

28 January 2016



positive energy

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

Dear Mr Pierce

Consultation Paper: Updating the electricity B2B framework (ERC0197)

Energex Limited (Energex) appreciates the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on its consultation paper relating to the two rule change requests received from the Council of Australian Governments (COAG) Energy Council and Red Energy and Lumo Energy. Both rule change requests relate to updating the existing business to business (B2B) framework in the National Electricity Rules to provide for parties using advanced metering services.

Energex's comments with respect to the proposed B2B governance arrangements and implementation of the new B2B framework are provided in **Attachment A**. As a member of the Energy Networks Association (ENA), Energex is also supportive of the views contained in the ENA's submission.

Should you have any queries regarding this submission, please contact Charmain Martin, on (07) 3664 4105.

Yours sincerely

Nicola Roscoe
Acting Group Manager Regulation and Pricing

Enquiries
Charmain Martin
Telephone
(07) 3664 4105
Facsimile
(07) 3664 9818
Email
charmainmartin
@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

Energex

Consultation Paper: Updating the
electricity B2B framework
(ERC0197)

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Energex Limited (Energex) is a Queensland Government Owned Corporation that builds, owns, operates and maintains the electricity distribution network in the growing region of South East Queensland, including the poles and wires and underground cables used to connect houses and businesses to the electricity network. We provide distribution services to almost 1.4 million domestic and business connections, delivering electricity to a population base of around 3.2 million people.

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Group Manager
Strategic Customer Interactions
Energex
GPO Box 1461
BRISBANE QLD 4001

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1 Introduction

On 17 December 2015, the Australian Energy Market Commission (AEMC) commenced consultation on a rule change to implement new communication standards for advanced meters.

The AEMC has received two rule change requests proposing amendments to the National Electricity Rules (NER) in relation to the B2B framework, one from the Council of Australian Governments (COAG) Energy Council and one from Red Energy and Lumo Energy (Red/Lumo). Both rule change requests propose that the B2B framework should be updated to facilitate communication between parties seeking access to the services provided by advanced meters. The rule change requests have been consolidated as they relate to the same issues.

In its consultation paper, the AEMC has sought stakeholder feedback on issues relating to proposed B2B arrangements and implementation timeframes. This submission provides Energex's responses to the issues raised by the AEMC.

2 Proposed B2B arrangements

2.1 Given the changes to the NER from the competition in metering and embedded networks final rules and the new services that can be offered using advanced meters, is there a need to update the current B2B framework?

Yes, the current B2B framework will need to be upgraded to accommodate the expanded range of services available from advanced meters.

2.2 What are the most appropriate arrangements for IEC/Retail Industry Panel membership, including the arrangements for election/appointment of members and requisite qualifications of members?

Energex supports retaining the Information Exchange Committee (IEC) as the body responsible for developing and maintaining the B2B procedures. Energex also supports expanding the current IEC membership to include broader representation of parties who may use the B2B framework to ensure that decision-making is representative of all impacted parties.

However, while largely supportive of the COAG Energy Council's proposed IEC arrangements, Energex considers that the following amendments should be made to ensure that the committee is structured appropriately:

- ***Increase DNSP and Retailer representation to two members each***

In order for the IEC to function effectively and achieve efficient outcomes, particularly within critical timeframes, it is essential that the committee has a solid foundation of primary market participants who have extensive specialist expertise, knowledge and experience in complying with B2B procedures and transacting through the B2B e-hub. Greater DNSP and Retailer representation is also needed to ensure that fundamental differences within each participant class, including inconsistencies in jurisdictional arrangements or differing requirements of first- and second- tier Retailers, are adequately represented and considered.

Given the high volume of transactions processed by DNSPs and Retailers and the potentially significant financial and operational implications of changes to the B2B procedures and B2B e-hub, these members are also more likely to be sufficiently motivated to not only contribute meaningfully to the committee's deliberations in order to ensure efficient, cost-effective solutions but also commit to ongoing participation in the decision-making process.

Energex therefore does not support the proposal to reduce DNSP and Retailer membership to one member each and considers that there would be more value in having two DNSP and two Retailer members on the IEC rather than the two proposed discretionary members.

- ***Independent member to act as chairperson of the IEC***

The new IEC will be faced with significant challenges and competing priorities amongst its membership. The chairperson will therefore be required to perform a key role in not only effectively presiding over committee meetings but also providing objective and unbiased leadership.

While it is proposed that committee members will be required to have regard to B2B factors and principles in decision-making, each member will essentially be representing the interests of their own participant class. The chairperson will need to be, and also be seen to be, totally independent from the interests of any one participant class or group of participant classes and in a position to provide independent judgement and advice on issues before the committee.

While AEMO representation on the committee is supported, Energex does not consider that an AEMO chairperson could be considered to be truly independent and therefore does not support the proposal for an AEMO representative to be appointed as chairperson of the IEC. Rather, in the interests of good governance, Energex recommends continuation of the current arrangement where one of the two independent members is elected by the committee to fulfil the role of chairperson. This arrangement has been very effective in the past and Energex considers there is no justifiable reason for change.

2.3 What are the appropriate arrangements for the making of B2B procedures, including the decision-making process, decision-making criteria and the split of roles between AEMO and the IEC/Retail Industry Panel?

Energex is of the view that industry participants have sufficient interests and incentives to make efficient and cost-effective decisions relating to the development and administration of B2B procedures. These interests and incentives, coupled with the proposed requirement for the IEC to have regard to B2B factors and give effect to B2B principles, should sufficiently guide the IEC's decision-making process to achieve prudent and efficient outcomes.

