

# Implementation advice on the shared market protocol

Stakeholder workshop



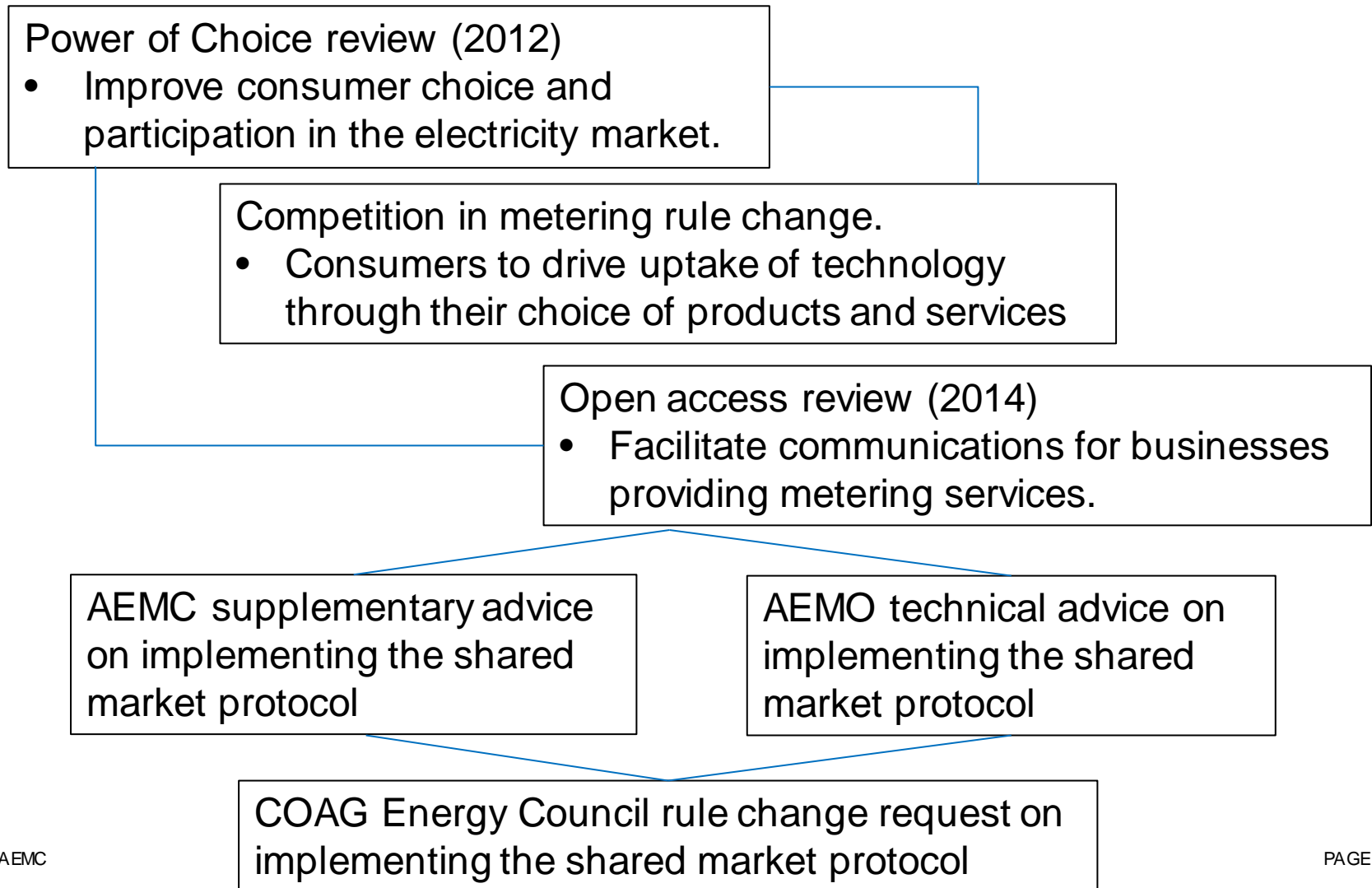
Wednesday 15 April 2015  
AUSTRALIAN ENERGY MARKET COMMISSION

