

23 July 2015

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235



positive energy

Dear Mr Pierce

**Draft Advice: Implementation advice on the shared market protocol (EMO0029)**

Energex Limited (Energex) appreciates the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on its draft advice which sets out draft recommendations on implementing a shared market protocol to complement the new competitive metering framework being introduced to facilitate the market-led deployment of advanced meters.

The AEMC's draft advice seeks feedback from interested stakeholders on its draft recommendations relating to governance arrangements, making and amending procedures, the IT platform, obligations on parties, transitional arrangements and implementation. This feedback will assist the AEMC in preparing its final advice for consideration by the COAG Energy Council.

The shared market protocol is an important factor in enabling the new competitive metering framework and deployment of advanced metering infrastructure and Energex is broadly supportive of the majority of the AEMC's draft recommendations intended to facilitate its timely and efficient development and implementation. However, there are certain aspects of the draft recommendations that we believe warrant further consideration by the AEMC in order to progress the necessary changes to the current B2B e-hub and procedures and to ensure the effectiveness of the new metering framework. Energex's detailed comments on those draft recommendations are provided in **Attachment A**.

As a member of the Energy Networks Association (ENA), Energex has also contributed to and is supportive of the recommendations made in the ENA's submission on the AEMC's draft advice.

Should you have any queries regarding this submission, please contact Nicola Roscoe, Acting Network Regulation Manager, on (07) 3664 5891.

Yours sincerely

Neil Andersen  
Group Manager Regulation and Pricing

**Enquiries**  
Nicola Roscoe  
**Telephone**  
(07) 3664 5891  
**Facsimile**  
(07) 3664 9818  
**Email**  
nicolaroscoe  
@energex.com.au

**Corporate Office**  
26 Reddacliff Street  
Newstead Qld 4006  
GPO Box 1461  
Brisbane Qld 4001  
Telephone (07) 3664 4000  
Facsimile (07) 3025 8301  
www.energex.com.au

**Energex Limited**  
ABN 40 078 849 055

### **Governance arrangements**

Energex supports the AEMC's draft recommendations that the shared market protocol should be implemented through amending the current B2B procedures and redeveloping the B2B e-hub and that the Information Exchange Committee (IEC) should continue to have responsibility for developing and maintaining the B2B procedures under the new framework. This draft recommendation is in alignment with Energex's view that market participants, who must use the B2B e-hub, comply with B2B procedures and bear the costs associated with their development and maintenance, are best placed to understand the commercial and operational implications of their decisions.

Energex also welcomes the AEMC's draft recommendation that the composition of the IEC should be broadened to ensure that the interests of affected stakeholders are taken into consideration in the creation and administration of the new B2B procedures. In particular, the inclusion of a metering coordinator/metering provider/metering data provider representative, a third party B2B participant representative and a consumer representative is supported. However, Energex does not support reducing DNSP and retailer representation to one member each given their high level of B2B activity and the significant level of impact on business systems and processes that will result from changes to the B2B e-hub and B2B procedures. Energex is also concerned that major changes to the current core membership structure of the IEC could seriously impact upon the ability of the committee to function effectively and achieve efficient outcomes.

While Energex supports the expansion of the IEC to include additional stakeholders, broader representation needs to be balanced against the need for the IEC to be appropriately skilled and resourced to develop the new procedures intended to support not only the advanced metering infrastructure but also the ongoing development of the National Electricity Market. Consequently, in Energex's view, ensuring that DNSPs and retailers are adequately represented by at least two members each in the final IEC structure would be of more value than providing AEMO with the right to appoint two discretionary members as proposed by the AEMC in its draft advice.

Further, as a transitional measure, Energex recommends that the current IEC membership should be maintained until the new procedures have been developed and the new framework implemented. Maintaining the current core membership (supplemented by the inclusion of additional B2B participant representation and continued transparent and open access for interested stakeholders) will:

- ensure that the IEC has a solid foundation of primary market participants who have practical and diverse expertise, knowledge and experience in the application and management of the B2B e-hub and B2B procedures and who are sufficiently motivated to commit to ongoing participation in the decision-making process;
- enable efficient and effective decision-making to achieve critical outcomes within a constrained timeframe; and
- allow for work to commence on the development of new B2B procedures earlier.

As it is not ideal to introduce a fundamental step change when timeframes are critical, Energex considers that substantial alterations to the existing IEC membership and elections for new members to fill those positions should be deferred until after the new metering contestability framework has been implemented.

Energex also considers that it is vital that the IEC's independence and accountability should be maintained as far as possible and that its status as an industry committee should not be eroded. For this reason, Energex is of the view that the IEC (not AEMO) should be responsible for developing the new election procedures and operating manual in consultation with industry participants. While it was practical and efficient for AEMO to be allocated responsibility for developing the initial election procedures and operating manual when the IEC was first created, it is no longer appropriate for AEMO to perform that role now that the IEC is fully established and operating effectively. Further, the IEC (not AEMO) should have responsibility for consulting with B2B participants and appointing any discretionary members (if it is decided not to remove the two discretionary positions from the final structure). Energex believes that the IEC should have some degree of self-determination and that there is an adequate level of industry oversight of the IEC's operations to ensure all parties are appropriately engaged and consulted.

