



**EnergyAustralia**

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Richard Owens  
Senior Director  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Lodged electronically: [www.aemc.com.au](http://www.aemc.com.au)

EnergyAustralia Pty Ltd  
ABN 99 086 014 968

Level 33  
385 Bourke Street  
Melbourne Victoria 3000

Phone +61 3 8628 1000  
Facsimile +61 3 8628 1050

[enq@energyaustralia.com.au](mailto:enq@energyaustralia.com.au)  
[energyaustralia.com.au](http://energyaustralia.com.au)

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Dear Mr Owens

### **Implementation advice on the shared market protocol – AEMC Consultation Paper**

EnergyAustralia welcomes the opportunity to comment on the consultation titled Implementation Advice on the Shared Market Protocol. We are one of Australia's largest energy companies, providing electricity and gas to over 2.6 million household and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 5,600MW of generation in the National Electricity Market.

The Australian Energy Market Commission (AEMC) has recommended to the COAG Energy Council that a shared market protocol be adopted to establish the default communication method that can be used by the various parties accessing the services provided by advanced metering. The consultation paper is attempting to resolve several key issues relating to this shared market protocol including:

- The preferred governance arrangements;
- The need or otherwise for the establishment of specific shared market protocol objectives and principles;
- Interactions with the minimum specifications; and
- Transitional arrangements from the existing common market protocol to the shared market protocol.

The current energy market is well served by the common market protocol (B2B e-hub) that is used for existing communications between electricity industry participants however the extension of utilising this facility for advanced metering services may not be appropriate. The Australian Energy Market Operator (AEMO) and stakeholders have indicated concerns with the ability of the B2B e-hub to manage these transactions due to capacity and functionality limitations.

Moreover the extent to which advanced services are utilised in the market is uncertain and industry believes that it should not be imposed with the costs of implementing new transactions that may have very little relevance to the essential supply of energy. Therefore the AEMC has proposed that the shared market protocol would be the default communications

mechanism with parties having the option of establishing alternative methods of communication.

Registered participants and accredited service providers currently utilise the existing B2B e-hub but new entrant parties offering advanced metering services may not be subject to the same certification arrangements and therefore the ongoing governance, change management, cost recovery and security of the B2B e-hub needs to be considered.

The AEMC has not decided the structure of the shared market protocol which could be an extension of the B2B e-hub incorporating new advanced metering services or a new market protocol specifically designed to manage advanced metering services or a combination of both. Nor has it been determined how these protocols would be funded and how they would be expanded to incorporate new service transactions. The resolutions to these issues which are not discussed in the consultation paper make it difficult for EnergyAustralia to provide a firm view on the questions raised.

For example if an advanced metering service provider introduces a new service to the market and arranges alternative communications for this service, at what point in time, is the shared market protocol expanded to accommodate this new service? Is it when several providers offer a similar service that could benefit from a common shared protocol? Or is it when the alternative communication mechanism fails to deliver an acceptable customer service or is it never.

### **Specific responses to the questions raised in the consultation paper**

#### **Box 3.1 Consultation questions: governance**

What are the advantages and disadvantages of the different governance models?

Could the challenges around membership and voting for an industry led model be addressed? If so, how?

Are there any other issues or factors relevant to considering an appropriate governance model?

Are there any other governance models that could be appropriate for the shared market protocol?

In this paper the AEMC has proposed two governance models for the shared market protocol including:

1. Decision making through an industry group; and
2. Decision making by AEMO.

The existing common market protocol B2B e-hub is managed via the Industry Exchange Committee (IEC) an industry group established under Chapter 7 of the National Electricity Law (NEL). This governance arrangement was formed sometime after full retail competition was introduced and it became apparent that a common market protocol was necessary for B2B transactions. It was generally agreed by industry participants that as the responsibility for B2B resided with them they should have direct control and governance over the development, change management and implementation of the protocol selected to deliver B2B transactions. While membership of the IEC was limited it was generally structured so that voting rights were equitable between distributors and retailers. This delivers a reasonable balance for effective decision making together with the overriding objective of the NEO to adhere to. Participants that are not directly represented lobby their respective representative to influence outcomes. This provides a workable committee that has the support of industry to make B2B decisions that ultimately impose significant costs on participants. In many cases changes to B2B transactions impose different costs to each

participant but the IEC has successfully achieved the confidence of industry to make these decisions.

Currently the IEC develops the B2B Procedures (and recommends to AEMO amendments to those procedures) which prescribe the content of, the processes for, and the information to be provided to support communications between retailers and distribution network service providers relating to end-users or supply to end users. This may also include roles and responsibilities for metering providers.

Where a regulatory matter is technically detailed in nature, it is reasonable to allocate the development of procedures regulating that matter to persons with appropriate expertise. Similarly, where a regulatory matter is likely to directly impact a particular group, it is reasonable to allocate development and approval for implementation of procedures for that regulatory matter to that particular group. So for example, the National Electricity Rules (NER) establishes the IEC as a body comprising representatives of industry participants responsible for the development of procedures to facilitate communications between those participants. It is reasonable to expect that the role of the IEC is expanded to include the development of the shared market protocol.

While it is understood that the shared market protocol will involve new service providers the IEC membership arrangement could be amended to accommodate this and deliver an effective governance structure.

AEMO is an alternative governance provider of the shared market protocol but as new services develop they are likely to be less essential for energy delivery and this arrangement could create a cross subsidy for consumers funding AEMO. The ongoing growth of AEMO may not be in the best interests of consumers as it has no benchmark from which to measure its efficient operation.

AEMO has proven to be an effective coordinator of industry protocol implementations but they are more an operational entity and should not be given governance responsibilities as new smart meter functions will have little relevance to their core function as market operator.