# Outline for the workshop

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- Welcome
- Background and context
- Session 1: Presentation by AEMO on its first technical advice
- Session 2: Governance
- Session 3: Implementation in the National Electricity Rules
- Close

# Background



# Background – Competition in metering

- AEMC's competition in metering draft rule determination was released on 26 March 2015.
- Relevant arrangements in the draft determination:
  - New 'Metering Coordinator' role replaces the 'Responsible Person' role.
  - New and replacement meters for small customers must be capable of providing the services in the minimum services specification.
  - Small customers may opt out of having a meter that meets the minimum services specification where the new meter would otherwise be replacing an existing, functioning meter as part of a 'new meter deployment'.
  - The Metering Coordinator is not obliged to provide access to services available through an advanced meter. This is a matter for commercial negotiation between parties.

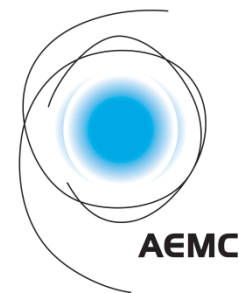
# Background – Open access advice

- AEMC's advice on a *framework for open access and common communication standards* recommended:
  - Implementing a shared market protocol to define a format of communications for accessing smart meters.
  - that using the shared market protocol would not be mandatory, except for the 'gatekeeper' (the Metering Coordinator).
  - that the shared market protocol involve extension of the current B2B platform.
- As implementing the shared market protocol is interdependent with outcomes from the *competition in metering* rule determination, the AEMC recommended providing supplementary advice on implementing the shared market protocol at a later date.
- Advice to COAG Energy Council will include a draft rule change request (including a draft rule) for its consideration.

# Background – Advice from AEMO

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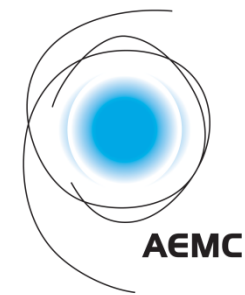
- COAG Energy Council requested AEMO to provide advice on implementing a shared market protocol.
- Stage 1 of the advice was provided on 11 March 2015:
  - Possible designs for a shared market protocol platform, IT requirements, costs and timeframes for implementation.
- Stage 2 of the advice is expected on 15 May 2015:
  - How new services could be incorporated into the shared market protocol over time.
  - Opportunities to leverage the shared market protocol to provide additional services in the energy market, such as streamlined access to energy data and usage profiles.
- AEMO's advice will inform the COAG Energy Council's rule change request.



