



21 November 2013

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Australian Energy Market Commission
Attention Tina Wong
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Dear Tina

Reference Code ERC0162

United Energy (UE) appreciates the opportunity to provide comments on the AEMC consultation paper 'Governance of retail market procedures'. AEMO have recently issued a draft of the new retail market framework for industry to provide input. UE are hoping to meet with AEMO over the next few weeks to better understand the AEMO proposed framework and the interaction with this rule change.

Assessment Framework

UE is supportive of establishing an appropriate governance process with appropriate checks and balances. UE generally supports the principles outlined in section 4. There is a considerable level of change expected over the next few years in the industry. UE is supportive of all impacted parties who need to deliver the change being not only aware of or advised of the change but also involved in the development.

UE recognises the benefits of independence in the decision making process for non CATS transactions, although has some reservations about the cost impact to our business and ultimately realisable consumer benefits. The affected industry participants should have a high level of influence in the decision making process and in the industry determined framework. The level of influence should be balanced by market segment.

Is there a problem?

UE concurs with the view in the paper that there has been no real incidents. The operation of the two committees together has made administrative sense and the separate governance frameworks appear to have served their purpose over the last decade and provided consistency in relation to the B2B transactions.

B2B procedures were originally intended for the high volume of transactions between distributors (as LNSP, MP or MDP) and retailers for the mass market. The Procedures were intended to define the industry agreement of 'how' things would get done in order to meet the Rule/regulatory requirements. UE recognise that smart meters may increase or change the parties impacted and significantly change the transactions or interactions between these parties.

The SCER paper on metering competition leaves many aspects of the approach to metering standards and metering competition up to the jurisdiction, including the functionality available to be used. On this basis there is a substantive role to manage the program of work and coordinate the input of jurisdictional material well prior to a final rule taking effect within a jurisdiction. This is best managed by the AEMC and AEMO rather than a body such as RMEC or IEC.

Flexibility and responsiveness

The B2B governance was established as a representative committee based on the stakeholders most impacted with two independent representatives to ensure broader market and consumer views were also considered in an independent manner. In one sense there were impacted participants who were excluded from direct representation on the IEC committee or underlying working groups, however the rules consultation has always provided two rounds of formal, public consultation, including consultation on a target implementation date. Any person has had the opportunity to respond to consultation and to see the outcome of both rounds of consultation.

UE concur with the AEMC point that greater flexibility in committee and working group representation by market segment and variable consultation processes offer greater flexibility but they may also reduce the overall certainty for stakeholders in the form of the governance frameworks. UE recognise the challenges in this approach and also the significant workload and impact on our systems and processes that is likely to arise from the various Power of Choice changes and other AEMC reviews. It is appropriate that a broader range of parties impacted by the future changes are involved in the development, consultation and decision making processes.

Uniformity of process

UE agree that there is some consistency of subject matter in B2B and other Chapter 7 procedures. Although with metering competition, on some matters there may be minimal overlap eg receiving timely network data back from third parties eg voltage data and supply status at a NMI level. Management of a demand response as an alternative to network augmentation could be another example where there may be appliance level control that is separately managed to the new wholesale demand response mechanism.

The scope for jurisdictional divergence in the metering aspect of Power of Choice is reasonably significant. National uniformity and standardisation of data and transactions may be at risk and make decision making moving forward challenging. AEMO is well placed to manage the jurisdictional input on both the metering standards adopted and the functionality deployed and /or utilised.

Governance of procedure making process

The consultation paper notes that the AEMC has previously taken the view that regulatory obligations might be viewed as more appropriately located within the rules rather than procedures where they impose substantive right, obligation and duties on participants and where they impact the economic efficiency of the market. UE consider there is merit in this view where there may need to be agreement in future how network data streams are maintained in a cost effective and reliable manner to meet network regulatory obligations. Noting that the discretion to provide (or not and in what format) this most basic network data is at the discretion of the metering data provider in the current Rules.

As mentioned at the start of this response, UE is seeking to meet with AEMO to better understand the proposed new retail market framework which makes no mention of formal rules consultation or the Electricity Retail Market Procedures Committee. It will be useful to understand the way these proposals

will be changed and integrated. With the challenging workload ahead, maybe there is a case for a little more certainty and stability in the decision making framework as long as parties who need to deliver the change are not excluded from development and consultation/ decision making processes.

Compliance and enforcement

The consultation paper queries whether all procedures under Chapter 7 should have civil penalties applied or none of them. This could be argued either way. The MSATS procedures currently attract civil penalties but not the B2B Procedures or any other Chapter 7 Procedure. Where there is potential for detrimental customer impact then possibly there is an argument for civil penalties to apply, for example a poor retail transfer experience. The same could also apply where the network has relied on accurate updated data for a life support customer in the retailer provided customer and site details B2B transactions. The view could also be taken that these customer impacts may be more appropriately placed (or are already) in the NECF.

In relation to B2B transactions UE support continuation of no civil penalties, as the volumes processed each month are high (approximately 20,000) and it is not practical or cost effective to be fully compliant. Some responses may take time to submit in order for higher levels of efficiency to be maintained in the field, workloads can be highly variable and customer impacts are likely to be minimal.

Where a third party failed to provide timely or quality voltage data or supply status, this has the potential to impact the network services provided. Reliance on civil penalties to obtain quality data is not the most desirable or workable solution.

Opt Out Provisions

The current B2B framework allows opt out provisions. UE is supportive of a framework that allows networks to seek bi-lateral arrangements with certain parties as an alternative to augmentation before a transactional standard is delivered in a Retail Market Procedure and also allows that the bi-lateral arrangement may continue after the standard is agreed in the market. Bi-lateral exchange of data should not be prevented. The need for standardised transaction in the market will, like B2B, obviously be dependent on the volume and nature of the data exchange.

Evolving Technologies and processes

The metering aspects of Power of Choice currently provide that AEMO is the decision maker on the national minimum advanced meter standard, although the jurisdiction has discretion on whether this minimum standard is adopted within its jurisdiction and the functions that need to be deployed. UE suggest that drafting is not necessary as the head of power to make Retail Market Procedures is extremely broad. To the extent that industry desired a new process it could be agreed through the Retail Market Procedure development and governance processes.

If you have any questions about this response please phone me on (03) 8846 9856.

Yours sincerely

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