale
1	Remote reconnect and disconnect (Minimum service specification (MSS) # 1 and 2)	<p>Remote disconnection service: accessed by Local Network Service Provider (LNSP) and Financial Responsible Market Participant (FRMP)</p> <p>Remote reconnection services: accessed by LNSP, FRMP and the incoming retailer</p>	<p>This is a high priority for Retail businesses because they raise the vast majority of Disconnect / Reconnect requests. With the introduction of this function, network businesses would be relieved of the burden and risks of sending field staff to carry out the work.</p> <p>Arguably there would also be a safety risk reduction of not having staff carry out inherently high risk disconnect / reconnect work.</p>
2	Metering installation inquiry service (MSS # 5)	<p>Metering installation inquiry service Remote retrieval of information from metering installations, such as switch status, voltages, currents, power and supply frequency plus event logs such as tamper detection, reverse energy and meter device temperature. Accessed by the LNSP.</p>	<p>Network businesses could potentially use this service to determine whether an emergency service request is a customer issue or a network issue, only the latter resulting in the need to send out a truck roll to rectify the issue.</p>

Priority	Service	Description	Rationale
3	Load control	Load management of existing controlled load , primarily electric storage hot water (Off Peak 1 EA030 and Off Peak 2 EA040 for Ausgrid) The service involves scheduled switching recognising season and day types, diversified switch on to avoid system peaks, defined behaviour post supply interruption and priority override for emergency response	Load control penetration is high in some jurisdictions, particularly Ausgrid's network area which has one third of customers on load control tariffs. This functionality enables a significant demand reduction (up to 300MWh for Ausgrid) and should be maintained to enable existing customers on load control to retain the availability of the service and their existing benefits while assisting the network in managing network constraints.
4	NMI Supply Failure Notification Restoration of supply notification	Meter loss of supply detection (e.g. last gasp), providing early notification of outages and confirmation of power restoration for a customer connection	Network businesses and customers would benefit from early and better targeted identification of supply interruptions, and subsequent confirmation of power being restored to a customer premise. This is likely to increase the efficiency of maintaining the required levels of network reliability.
5	Network Service Line Safety Monitoring	Neutral integrity monitoring through specialised voltage & current measurements and recording by advanced meter	This service is beneficial to network businesses as it has the potential to identify impending faults in the distribution network. This could then allow for proactive maintenance and avoid inefficient emergency maintenance. Most importantly, this would also improve the safety of the customer's electrical installation.

Ausgrid considers that it is important that the B2B procedures support the above services at the commencement of the competition in metering rule to support the overall operation of the market and ensure that existing customer benefits are retained. Whilst we note that some of the services we consider should be prioritised are not services specified in the minimum services specification (i.e. priority 3-5 services), we consider that these services are important and should be included in the B2B procedures given the broader benefits they deliver to customers as a whole. Further, if load control services are not included in the new B2B procedures it is unlikely that this service will be able to be continued to be offered to customers due to the need to negotiate multiple bespoke arrangements with different MCs to continue to provide this service.

Consequently, Ausgrid supports the development of B2B procedures that support both primary and secondary services enabled by advanced metering. We do not support B2B procedures only encompassing minimum specification services. This is because there appears to be a misalignment between services listed as minimum service and services that facilitate the effective operation of the market. The minimum services specification appear to focus more on retailer and metering provider orientated services than services which deliver market wide benefits to customers such as improved network safety and reliability.

Outlined below are additional services that we consider would be beneficial for the B2B procedures to reflect given the operational benefits they are likely to deliver to retailers and Metering Coordinators (MC).

Table 2 – Additional services that should be made available by 1 December 2017

Priority	Service	Description	Rationale
6	Remote on-demand meter read service (MSS #3)	Remote on-demand meter read service Remote retrieval of metering data and quality flags for a specific meter and a specific time period. Accessed by all registered participants with a financial interest and by a person authorised by customer	The demand for this service is likely to come from customer or retailer-led account enquiries more so than any network enquiries.
7	Remote scheduled meter read service (MSS # 4)	Remote scheduled meter read service Remote retrieval of metering data and quality flags on an ongoing basis. Accessed by all registered participants with a financial interest and by a person authorised by customer	This is an existing obligation for the purpose of settling the market and retail tariffs. However network businesses also require access to metering data for the purpose of network billing indirectly through this service.
8	Advanced meter reconfiguration service (MSS #6)	Advanced meter reconfiguration service Activation or deactivation of data streams, altering what appears on display. Accessed by MP, LNSP and FRMP	Whilst not a direct priority for network businesses this service is likely to deliver significant benefit to MCs and enable delivery of further services to other market participants in the future.

Consequently, Ausgrid considers that the NEO will be maximised if the amended B2B procedures commence on 1 December 2017 and encompass a mixture of primary and secondary services enabled by advanced meters.

Recommendation:

- 4) ***The AEMC should consider prioritising the services to be encompassed by the new B2B procedures to assist in establishing new B2B arrangements by 1 December 2017;***
- 5) ***The B2B procedures should not be limited to minimum services only but rather should contain a mix of minimum and advanced services to ensure the efficient operation of the market and the retention of existing customer benefits.***

2. Feedback on the proposed amendments

The following section of our submission provides feedback on the key aspects of the rule change requests. Ausgrid is broadly supportive of the changes proposed by the proponents, and as such we have limited our comments to the areas where we believe further amendments are required to maximise the achievement of the NEO.