# Session 1

AEMO's advice on a shared market protocol





# Session 2

## Governance





# Context

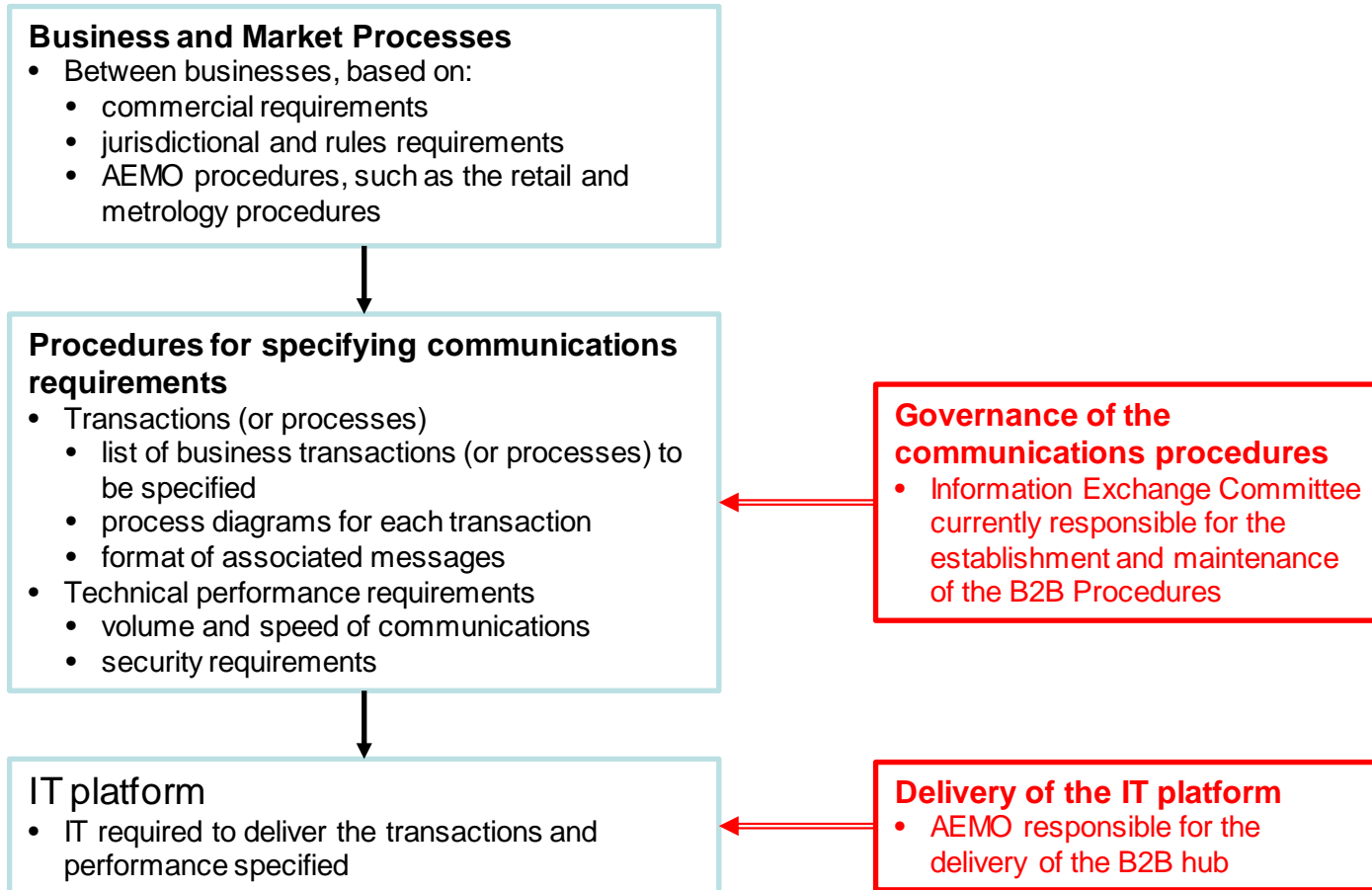
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- In AEMC's open access advice, it was envisaged that the B2B e-hub would be expanded to accommodate the new advanced meter communications.
- AEMO has now advised that B2B is not capable of supporting 'near instant' messages, and a new IT platform is recommended.
- We will need to consider issues related to introducing a new platform, in addition to issues related to the shared market protocol.

## **What is the shared market protocol?**

- Shared market protocol (SMP)
  - format and process for communications
- May also include a shared platform (SMP platform)
  - an IT system to send the communications to other parties

# Context



# Questions for this session

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1. Shared market protocol
  - Who should be responsible for establishing and maintaining the SMP procedures that set out the format and process for communication?
2. SMP platform (IT)
  - Do we need a shared platform? What are the costs and benefits?
  - What components should it contain?
  - Who should operate the SMP platform?
3. What should be the criteria for decision making?
  - Definition and purpose of SMP
  - Objectives/principles to have regard to when making decisions about SMP procedures
  - Content for SMP procedures

# 1. Shared market protocol

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## **Current arrangements**

- The Information Exchange Committee (IEC) is responsible for B2B procedures, which set out the requirements for communications.
- IEC membership includes three distributors, three local retailers/market customers and two independent members. Only a distributor, local retailer, market customer or AEMO may propose an amendment to B2B procedures.
- When making amendments, IEC must follow the rules consultation procedures and additional requirements set out in the NER.