Energex therefore does not consider there is any valid justification for providing AEMO with greater power to approve or not approve IEC decisions regarding B2B procedure changes and recommends that AEMO's current veto rights should remain unchanged.

2.4 Are the proposed obligations on parties appropriate, including the accreditation requirements and Red and Lumo's proposed certification requirements?

Energex supports Red/Lumo's proposed requirements regarding accreditation and certification of parties not otherwise registered participants. Energex agrees that those parties should not only be required to be accredited to ensure they have appropriate processes in place to comply with B2B procedure obligations but should also be appropriately certified to safeguard system integrity and security.

2.5 What would be the benefits of, or issues with, requiring third parties to become registered participants to use the B2B e-hub?

Energex does not consider there is a compelling need for third parties seeking to use the B2B e-hub to become registered participants at this stage. While there is value in the COAG Energy Council's desire to "future-proof the electricity market"¹, there is a risk that imposing onerous registration requirements on third parties may create an unnecessary barrier to entry, particularly in the early stages of metering competition.

The proposal to deem third party B2B participants as registered participants for the purposes of paying participant fees is, however, supported.

¹ AEMC Consultation Paper: National Electricity Amendment (Updating the electricity B2B framework) Rule 2015, 17 December 2015, p. 15.

3 Changes to B2B arrangements under recent rule changes

3.1 Given the proposed rules are based on the competition in metering draft rule, what changes should be made to the proposed rules as a result of the competition in metering and embedded networks final rules?

Energex does not have any feedback on this issue at this stage.

4 Implementation

4.1 **If a rule is made, is a 1 December 2017 implementation date for the new B2B procedures and upgraded B2B e-hub achievable? If not, why not and what is an alternative date?**

To support an efficient transition to the contestable metering framework, it is imperative that the new B2B procedures and upgraded B2B e-hub must be operational on the same date the new framework commences. All new and amended B2B transactions must be fully automated at commencement as any requirement for market participants to manually process high volumes of B2B transaction requests will not only be resource intensive and costly but also have greater potential to result in a poor customer experience.

Energex is concerned, however, that the proposed timeframe for implementing the new B2B framework is ambitious. As at least 12-18 months is usually required to implement system and process changes of this magnitude, it would be extremely challenging, if not impossible, for a target deadline of 1 December 2017 to be achieved if the new B2B procedures are not finalised until 1 April 2017 as proposed. Based on the list of implementation activities provided in the AEMC's consultation paper, Energex considers that a commencement date in mid/late 2018 would be more achievable.

4.2 **Which implementation tasks may be at risk of not being met in the given timeframes and why? Would any of the timeframes need to be adjusted? Can any of these tasks be completed sooner, e.g. developing the election procedures and operating manual, or do some of them require more time? How would any changes impact other timeframes and the target deadline of 1 December 2017?**

For Energex, the critical issue is that the current proposed implementation timeline does not provide sufficient time for the B2B e-hub and participant systems and processes to be updated to comply with the new B2B procedures for the start of competitive metering on 1 December 2017.

In order to provide a more realistic timeframe within which to develop, build and test system changes and implement new and amended processes, it will be necessary to fast-track completion of the new B2B procedures. Consideration should therefore be given to deferring the proposed amendments to the B2B governance arrangements until after successful implementation of the new B2B procedures and system changes and allowing the current IEC (with the support of existing working groups and continued transparent and open access for interested stakeholders) to begin developing the new B2B procedures.

However, while this proposed solution may bring forward the date by which the new B2B procedures can be finalised, the 1 December 2017 deadline would still be challenging for industry to achieve. Energex would therefore support undertaking a 'readiness review' in mid-2017 to identify whether participant systems and processes will be in place to support metering competition.

4.3 Are any implementation steps missing?

Energex does not have any feedback at this stage regarding any additional implementation steps.

4.4 How much time would participants expect to need to update their systems and comply with the new B2B procedures and use the upgraded B2B e-hub? When can participants commence this work, for example can work commence following publication of draft B2B procedures?

Energex has previously indicated that 12-18 months following finalisation of the B2B procedures would be required to develop and implement all necessary business system and process changes. An unrealistically constrained timeframe could potentially lead to resourcing issues (including IT vendor availability issues), suboptimal outcomes (which may lead to future problems and a poor customer experience) and higher costs for industry participants.

It would not be prudent or efficient for market participants to commence development of new systems and processes prior to publication of final procedures as subsequent changes could lead to complex rework and increased costs.

4.5 Should any of the steps have reduced requirements to speed up implementation, such as an exemption from having to follow the rules consultation procedures? Which steps could be run concurrently with other steps? Are there any further options that could be considered to minimise implementation timeframes?

Energex does not support exemptions from or shortening of consultation requirements on the B2B procedures. Full consultation is necessary to ensure effective outcomes, particularly given the extent and complexity of the required changes.

The proposal to implement a first set of procedures limited to existing services and the services specified in the minimum services specification by 1 December 2017 followed by a second set of procedures in 2018 is also not supported. Energex considers that, for the efficiency of the market, a broader set of services that includes network services such as load control must be in place for commencement of the new metering contestability framework.

Finally, Energex supports the establishment of an overarching program management role to manage the overall implementation of the Power of Choice reforms to ensure all parties work in coordination and consultation and assist in achieving and / or minimising timeframes.