

A few
words.

30 January 2014

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW1235

Dear Mr. Pierce,

**RE: Draft Report: Framework for Open Access and
Communication Standards Review (Ref EMO0028)**

AGL Energy (**AGL**) welcomes the opportunity to provide feedback in response to the Australian Energy Market Commission's (**AEMC**) Draft Report: Framework for Open Access and Common Communication Standard Review (**the "Draft Report"**).

AGL operates in energy retailing, energy services, generation (coal-fired, gas-fired as well as solar and wind renewable sources) and upstream gas extraction. AGL also represents energy retailers on the AEMC's Advisory Stakeholder Working Group.

AGL supports the provision of smart metering under a competitive metering and services framework, (**Market Led**) approach, which is one of the three key reforms proposed in the "AEMC Final Report: Power of choice review – giving consumers options in the way they use electricity" (**AEMC Report**) to achieve an efficient demand-supply balance in the National Electricity Market¹.

AGL therefore supports the principles and assumptions used by the AEMC to undertake the review of the open access and common standards framework. AGL believes that a key principle, to ensure that an effective and efficient 'Market Led' approach is implemented, is that the framework must be underpinned by strong commercial practices and arrangements.

AGL believes regulating specific technologies and standards will potentially limit commercial investment in smart metering. AGL suggests that the AEMC should recommend to Standing Council on Energy and Resources (**SCER**) that a common market protocol be adopted, and allow industry to determine the specific standard.

AGL is also concerned with the number of reviews that are occurring independently of one another. It is important that the AEMC carefully manages the cross linkage in the outcomes of the review to ensure that a nationally consistent and consolidated framework is developed and adopted.

Specific responses to the issues paper are discussed in the attachment.

Please contact Stephanie Bashir on (03) 8633 6836 if you wish to discuss any of these comments further.

Yours sincerely,



Alex Cruickshank
Manager Metering and Market Interactions

¹ FINAL REPORT Power of choice review - giving consumers options in the way they use electricity 30 November 2012 p.ii

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Attachment

5.3.4 Common Meter protocol areas for comment:

- Should an internationally accepted meter protocol form the foundation of the NEM common market protocol?
- Is DLMS/COSEM sufficiently well developed to be used as the foundation for a market protocol, given the potentially synergies that exist with smart grid interoperability and other meter standards?
- Would the costs of developing an Australian specific services based common market protocol be likely to deliver sufficient benefits compared to using an internationally accepted metering protocol?
- Would extensions to the B2B gateway present a viable option for the development of a services based common market protocol?

AGL supports the recommendation that a common communication standard - and the point of entry - is required between accredited parties - referred to in this review as the 'common market protocol'. While AGL supports the AEMC recommendation of a common market protocol, we do not, support regulating a specific standard. . Furthermore, AGL has concerns with adopting and mandating the DLMS/COSEM as a preferred standard as recommended in the draft report:

- DLMS/COSEM is not an off the shelf product and operates in a language that is functionally based and designed for communicating with devices. As such, the standard would require development to meet the service requirements of industry. AGL notes however that the services enabled by smart metering today will evolve and new services will be required over time;
- While the Draft Report suggests that DLMS/COSEM has been successfully used globally, our understanding is that the areas were mostly in Europe (mainly Spain and the UK). It is also our understanding that the UK spent over four years developing the standard. Timing of this nature in Australia will stifle penetration of smart metering under a market led deployment ;
- The Draft Report states that adopting DLMS/COSEM as the preferred common standard will assist interoperability of smart grid implementation. This suggests that future smart grid technologies in Australia will all need to comply with DLMS/COSEM as their preferred communication standard. It is our understanding, that the majority of grid operation protocols do not support DLMS/COSEM, and will either need to migrate to such a protocol, or invest significantly in protocol translation.
- There were limited discussions at the advisory stakeholder working group as to the suitability, or support, of DLMS/COSEM as a preferred protocol for Australia in comparison with other options and standards.

With regards to the AEMC question on the use of B2B gateway, AGL notes that there has been significant investment over the years in developing NEM systems and procedures that are compatible with the existing Market Settlement and Transfer Solutions (MSATS) and B2B protocols. AGL also notes that advanced services enabled by smart meters will rely on close to real-time transactions to deliver the anticipated benefits.

AGL therefore suggests that rather than enshrining a specific standard in the Rules, the AEMC should recommend to SCER that a common market protocol be adopted, and allow industry to determine the specific standard to be adopted. AGL also believes that this should not preclude direct arrangements between a retailer and a metering service provider for services.