## **Initial options considered**

1. Industry decision making (eg through an expanded/amended IEC).
2. AEMO decision making (including consultation with stakeholders).

# 1. Shared market protocol

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## Stakeholder views

- Broadly, large retailers and distributors supported an industry model based on the IEC arrangements.
  - Decisions made by those bearing the costs.
  - IEC can be improved with updated membership and a more open meeting format.
- Smaller retailers, consumer groups and energy service companies generally supported an AEMO model.
  - Provides more equal opportunities for participation.
  - Better consideration of consumer and new entrant interests.
- Alternative hybrid model proposed – industry group proposes changes to AEMO. AEMO then decides whether the changes should be accepted.

# 1. Shared market protocol

## Possible industry models - membership and voting options (illustrative)

Option 1: Current IEC	Option 2: Expanded IEC membership with weighted voting	Option 3: Expanded IEC membership with equal voting	Option 4: Body with industry and independents	Option 5: Body with independents
3 DNSP 3 Local retailer/ market customer 2 Independ.	2 DNSP 2 Local retailer/ market customer 3 Metering coordinators 2 MP / MDP 1 3 <sup>rd</sup> party user 2 Independent	1 DNSP 1 Local retailer 1 Market customer 1 Metering coordinator 1 MP / MDP 1 3 <sup>rd</sup> party user 1 Independent	5 Independent 1 DNSP 1 Retailer/ market customer 1 MP/ MDP 1 3 <sup>rd</sup> party user/ consumer grp	5 Independent

# 1. Shared market protocol

## Issues with industry models

- It is difficult to define membership and voting arrangements that represent the range of SMP users and the impact of decisions on those users.
  - How would the stakeholder representatives be voted in? By stakeholder group? What are the stakeholder groups?
  - Smaller companies may not have the resources for membership.
  - If voting is weighted by having a different number of representatives from each stakeholder group (option 2), what should the weighting reflect? The absolute number of users in the stakeholder group? The volume of communications sent by the stakeholder group?
  - Some of the roles are not defined in the NER.
  - Some parties undertake multiple roles.
  - Consumers are not represented in options 1-3 and 5.
  - Majority voting could allow some users to block changes that promote the long term interests of consumers.

# 1. Shared market protocol

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## **Discussion:**

1. Shared market protocol
  - Who should be responsible for establishing and maintaining the SMP procedures that set out the format and process for communication?



## 2. Platform

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### **Current arrangements**

- AEMO is required to provide and operate the B2B e-hub.

### **Stakeholder views**

- The need for a SMP platform was not specifically canvassed in the consultation paper. However, one stakeholder recommended that a shared platform was not necessary and that we should only define a format and content for messages.

## 2. Platform

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### Options

1. No shared platform – SMP procedures will set out a default format of communication and parties may communicate using any agreed platform.
  - eg email, web portal, etc.
  - May result in parties using multiple communications methods for metering services.
2. Retain the current B2B platform
  - Services not supported by existing B2B would be communicated using alternative methods (see above).
3. A SMP platform is developed (by AEMO or another party).
  - Will need to decide what components it should include.
  - Parties can use the platform if agreed.
  - May need to contribute to its development/operation through fees.

## 2. Platform

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### **Discussion:**

#### 2. SMP platform (IT)

- Do we need a SMP platform or B2B e-hub?
- What are the costs and benefits of having a SMP platform or B2B e-hub?
- What components should a SMP platform contain?
- Who should operate the SMP platform?

## 3. Criteria for decision making

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### **Current arrangements**

- IEC is required to have regard to B2B objective and principles when making decisions about B2B procedures.
- Other retail market procedures governed by AEMO do not have an objective or principles that must be considered. AEMO is required to have regard to the National Electricity Objective (NEO).

### **Stakeholder views**

- Stakeholders generally considered that objectives or principles are important to guide the decision maker, including if AEMO is the decision maker.

