



24 July 2015

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Sir/Madam,

Re: Draft Advice: Implementation advice on the Shared Market Protocol (EMO0029)

Red Energy welcomes the opportunity to provide this submission to the Australian Energy Market Commission (the Commission) on their Draft Advice relating to implementation advice on the Shared Market Protocol (the Draft Advice).

Red Energy is a 100% Australian owned and operated subsidiary of Snowy Hydro Ltd and is part of the Snowy Hydro retail portfolio which services approximately 1 million customers. Red Energy retails gas and electricity in Victoria and New South Wales and electricity in South Australia.

The Draft Advice states that the shared market protocol includes the standard for communications and the electronic platform used to send the messages between parties. The Commission considers that the shared market protocol will promote competition for advanced metering services, reduce barriers to entry whilst not inhibiting innovative methods of communication. Red Energy cautions the Commission that the contents of the Final Advice and draft rule change can determine whether these goals are achievable.

Red Energy is a member of the ERAA and is supportive of the views made in their submission.

Governance

Red Energy agrees with the Commission that the existing governance structure of the Information Exchange Committee (IEC) will not be representative of the wider range of stakeholders that the shared market protocol intends to cover.

However, Red Energy does not support the revised IEC model where all retailers are represented by one individual representative. Retailers have a varied approach to the market, with varying systems and resources; as such one retail representative is not appropriate. Whilst Red Energy is not a Distributor or a metering service provider, the same



also holds true for those participant classes. Red Energy firmly believes that the revised IEC model will only be workable where the impacted stakeholders have the opportunity to be represented and are allocated voting rights.

Red Energy has an alternate model for the Commission's consideration.

Red Energy's Alternate Model

The Information Exchange Committee, at a minimum, comprises the following representatives:

1. Independent Chair
2. Independent member
3. AEMO Representative
4. Consumer Representative¹
5. Distributor Representative
6. Distributor Representative
7. Meter Coordinator Representative
8. Meter Provider/Meter Data Provider Representative
9. Retailer Representative
10. Retailer Representative

Under the proposed alternative structure, the IEC will have the ability to include additional representatives with voting rights, where a class of participant that is not already represented is impacted by a specific change.

Additionally, under this alternative governance structure we propose that where a parent company has multiple entities that can be represented in more than one category, they may only nominate for one representative position. However, each sub-entity must be able to vote in all categories for which they are entitled.

Rationale for the Alternate Model

Red Energy considers the alternate model provides the ability for industry to decide on items, with 9 voters and the independent chair. However, the alternate model suggests that the Rules specify a minimum set of representatives. Therefore, as the market evolves, the revised IEC can ensure that the representatives are broadly representatives of the industry. This can be managed through the IEC's election procedures and operating procedures.

¹ A key issue raised constantly by the IEC is the importance of continuity of attendance. Red Energy would expect that onus would be placed on the ECA to attend in instances where their nominated consumer representative (and their alternate) is unable to attend.

An example of the IEC adding an additional representative could conceivably be where a B2B Procedure change will impact the 'Embedded Network Manager' role. The IEC can agree to hold an election for the inclusion of a representative of Embedded Network Managers, and they can attend and vote on any changes that impact Embedded Network Managers.

Furthermore, whilst only allowing one parent entity representative, it will ensure that all businesses, irrespective of size or structure, will have the ability to be a representative on the IEC. This will circumvent the 'voting blocks' that the Commission is intending to avoid.

Unlike the Commission, Red Energy considers it necessary to have a minimum of two positions for meter services providers, and a representative of each class of participant optimum. Meter Providers, Meter Data Providers and Meter Coordinators will be provisioning a large majority of the transactions through the B2B e-hub, and as such they should be provided an equivalent share of the voting arrangements.

The IEC should continue as a decision making body and is not the only avenue for consultation. Red Energy expects that the B2B Procedures will continue to be developed through working groups, which must have broader engagement in order for any solution to be workable.

Red Energy continues to support a governance model across all Retail Market Procedures where changes are made in the best interests of consumers, not an individual section of the market, i.e. a retailer, a distributor, a meter coordinator, a meter data provider, a meter provider or a market operator.

Making and amending procedures

Red Energy supports the Commissions draft recommendation that the IEC must have regard to both the National Electricity Objective and the revised B2B principles.

In our opinion, the drafting of the revised B2B principles could be more concise. However, Red Energy supports the intent of the new principles. As such we recommend the following drafting amendments to principle five and seven:

- Regard should be had to the reasonable costs of compliance compared to the likely benefits by AEMO, DNSPs, retailers, metering coordinators, 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 and impacted B2B Participants to implement any new B2B procedure or change to existing B2B procedure in the B2B e-hub.~~

Obligations on parties

Accreditation

Red Energy considers that the creation of a B2B Participant role may provide value to the industry. Accreditation can be interpreted in various manners; as such we are not opposed to being an accredited party depending on the obligations, costs and benefits that are associated with it. Red Energy supports a model where B2B Participants are accredited and verify that their system is compliant with the B2B Procedures and will not cause harm to any other party that is connected to the B2B e-hub.

Use of the B2B e-hub

Red Energy's supports the Commission's draft recommendation that where the metering coordinator chooses to offer a service, it must use the B2B e-hub unless otherwise agreed. We consider that this approach will ensure that B2B Participants develop the most efficient and effective B2B procedures, which is in the interests of industry and consumers.

Cost recovery

A revised B2B e-hub that allows for near real time transactions will be costly to implement. Historically, all market fees have been the responsibility of retailers, including the costs of B2B infrastructure. Red Energy supports the Commission's view that under the new arrangements, retailers should not be the only participant that is charged for industry's infrastructure.

Red Energy supports a user pays model, where the large majority of costs are recovered by all requestors of services. Under this approach, fees could be allocated by the total NMIs that the requestor provides services to. Additionally, there may also be value in charging a subscription fee for all parties to ensure that each party that connects to the B2B e-hub has a commercial approach to changes that are made to the B2B e-hub and the B2B procedures.

Transitional and implementation

Red Energy commends the Commission in their consideration of the transitional arrangements required in the rules to ensure that the shared market protocol and revised B2B arrangements are workable from the outset.



The transitional arrangements that support this change must include specific deadlines on AEMO and the IEC to establish the election procedures, operating manuals and the first election of the revised IEC membership. However, this cannot be at the detriment to continued work on the revised B2B Procedures to establish the new B2B e-hub and new transactions that support metering contestability.

Red Energy has previously and continues to argue that there must be transitional arrangements in the Rules providing a head of power to the existing IEC to make procedures in this interim timeframe that are binding on the new IEC. This is pertinent where the revised B2B framework commences on the same day (or as soon as practical thereafter) as the Meter Contestability framework.

Conclusion

Red Energy considers that the revised B2B e-hub and B2B Procedures that support near real time transactions must be established concurrently with the meter contestability framework. A revised B2B e-hub that delivers the intent of the Commission, being the promotion of competition, reduction in barriers to entry and provides for innovation for the efficiency benefits that are in the long term interests of consumers, is only possible if industry has the infrastructure available from day one. Otherwise participants will either build around the B2B e-hub or have to pay twice for establishing their infrastructure.

Red Energy thanks the Commission for their consideration of the matters raised in this submission. Please do not hesitate to contact Stefanie Macri, Regulatory Manager on 03 9976 5604 to discuss any of the matters in this submission further.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Ramy Soussou".

Ramy Soussou
General Manager, Regulatory Affairs and Stakeholder Relations
Red Energy Pty Ltd