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5.4.1 Entity responsible for maintaining the common market protocol: stakeholder views on the appropriate entity to maintain the documentation for a common market protocol. In particular:

- Would AEMO be the most appropriate entity to develop and maintain the common market protocol?
- Is there the potential for the responsible entity to adversely impact on the competitive provision of DSP and related services?
- Would AEMO be regarded as sufficiently neutral, should the common market protocol be based on the existing B2B arrangements, as the B2B procedures are maintained by the Information Exchange Committee, established by AEMO?

Consistent with AGL's suggested alternative approach in section 5.3.4, the common market protocol should be considered a B2B Procedure under the National Electricity Rules (NER). Currently, the decision making body for B2B Procedures under the NER is the Information Exchange Committee. AGL notes that AEMO has proposed a Rule change, with industry support, where B2B is managed by a committee that includes and is supported by AEMO.

Industry, with AEMO's facilitation, will produce the most cost effective approach for all participants and ultimately consumers.

5.4.2 Adding new functions to the common market protocol

We are seeking stakeholder's views on whether the accredited parties and MPs should be required to define new functions in the smart meter functionality specification before they can be implemented. In particular:

- Would requiring new functions to be fully documented before they are used stifle innovation and reduce competition in the provision of DSP and related services?
- Would not requiring new function to be documented be likely to lead to reduced levels of interoperability, and hence reduce competition in the provision of DSP and related services in the longer term?

AGL is very concerned with the suggested approach in the draft report to define functionality in the Smart Metering Infrastructure Minimum Functionality Specification, before they are implemented and used by commercial businesses.

AGL supports the concept of national minimum functionality being agreed for smart metering to ensure efficiency and a degree of interoperability which is required in a market led commercial rollout of smart meters but requirements for further specification for specific technologies, standards and functions will stifle commercial investments by industry.

AGL therefore recommends that functions and services above the agreed minimum are left to commercial arrangements between parties. We believe that the competition in this sector will deliver an efficient outcome.

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5.5 Common meter protocol: stakeholder's views on whether a common meter protocol should be adopted, or whether SMPs should be able to use protocol translators. In particular:

- Should there be a common meter protocol?
- If a common meter protocol is required, should it use the internationally accepted DLMS/COSEM protocol as its foundation?
- If a common meter protocol is required, should existing Victorian smart meter operators be required to offer a protocol translation to the new common meter protocol?
- Without a common meter protocol do proprietary meter protocols (and protocol translations) be more likely to support competition in DSP and related services?

AGL does not support the concept of prescribing and regulating a common meter protocol. The meter protocol is the interaction between the SMP² and the meter device they operate in the field which is different from the Market protocol whereby a service provider is interacting with multiple retailers and parties. Today, MPs operate their own proprietary smart meter management systems which include a protocol for communicating with the meter. AGL also believes that the SMP by owning and managing their own meter protocol, allows them to quickly make changes to respond to market needs for new services. This ability to respond to customer demand is one of the key benefits of a contestable metering market.

The Market led rollout approach is based on commercial investments and choices. AGL therefore believes that regulating specific technologies and standards could stifle capital investment by industry required under a Market led approach to rollout smart meters. AGL believes that there are strong incentives for the SMP/ MP to develop, implement and deliver the most efficient solutions, which, in the short term may be proprietary meter protocols due to the existing metering market. In the longer terms, AGL believes that a commercial open environment where competitive forces lead to efficient outcomes would cause SMPs and MPs to adopt a common meter protocol *if that is the most efficient approach*.

AGL has previously detailed its concerns with adopting and mandating the DLMS/COSEM as a preferred standard and the same concerns apply here.

5.7 Allocation of the SMP role

Comments on whether the SMP's responsibilities should be retained in a separate role, or whether these responsibilities should be assigned to an existing entity. Comment sought on whether:

- the SMP's responsibilities should be retained in a separate role; or
- these responsibilities should be added to an existing role such as the MP or the MDP; or
- It could be part of the MC role would be required if that rule is implemented following the Commission's considerations of the competitive metering rule change request.

² We note that we don't support the creation of this role as it is not required but use the term solely for responding to this paper.

The AEMC throughout the review introduced the concept of a “Smart Metering Provider” (SMP) for the purpose of analysis. The review suggests that the SMP is the party that undertakes the role of managing access to a smart meter (this may not necessarily be the party that provides the physical metering infrastructure). These functions and responsibilities in managing access include managing security and congestion at the smart meter for access by multiple parties.

