



19 May 2016

Mr John Pierce
Chairman
Australian Energy Market Commission
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Dear Mr Pierce

AEMC Draft Rule Determination – National Energy Amendment (Updating the Electricity B2B Framework) Rule 2016

Ausgrid is pleased to provide comments in response to the *AEMC's Draft Rule Determination - National Energy Amendment (Updating the Electricity B2B Framework) Rule 2016*. These comments build on Ausgrid's previous submission to the AEMC's consultation paper.

We support the ENA position on this rule change. A number of additional comments are provided here to expand on the ENA's position with particular focus on Ausgrid's concerns. While supportive of the intent of the Rule change, Ausgrid remains concerned that key arrangements to implement the new B2B framework (shared market protocol) by 1 December 2017 are at risk of failing to achieve the required operational objectives. These arrangements include, the establishment of the reformed Information Exchange Committee (IEC), the publication of the B2B procedures and the establishment of the new B2B e-hub. While we note that these arrangements are to be worked through with the Australian Energy Market Operator (AEMO) and industry, the AEMC should consider whether there is a need for a 'readiness' review mechanism and subsequent responsibility and process for remedial action as part of the development of the e-hub.

A 'readiness' review mechanism could be added by the AEMC as a safeguard within the final Rules (or at a minimum AEMC policy guidance in the final Rule determination) to allow/recommend an industry-wide readiness review mechanism before the 'go-live' of the updated B2B framework. This recognises the complex interplay between the range of stakeholders and deliverables to achieve the policy intent of this substantial Rule change.

In terms of the draft Rule amendments, Ausgrid is concerned with the proposed reformed IEC constitution which restricts membership to one Distributor and one Retailer and introduces a revised discretionary membership, of which members will be unilaterally decided by AEMO may create disproportionate representation of the industry and market operations. We submit that two Distributor and two Retailer representatives are required to better contribute to the achievement of the National

Electricity Objective (NEO) as these market participants will have the greatest incentive to ensure the efficient and cost effective operation of B2B communications in the market, in line with their respective National Electricity Rules (NER) and National Energy Retail Rules (NERR) responsibilities.

Furthermore, Ausgrid considers that the current practice for the selection of independent members of the IEC should guide future representation from independent and discretionary members. The Rule as drafted does not give any direction or guidance that AEMO must have regard to when considering appointing the discretionary positions on the IEC. As such, we submit that the final Rules should provide some guidance that must be considered when making appointments, such as considering proportionality, the diversity of each member class, and the relative costs faced by each party from the decisions of the IEC.

Furthermore, the IEC requires appropriate autonomy on funding to procure resources to conduct appropriate market analysis and overall project management of this important enabling framework. Resourcing and co-ordinating this significant change should be a high priority for this Rule change. Accordingly, the final Rule should include a clause that AEMO can not unreasonably amend or disallow the submitted IEC budget.

Finally, we submit that the final Rules should explicitly state that the current B2B functionality be maintained beyond the implementation of the expanded and upgraded e-hub. This is to accommodate current market participants that may not operate in the smart metering environment, but will continue providing basic type 5 or 6 metering services (including meter reads, sample testing, disconnection and reconnection services among other things). There will be Type 5 and 6 meters in customers premises for a significant number of years, if not decades, from the start of competition on 1 December 2017. Base functionality for 'business-as-usual' activities carried out by DNSPs on behalf of Retailers will be an enduring feature of the market for some time after December 2017. This is because smart meters will only be introduced on a progressive basis. Existing B2B functionality will therefore be required until there is no longer any Type 5 or 6 meters left.

Not only will DNSPs be required to offer ongoing BAU services for the existing fleet of Type 5 and 6 meters, but will also need to work with retailers who will have responsibility for metering for smart metering sites. For example, consider a smart meter failure of a vulnerable customer in the early hours of the morning. If the DNSP is called out in response to an electricity supply interruption then we will need basic processes for the DNSP to notify the Retailer; agreement on whether the meter can be bypassed by the DNSP temporarily to restore supply; there may well be an additional protocol set by the retailer on how to deal with vulnerable customers; and with supply temporarily restored the Retailer needs to have processes in place to replace the meter and properly restore supply at a later time.

All the processes in the smart meter example above are not defined or mapped, and there is no common procedures or IT system to support these processes at this point in time. This scenario comes about because metering responsibility is transferring to Retailers. This change in responsibility is separate to the need to build procedures and IT systems to support *Type 4 functionality*.

In summary, existing processes will need to endure for some time together with two major changes taking place at the same time with the expansion in metering and related services rule change. These key categories of changes are:

1. **Existing BAU processes retained:** Type 5 and 6 meters will endure for an extended period (e.g. disco/reco process) but with new handover points (e.g. meter replacement).
2. **Change of existing BAU processes:** Metering responsibility for all new meters will move from the DNSPs to Retailers, which require new procedures and back office IT systems built (e.g. new and upgraded sites for metering, which also depend upon existing and future jurisdictional arrangements);
3. **New smart meter functionality and associated processes** need to be supported with new procedures and back office IT capability.

All three elements require appropriate regulatory mechanisms, such as a readiness review mechanism, to monitor and ensure each element is supported, defined and delivered appropriately for 1 December 2017, not just the smart metering minimum services specification as defined in the Rules.

If you have any queries or wish to discuss this matter in further detail please contact Mr Murray Chandler on (02) 92697210 or via email murray.chandler@ausgrid.com.au.

Yours sincerely



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Acting Chief Executive Officer