

28 January 2016

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

Lodged via www.aemc.gov.au

Dear Mr Pierce,

Reference ERC0197: Updating the Electricity B2B Framework – Consultation Paper

Simply Energy welcomes the opportunity to respond to the Updating the Electricity B2B Framework – Consultation Paper (the Paper).

Simply Energy is a leading tier 2 energy retailer servicing Victoria, South Australia, New South Wales and Queensland.

The Paper provides the Australian Energy Market Commission's (AEMC) summary of the rule changes proposed by Red Energy and Lumo Energy (Red and Lumo) and the Council of Australian Governments Energy Council (COAG EC) and the AEMC's questions to stakeholders in relation to them.

Overall, Simply Energy supports the intent behind both the Red and Lumo and COAG EC rule change proposals.

Simply Energy considers that the Red and Lumo proposal better addresses the following requirements:

- Appropriate stakeholder representation on the proposed B2B governance body.
- Effective B2B factors / principles and arrangements to support AEMO implementation of decisions made by the B2B governance body.

Simply Energy considers that the COAG EC proposal better addresses certification and accreditation of B2B users, and consequently recovery of B2B costs.

Responses to questions raised in the Paper

In this section Simply Energy responds to questions (shown below in italics) raised in the paper by the AEMC.

1.1. 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 existing processes for contestable metering for large customers are unable to efficiently manage the volume of transactions with contestable metering providers expected once small customer metering becomes contestable after 1 December 2017. Additionally, new third party service providers are expected to emerge once smart meters facilitate new service offerings. Efficient integration of these new service providers requires new B2B considerations.

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

The Red and Lumo and COAG EC proposals differ somewhat in composition, although both have an AEMO director as chairperson and various categories of industry and other stakeholder representation.

Simply Energy considers that the Red and Lumo proposal better reflects the needs to represent stakeholders and will lead to a more effective B2B governance body. The proposed structure is flexible and can accommodate new industry categories as they evolve. It also has potential for sufficient independent and consumer members to ensure that consumer interests and the interests of parties that may not have their own representatives are reflected in the body's decisions.

The B2B governance body is a decision making body, not an advisory body like the working groups and committees convened from time to time by regulators and the market operator. As such, election to the body based on membership of an industry grouping (such as retailers, metering businesses, distribution businesses) is more appropriate than appointment by a body such as a market operator.

The election rules should not create an incentive for businesses to create multiple identities in order to increase their number of votes, while recognising that some businesses will be active in multiple categories. As a result, Simply Energy supports rules that allocate votes based on corporate ownership, not participant ID, and the requirement that a business that is active in multiple categories can only have a single representative on the body.

1.3. What are 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?

Simply Energy considers that the Red and Lumo proposal provides for better decision making and implementation. It addresses the need for decisions to consider more than the interests of industry by including a criterion (B2B factor) that reflects the National Electricity Objective (NEO). This is an effective measure that avoids the complexity of the COAG EC approach, which requires AEMO to reject a decision by the B2B governance body if it considers that it doesn't meet the NEO, and includes rules relating to stalemates between the B2B governance body and AEMO.

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

Simply Energy does not support Red and Lumo's accreditation and certification requirements. The accreditation requirements add unnecessary complexity by creating a new form of accreditation. This is not necessary, as is shown by the COAG EC proposal, which instead extends the requirement to be a registered participant to third party service providers. The proposed certification requirements also add unnecessary complexity. The risk of third party service providers causing harm by improperly using the B2B e-hub is addressed by requiring them to be registered participants.

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

Simply Energy supports the COAG EC proposal to require third party service providers to become registered participants in order to use the B2B e-hub.

This has the benefits of including them in the scope of organisations required to follow the B2B procedures, provides a basis for AEMO to determine that they are capable of participating responsibly, and provides a mechanism for them to contribute their share of the costs of the B2B e-hub.

2.1. 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?

Simply Energy does not consider that the differences between the draft and final rule changes affect the proposed B2B governance arrangements.

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

Simply Energy considers that a 1 December 2017 implementation date is achievable if AEMO and industry participants start preparing now. AEMO has sufficient information to start working now on the specifications of the new B2B e-hub. The specifications do not rely on this rule change being made.

Stakeholders and AEMO can start working now on the election procedures and procedures of the B2B governance body (operating manual), so that the new body can start work as soon as a rule change is made.

3.2. Which implementation tasks above 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?

Simply Energy considers that some tasks should be started as soon as possible and carried out concurrently. See response to question 3.1.

3.3. Are any implementation steps missing?

Simply Energy is not aware of any missing steps.

3.4. How much time would participants need to update their systems to 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?

Compliance with new B2B procedures and an upgraded B2B e-hub will need to be integrated with any other updates being carried out to Simply Energy's market systems. Simply Energy has procured systems that are adaptable and has a development approach that aims to avoid bureaucracy and get updates into production as quickly as possible. Nevertheless, significant changes will still take some months from initial specification to going into production. If there is sufficient confidence that final B2B procedures will reflect draft procedures, then work can start following publication of the drafts.

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

Where there is general support from stakeholders an exemption from the rules consultation procedures should be considered. This will speed up the implementation process for changes that have general support. Please also see the response to question 3.1.

If you have any questions concerning this submission, please contact James Barton on 03 8807 1171.

Yours sincerely

David Murphy
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