This approach (there described as the Customer Functions Service Provider) was canvassed at length by the National Smart Metering Committee, which included AGL as a retailer representative. While the approach has superficial appeal, it complicates customer relationships with retailers and other providers.

AGL is now of the view that the functions and responsibilities described in this review for the SMP are simply an enhancement of the currently defined roles under the National Electricity Rules (NER) of Meter Provider (MP) and Meter Data Provider (MDP) roles and are accredited roles by the Australian Market Energy Operator (AEMO).

The exception is congestion but that is simply a slight enhancement to the existing roles and can be added to the accreditation process managed by AEMO.

Adding a new role in the NEM is a very complex process. All registered participants and service providers, including AEMO will be required to upgrade their systems, processes and operations to support the new role as there will be new rules, validations and objections on market transaction that will need to be managed. AGL believes that the benefits of adding a new role do not outweigh the cost that will be imposed on industry and ultimately borne by customers of such a role being adopted and implemented. Bundling the MP and MDP within the role of SMP, due to the complexity, will also create a barrier in metering and metering services competition which we believe is not consistent with the objective of this review and the overall Power of Choice objective.

Therefore AGL proposes that the AEMC use the existing MP and MDP roles to cover the additional requirements for smart metering and that the AEMO accreditation process is updated to take into consideration additional functions and responsibilities identified under this review rather than create a new role in the NER.

6.1 Whether to regulate rights of access

- Whether the right of access to smart meters should be enforced under the NER and, if so, to what degree (e.g. should right of access apply to all smart meter functions or in relation to providing certain services);
- What are the contractual arrangements that are expected to be in place and to what extent these contractual relationships are to be supported by rights under the • how the market (the NEM as a whole or the retail energy market) would be impacted if participants are denied access to smart meters; how would different participants be impacted; and
- How the existing rights and obligations relating to the use of metering infrastructure and metering data would be impacted by smart meters.

AGL believes that the framework must be underpinned by a strong commercial practice and arrangements to ensure an effective and efficient ‘Market Led’ approach is adopted. AGL highlights that regulatory and policy intervention will potentially limit commercial investments in smart metering.

Therefore AGL does not support regulating any levels of access, be it at the meter or market. AGL is of the view that under contestable arrangements, market forces should be

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allowed to operate without any regulatory intervention and left to commercial negotiations to support the required services and ensure an efficient outcome for consumers.

6.2 Nature of services provided

- How the services that could be enabled by smart meters be defined and should these services be subject to regulation;
- Whether there would there be alternative means of providing these services other than through a smart meter.

Similar to our response in section 5.4.2, AGL is very concerned with any approach that seeks to define new services before they are implemented and used by businesses. AGL is concerned that the risk of over-specifying and over-regulation specific technologies, standards and services will stifle commercial investments and innovative services to customers by industry, resulting in less customer choice.

AGL believes that regulatory intervention is only required where a clear market failure exists. AGL therefore recommends that functions and services above the minimum standards are left open to the market, which should ultimately lead to efficient outcomes for consumers.

6.3 Whether to regulate charges for access

- Under a contestable market for the provision of services enabled by smart meters, could we be confident that efficient pricing outcomes for access charges would be likely to emerge; and
- Whether there would be risks to efficient pricing outcomes and, if so, how the risks may they are addressed.

AGL believes where a participant requires access to an existing function in another party's meter, beyond metrology services, that they should be subject to an appropriate fee for access. AGL also believes that there is no evidence at this point to suggest a need to regulate the pricing for access.

There is strong evidence to date to suggest that open and competitive markets with minimum regulation will naturally develop an efficient metering market that promotes innovation and customer choice. New Zealand is an example where metering is provided on a competitive basis, with a light handed regulatory approach, has led to a good outcome for customers and the market as a whole. Imposition of regulatory requirements on the structure and price for services would place constraints on the ability for benefits to be realised.

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6.4 Consumer protection requirements

Our focus for the remainder of this review is considering whether any of our recommendations under this review will pose new risks to consumers and what these risks may be. If new risks could be introduced, we will assess whether the existing consumer protection mechanisms would provide sufficient protection or whether new measures may be required. We welcome comments on these issues.