# 3. Criteria for decision making

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## **Preliminary view**

- The NER to provide clear guidance on how the decision maker is to establish the SMP and how it can be amended over time.
- Decision making for SMP procedures would be subject to:
  - A definition of the SMP in the NER (scope and purpose).
  - A test and/or list of objectives/principles the decision maker must have regard to, in addition to the NEO.
  - Content requirements for SMP procedures.

# 3. Criteria for decision making

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## **Implementation options – Defining the SMP**

- The scope and purpose of the SMP may need to cover:
  - The range of services that could be provided through the SMP, eg services related to an end user or supply to an end user.
  - The key components of a SMP platform.

### 3. Criteria for decision making

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#### **Implementation options – objectives/principles for developing and maintaining the SMP procedures**

- Potential objectives/principles could include:
  - The costs of developing and establishing the SMP and the costs to parties of complying with SMP procedures (eg IT and systems costs).
  - Timeframes – eg balancing the benefits of quickly establishing a more simple SMP against the benefits of a SMP that includes more services but takes longer to establish.
  - The benefits to parties or consumers from improved innovation and competition in the market for services that could be provided through the SMP.
- These may need to be balanced against each other, at the discretion of the decision maker.

## 3. Criteria for decision making

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### Implementation options – content for procedures

- SMP procedures could be required to include:
  - definitions for services that are included in the SMP;
  - the format for each SMP communication;
  - physical, system and security requirements for the SMP platform.
- Service levels and standards for the provision of advanced metering services would not be included in SMP procedures. These would be negotiated between the parties.
  - Minimum service levels and standards for services in the minimum services specification will be defined in existing AEMO procedures (under the *competition in metering* draft rule).
- However, SMP procedures may include service levels and standards related to the SMP platform.

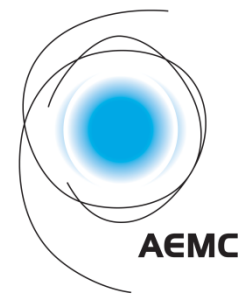


# Questions for this session

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## **Discussion:**

3. What should be the criteria for decision making?
  - Definition and purpose of SMP
  - Objectives/principles to have regard to when making decisions about SMP procedures
  - Content for SMP procedures



# Session 3

## Implementation in the National Electricity Rules



# Questions for this session

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1. Should the SMP be required to include certain metering services?
2. What should be the nature of the requirement for the Metering Coordinator to offer to use the SMP?
3. How should we manage third parties using the SMP platform, as they are not currently captured by the NER?
4. How should the costs of establishing and maintaining the SMP platform be recovered, if at all?
5. Some comments on transition.

**Note:** This session assumes the introduction of both an SMP and an SMP platform, in order to canvass potential rights and obligations.

References to the 'SMP' includes both the communication format requirements and platform, unless otherwise indicated.

# 1. Should the SMP include certain services?

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**Context** – Under the *competition in metering* draft rule, new and replacement metering installations for small customers must be capable of providing the services set out in the minimum services specification (subject to a limited exception).

## **Stakeholder views**

- General agreement that the SMP should at least include services in the minimum services specification.
- Many also considered it should include other commonly used metering services (eg AEMO's 'secondary' and 'value added' services).
- Two stakeholders considered that including additional services in the SMP could cause delays in the release date, stifle innovation or impose unnecessary costs on SMP users and consumers.

# 1. Should the SMP include certain services?

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## **Preliminary view**

- The SMP be required to include services in the minimum services specification.
- Other services may be included in the SMP, where they meet the requirements for establishing/maintaining the SMP (covered in Session 2)
- If a new service is added to the minimum services specification through a rule change process, the SMP may need to be updated if it doesn't already include that service.
- If a SMP platform is implemented, the SMP would be required to include the services and transactions currently available through B2B.

## 2. Nature of the requirement for the Metering Coordinator to offer to use the SMP?

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### Stakeholder views

- General agreement that the Metering Coordinator should at least be required to offer to use the SMP for the minimum specification services.
- One stakeholder considered that all parties should be required to use the SMP (ie a mandatory SMP).
- Several stakeholders considered that it was not necessary to impose an obligation on the Metering Coordinator to use the SMP.
  - Parties will use the SMP if it is the most efficient and effective form of communication.