2.1. Constitution of IEC membership

Ausgrid supports the reconfiguration of the IEC to better reflect the range of stakeholders that will be interested in B2B communications following the advent of the competition in metering rule. However, we do not support either of the IEC structures proposed by the proponents and instead advocate for the adoption of a hybrid of the two structures.

Ausgrid largely supports COAG Energy Council's proposed IEC structure with the exception that we do not support:

- the proposal for only one distribution network service providers (DNSPs) and retailer representative on the IEC;
- the two discretionary members being appointed by AEMO; and
- AEMO chairing the IEC.

Ausgrid does not support the reduction of DNSP and retailer representation on the IEC to allow for only one representative from these groups. This structure erroneously assumes that DNSP and retailer views are consistent across peers. This is not the case and is the reason why the current IEC structure includes three representatives from DNSPs and retailers, to reflect key differences in operational and jurisdictional arrangements. We support Red and Lumo's proposal for the IEC membership to consist of two DNSP and retailer representatives. Representatives for DNSPs could include a Victorian DNSP (with full advanced metering coverage) plus at least another non-Victorian DNSP that is likely to remain in the Type 5/6 environment for a significant period of time. Retailers could also be represented by a Tier 1 retailer and an additional Tier 2 retailer that is less likely to have a related party as a Metering Coordinator.

Retaining two DNSP and retailer representatives in the reconstituted IEC structure would also ensure that the knowledge and experience of distributors and retailers (and independents) within the current IEC would be continued. Allowing for two DNSP and retailer representatives is likely to better contribute to the achievement of the NEO as these groups will have the greatest incentive to ensure the efficient and cost effective operation of B2B communications in the market.

Further, whilst Ausgrid supports the inclusion of two discretionary members in the IEC structure we do not support that these members are decided by AEMO. Rather Ausgrid considers that the current practice for the selection of independent members of the IEC should guide future representation from independent and discretionary members.

Ausgrid does not support COAG Energy's proposal for AEMO to chair the IEC. Ausgrid strongly feels that the chair of the IEC should remain independent. Past operation has demonstrated the valuable contribution of independent members to the IEC and their robust and competent chairing performance. Ausgrid agrees with the Energy Networks Australia's view that a change from successful past practice of having an independent chair has been substantiated.

As noted above, Ausgrid does not support in full either of the proposed reconstituted IEC structures proposed by the proponents, however consider that a hybrid of the two structures is likely to result in the development of efficient and cost effective B2B communications for interested parties.

Ausgrid submits that the AEMC should consider adopting a hybrid structure for the IEC consisting of up to 12 members including:

- 2 independent members (one of whom to be elected by IEC members to Chair)
- 2 retailer members
- 2 DNSP members
- 1 metering member
- Up to 1 third party B2B participant member
- 1 consumer member
- Up to 2 discretionary members
- 1 AEMO representative

Recommendation:

6) The AEMC adopt a hybrid of the two proposed IEC structures.

2.2. Scope of the B2B Procedures

As noted in section 2.1 Ausgrid considers that the scope of the existing B2B procedures should encompass existing functionality, as well as a mixture of primary and secondary services enabled by advanced metering.

From a DNSP perspective the main requirements that must be provided for under the shared market protocol are the ability of the network to:

- send and receive data from multiple MCs, retailers and other market participants;
- transfer data according to agreed processes and timeframes; and
- control of some smart meter functionality continues to be made available to the DNSPs via consistent systems and processes, or via multiple interfaces to MCs, Retailers and other market participants.

Ausgrid considers that the B2B procedures should include the prioritisation for services within the shared market protocol, including load control signals when operated by both the network and the MC, and avoiding situations where a Retailer can interact directly with an MC for services that control load without notification or agreement of the DNSP. Prioritisation and co-ordination is particularly important in emergency and critical situations, such as where the network is heavily loaded. This may be encouraged where parties are allowed to communicate directly with each other outside the B2B framework and in the absence of a B2B procedure with an obligation to involve all impacted participants. However, we consider the B2B framework must consider all parties involved in a transaction and allow those parties to meet their obligations.

We also submit that there is a need for the current B2B e-hub functionality to be maintained beyond the implementation of the expanded and upgraded e-hub. This is to accommodate current market participants that have no plans to operate in the smart metering environment, but will continue providing basic type 5 or 6 metering services (including meter reads and sample testing). Accordingly, it would make sense to allow these participants to continue to operate in the B2B e-hub without significant investment in systems and processes. The solution would be for AEMO to develop a translation from the B2B e-hub to the shared market protocol interface to service these market participants. It would be unfair and inefficient to place additional costs on current market participants who may not offer or consume these new services in the B2B framework.

2.3. Accreditation

Ausgrid supports the proposed amendments to require that parties that will have access to the shared market protocol to be accredited by AEMO to protect against risks of unauthorised access and breaches of customer privacy. We also consider that network services and network data need to be accommodated in any revised accreditation process. This will help mitigate against the risk of inadvertent network stability and security impacts, that might ensue if metering commands such as load control signals are not well defined by a B2B procedure and then acted upon. We also suggest that the NER should also state that the Metering Coordinator must also comply with the relevant jurisdictional requirements. For example, in NSW this would mean adhering to the NSW Service and Installation Rules, being accredited as an Accredited Service Provider (ASP) and with each DNSP, as currently required by the NSW Government's ASP scheme.

2.4. Dispute Resolution

Ausgrid supports the Red and Lumo's proposal to include a dispute resolution mechanism for amending the B2B procedures.