It is our view that the exiting National Energy Customer Framework (NECF), Australian Consumer Law (ACL), Privacy Act and retail licensing obligations are adequate and provide sufficient regulation and customer protection mechanisms to support the new smart meter services on existing Retailers and registered Market Participants. AGL also believes that new entrants and/or existing participants that seek to provide offerings directly to customers, must be subject to the same regulatory obligations that apply to retailers. This will ensure a level playing field for all participants in the market. AGL recommends that, in order to ensure competitive neutrality, third party service providers must, as a minimum, be subject to some form of accreditation, registration or licensing arrangements.

AGL also notes that there are a number of interdependent reviews including the recent review by the Department of Resources, Energy and Tourism (DRET) - the National Smart Meter Consumer Protection and Safety Review, National Energy Retail Rules Amendment Rule 2013 and the Electricity Distribution Ring-Fencing Guidelines (Guidelines) by the AER. These outcomes of these reviews will provide appropriate guidance to the AEMC and should be incorporated into the AEMC work on open access.

6.5.1 Accreditation of parties

If third party service providers are to have obligations under the NER, consideration is required as to whether they need to be defined as market participants and register with AEMO. Whether they need to be accredited by AEMO for access to smart meter functionality also requires further consideration. We welcome comments on these issues.

AGL acknowledges that this review does not seek to address obligations and policy framework for third party service providers however AGL suggests that third party providers need to be properly defined. The AEMC has defined an accredited party as being “any entity that is entitled to access the smart meter’s data and functions. This would include the customer’s retailer, associated network business, the MDP, MP and third party energy service companies”³.

While AGL supports the introduction of new entrants into the market as it promotes competition, AGL believes that for effective competition to exist, new entrants and/or existing participants that seek to provide offerings directly to customers, must be subject to the same regulatory obligations that currently exist for retailers. This will ensure a level playing field for all participants in the market.

Furthermore, we believe that consideration needs to be given to the clear separation of roles and responsibilities of energy retailers and distribution networks. Since energy markets were deregulated distributors and retailers have physically separated over time. AGL believes there remains a lack of clear separation of the activities of retailers and distribution network businesses. The requirement for separation of unregulated activities

³ Ibid, p.10

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from the regulated roles of distributors is recognised in the NERL and we emphasise that any blurring of roles increases the risk of distortion of the competitive aspects of the market.

In addition to that, and to ensure that the competitive neutrality principles that the AEMC has recognised for this review are applied, AGL recommends that (as a minimum) third party service providers must be subject to some form of accreditation, registration and /or licensing arrangements.

6.5.2 Smart metering standing data

- Supporting discovery of smart metering standing data requires further assessment.
- There are mechanisms under the NER that provide for 'NMI discovery'. These provisions could be expanded to provide for the discovery of smart metering standing data (*). However, clarifications would be required on who would be accessing smart metering standing data and under what circumstances.
- (*) Standing Data contains information about a connection point such as the address and the distributor. The data does not include consumption information. In this case, NMI stands for National Metering Identifier.

AGL believes there is no need to define new meter types for remotely-read interval meters with additional functionality. There are mechanisms under the NER that provide for 'NMI discovery' and the provisions could be expanded to provide for the discovery of smart metering. We believe that the existing processes and procedures are sufficient and as smart metering penetration and the market evolves, it is up to Market Participants to further explore if new fields and additional functionality is required.

Transitional arrangements for Victoria

The review is considering the development of a national framework for access to smart meters and common communication standards. That is, the AEMC recommendations are expected to apply in all jurisdictions in the NEM. However, recognising that Victoria has already implemented smart metering infrastructure under its own arrangements. AEMC expect that Victoria would transition to the national arrangements over time to the extent that this is efficient to do so. The transitional requirements require further consideration.

The recent National Electricity Amendment (Victorian Jurisdictional Derogation, Advanced Metering Infrastructure) Rule 2013 extends the existing Victorian jurisdiction derogation under chapter 7 of the National Electricity Rules (NER) for up to three years to 2016.

AGL is concerned that there has been no indication or commitment by the Victorian government to transition Victoria to a contestable metering approach before or after the recent rule change.

AGL notes that the AMI ISC flagged to the government in February 2012 that the end of the derogation needed to be managed. Despite having plenty of time to act to resolve the issues identified, no action was taken. As a result, the government was forced to extend the derogation. AGL is concerned that further extensions will be requested when the new arrangements expire, unless action is taken to begin managing the transition. AGL therefore recommends that the AEMC provide a clear end date to the existing Victorian arrangements.

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