### **Making and amending procedures**

Energex accepts the AEMC's draft recommendations with respect to the proposed content of the B2B procedures, IEC consultation requirements and the IEC's objective and principles. Energex agrees with the AEMC's assessment that these amendments are required to support the IEC's decision-making under the new framework.

### **IT platform**

Energex supports the AEMC's draft recommendation that AEMO should continue in its role as provider and operator of the enhanced B2B e-hub. However, while being supportive of the AEMC's draft recommendation that the B2B e-hub should facilitate B2B communications as well as communications related to the minimum services specification, Energex is concerned that this recommendation may not include the full range of services identified by AEMO in its advice to the COAG Energy Council, in particular network services currently classified by AEMO as "secondary" services. In order for the new framework to operate effectively and in the long-term interests of electricity customers, it is essential that the full range of services provided for under the minimum services specification, i.e. primary, secondary, value-added and infrastructure services, are available at commencement.

### **Obligations on parties**

Energex supports the AEMC's draft recommendation that DNSPs, retailers, metering coordinators, metering data providers and B2B participants must comply with the B2B procedures and that those parties must use the B2B e-hub for B2B communications unless they have agreed to use an alternative method.

Energex agrees with the AEMC's proposal to create a new accredited party role of B2B participant to protect against security and customer privacy risks. It is important that all parties seeking access to the B2B e-hub must be subject to an accreditation process that includes requirements such as appropriate IT infrastructure, security interfaces and credit support. However, in Energex's view, a requirement for B2B participants to comply with jurisdictional requirements, such as jurisdictional energy laws, the DNSP's service installation rules and safety requirements specified by jurisdictional safety regulators, should also be included.

The AEMC's user-pays approach to cost recovery through B2B participant fees is also supported. However, care must be taken to ensure that B2B participant fees are determined and applied in a manner that is transparent and efficient for customers and that costs are fairly allocated to B2B participants based on the extent to which they utilise the new services.

In addition, with respect to AEMO paying operating costs and recouping those costs from B2B participant fees, Energex notes the AEMC's comment on page 45 of its draft advice that "AEMO has an incentive to keep costs low as it would encourage the use of the B2B e-hub". However, this incentive must be balanced by the need to ensure that the IEC is not constrained from performing its obligations and that the ongoing development and maintenance of the B2B e-hub is appropriately funded to meet evolving requirements. It should also be noted that during transition to the new framework, the costs associated with operating the IEC and with developing and implementing B2B changes are likely to be higher than normal.

### **Transition and implementation**

Energex's response to the questions put forward by the AEMC on page 49 of its draft advice are as follows:

**1. *Is it necessary for the new B2B framework to be in place and the updated B2B e-hub to be operational on the date that the competition in metering rule change commences? What are the implications if this does not occur?***

Yes. Energex does not consider that it would be efficient for the new metering contestability framework to commence if the new B2B procedures and B2B e-hub are not operational on the same day. The key implication for market participants will be that alternative processes will need to be developed and implemented as an interim measure. Having two processes run in parallel would not be efficient and may impose significant additional costs on participants.

**2. *How long would it take to implement the new B2B framework? Are the estimates above realistic? How much additional time is needed for businesses to prepare for the new arrangements?***

At this stage it is difficult to assess whether realistic implementation timeframes have been estimated as any assessment is dependent on a full understanding of the complexity and extent of the system and procedure changes required. However, as noted in a previous submission to the AEMC, Energex is concerned that an unrealistically constrained timeframe could potentially lead to resourcing issues (including vendor availability issues), higher costs for industry participants and ultimately increased charges for customers.

Energex estimates that 12-18 months would be required after publication of the final procedures to develop and implement business system and process changes. It would not be prudent or efficient for market participants to commence development of new systems and processes earlier.

**3. *Should any of the options to minimise implementation timeframes be pursued? Should any not be pursued?***

Energex supports the IEC commencing work on the development of the IEC election procedures and operating manual prior to publication of the final rule change. However, the option to shorten public consultation or carry out informal consultation is not supported. Full consultation is required to ensure effective outcomes, particularly given the extent and complexity of the required changes.

The suggestion that the development of B2B procedures could be minimised by requiring the IEC to limit the first set of procedures to existing services provided through the B2B e-hub and the services in the minimum services specification is not supported. Energex considers that, for the efficiency of the market, all primary, secondary, value-added and infrastructure services, in conjunction with associated performance and service levels, must be provided for in the first set of B2B procedures.

Energex supports further investigation into the possibility of AEMO commencing work on developing the new B2B e-hub before the B2B procedures have been finalised. However, there is a risk that additional costs would be incurred if any rework is subsequently required.

#### ***4. Are there any other options for reducing implementation timeframes?***

Once more clarity has been provided on the operation of the new framework and the full scope of work required is more fully understood, it may be possible to identify and assess further opportunities for reducing implementation timeframes.

The requirement for a project management function and resources to coordinate implementation of the B2B procedures and upgraded B2B e-hub to support the expanding competition in metering rule change will be crucial to achieving and/or minimising implementation timeframes.

Energex also agrees with the general industry view that an overarching program management role should be established to manage the overall implementation of the expanding competition in metering rule change (and other Power of Choice reforms) to ensure all parties work in coordination and consultation and identify opportunities for minimising implementation timeframes and costs.