## 2. Nature of the requirement for the Metering Coordinator to offer to use the SMP?

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### **Initial view**

- MC must offer to use the SMP for any service that is included in the SMP, where it is offering those services to a party.
  - Innovation supported as parties may agree to use an alternative.
  - Interoperability and competition are fully promoted, as parties would be guaranteed they can use the SMP for any service that is available through the SMP.

### 3. How should we manage third parties using the shared market protocol?

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Third parties are parties other than Registered Participants, metering providers and metering data providers.

#### **Current arrangements**

- Parties that currently use B2B have defined roles in the NER – local retailers, distributors, market customers, AEMO, metering providers and metering data providers.
- The costs of managing B2B are paid by AEMO and recouped as participant fees.
  - Participant fees are paid by registered participants (ie does not extend to non-Registered Participants such as metering providers or metering data providers).



# 3. How should we manage third parties using the shared market protocol?

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## Stakeholder views

- General agreement that all parties (including third parties) should be authorised or accredited to use the SMP platform.
  - Similar to the current requirements for B2B.
  - This would allow parties to be identifiable and contactable.
- Training could also be provided for third parties to manage risks around data mistakes.

### 3. How should we manage third parties using the shared market protocol?

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#### **Initial view**

- We consider the risks of third parties using the SMP platform to be minimal.
  - Access to metering services must be negotiated with the Metering Coordinator.
  - Access to metering services and data will be limited under the competition in metering rule change, therefore mistaken communications would be ignored by the party receiving the request.
- However, authorisation will allow the party providing the SMP platform to:
  - check that parties have appropriate IT and security to interface with and use the SMP platform;
  - deny or withdraw registration/access to parties that do not comply with requirements; and
  - identify and contact parties using the SMP platform.

### 3. How should we manage third parties using the shared market protocol?

#### Implementation options

	<b>1. Introduce a new role in the NER for third parties using the SMP</b>	<b>2. No requirements in the NER for third parties using the SMP.</b>
Obligations on third parties	Third parties could be required to comply with obligations in the NER and procedures.	Requirements could be imposed outside the NER. Unclear how this would be done. There would be no guidance for the SMP platform provider on the obligations to be imposed.
Enforcement of obligations	Recourse through AER enforcement powers where breach of rules.	Access to the SMP platform could be withdrawn.
Fees	Yes – fees could be charged under the NER.	Fees could potentially be charged through the external requirements, but unclear how this would be done.

## 4. How should costs be recovered?

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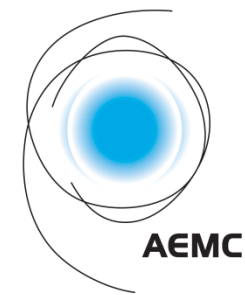
### **Cost recovery (if AEMO delivers the SMP platform)**

- Is it appropriate that the SMP platform be funded by AEMO and recouped as participant fees (like B2B)?
- Or should the platform be funded through user fees?
  - Could be more appropriate as the platform is ‘optional’ for parties to use.
- Options could include:
  - A yearly fee based on the type (eg distributor) and size (eg 10,000 connection points) of the user.
  - A fee based on the number of communications sent (postage stamp), payable by the person requesting the service.
  - Fees payable only by the service provider (eg Metering Coordinator) who would pass costs on to parties requesting services..

## 5. Transition

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- If the SMP and platform replace the existing B2B and IEC arrangements, those provisions can be removed from the NER.
- Changes from the competition in metering rule determination are expected to begin on 1 July 2017.
  - Ideally, at least an initial version of the SMP would be introduced by this date, as the SMP will lose value if parties invest in alternative communication methods.
- It will be possible for current providers to use B2B to communicate regarding some advanced metering services until the SMP is operational.
  - “Instant response” messages would not be supported.
  - New entrants are unlikely to invest in a B2B interface that they would then need to upgrade.
  - It is more likely that parties will create peer-to-peer communications for advanced services.



Close