IEC governance allows those parties with the right incentives to deliver the most efficient outcomes. It supports innovative solutions and ensures decisions are made by the parties incurring the costs.

Equitable membership has been a challenge for the IEC in the past but EnergyAustralia does not believe that this is unsurmountable to address. In the past smaller retailers and metering providers have gained direct representation on the IEC but they have struggled to continue to allocate the necessary resources. Hence they have chosen to rely on representatives from larger retailers to represent their interests. This has proven to be quite successful as most governance issues at the IEC reflect effective and efficient outcomes for all industry participants.

Furthermore in 2010, the National Smart Metering Program provided advice that the governance of smart metering related procedures, including amendments to existing procedures, was best left to one party in the interests of consistency. That party was considered to be the IEC, rather than AEMO, as the bulk of smart metering matters are not related to AEMO's functions but instead relate to industry relationships and customer service delivery.<sup>1</sup>

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1 NSMP - SMI\_MandateRulesV1.2.doc

### **Box 3.2 Consultation questions: objectives and principles**

Should implementation of a shared market protocol include the development of an objective or principles for governance?

If yes, what objectives or principles should be included?

If the governing body is AEMO, should there be any objectives or principles in addition to the NEO?

The National Electricity Objective (NEO), as stated in the National Electricity Law, is:

*to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to – price, quality, safety, reliability, and security of supply of electricity; and the reliability, safety and security of the national electricity system.*

While the NEO is fairly broad as an objective it establishes a reasonable basis from which a shared market protocol should be developed. However it is very much focused on electricity services and considering that the full array of future smart meter services are not known at this stage a more specific shared market protocol objective and principles may be appropriate.

The current B2B objective is as follows:

*The benefits from B2B communications to local retailers, market customers and distribution network service providers as a whole should outweigh the detriments to local retailers, market customers and distribution network service providers as a whole.*

The current B2B principals are:

- *provide a uniform approach to B2B communications in participating jurisdictions in which there are no franchise customers;*
- *detail operational and procedural matters and technical requirements that result in efficient, effective and reliable B2B communications;*
- *avoid unreasonable discrimination between local retailers, market customers and distribution network service providers; and*
- *protect the confidentiality of commercially sensitive information.*

As the structure and development of the future shared market protocol is still to be determined it is difficult to establish more specific objectives or principles. Also with the likely inclusion of new service providers any objective will need to cater for their needs without unduly imposing costs on existing users of the common market B2B ehub. It may be that the shared market protocol exists under a different set of objectives and principles until it is merged with the common B2B ehub.

### **Box 4.1 Consultation questions: minimum specification**

Should the shared market protocol be required to provide for (as a minimum) the services that are listed in the minimum specification?

Should the shared market protocol also include other common services that are not mandatory under the minimum specification?

The minimum services specification recommended by AEMO will include the following services:

- Re-energisation (turn electricity supply on remotely);
- De-energisation (turn electricity supply off remotely);
- Meter read – on demand (obtained remotely as required by a retailer, customer or other authorised party);
- Meter read – scheduled (obtained remotely as per contracted dates and times);
- Meter installation enquiry (remotely obtaining energy information, meter status and usage data; and
- Meter reconfiguration (to remotely enable access to new tariffs and new arrangements, such as solar connection and energy demand tariffs).

These services deliver the key benefits of a smart meter and are likely to be used by all consumers and therefore EnergyAustralia would support their inclusion into the shared market protocol.

However the likely uptake and use of non-mandatory services (for example load control and capacity control etc) is uncertain at this time and therefore including these services into the shared market protocol would likely impose additional costs on all consumers. These non-mandatory services can still be delivered to customers using alternative methods of communication and this will support innovation in the market whereby first movers will be rewarded and not restricted in their product offerings. It also minimises costs of the shared market protocol to all users. The shared market protocol governance body will need to develop procedures and a process for expanding the shared market protocol if and when it becomes necessary.

#### **Box 5.1 Consultation questions: roles and responsibilities**

Is it appropriate that the metering coordinator be required to offer its services through the shared market protocol, unless otherwise agreed?

Are there any risks in allowing third parties to access a shared market protocol platform? If so, would it be necessary to develop a separate authorisation process for users of the shared market protocol? Is AEMO the appropriate body to develop these requirements?

The metering coordinator (MC), once appointed, will directly undertake or sub contract the delivery of the mandatory and non-mandatory services as required. This will require communication with various industry participants and new service providers. The MC will be incentivised to perform these services in the most efficient manner acceptable to the market and this may be via the shared market protocol or otherwise. Mandating the use of the shared market protocol may not deliver the best solution and this could restrict the ability of some services to be offered. MCs performance should be monitored to ensure essential market outcomes are adhered to and that customers are not adversely affected. Regulating the communications protocol to be used by MCs should only be contemplated where there is not a clear market failure.

The emergence of alternative energy sellers and new energy service providers has not been contemplated by the current regulatory framework and this is currently under review to ensure suitable customer protections exist and that there is a level playing field for existing licenced participants and new service providers.

Access to the shared market protocol should be controlled in some form to:

- Identify all of the users and collect fees for use
- Manage security of information
- Manage authorisation and defaulting parties from the market
- Manage operational performance of the protocol
- List user contacts should normal communications fail or need clarification or correction in some manner

AEMO manages this process with the establishment of the B2B registration process for the common B2B –ehub protocol and it seems logical that this operational and risk mitigation activity should be extended to the shared market protocol.

#### **Box 6.1 Consultation questions**

Is there a need for the current B2B e-hub to be maintained beyond the implementation of the shared market protocol? What factors would need to be considered when making this assessment?

Could all the services that are currently provided through the current B2B e-hub be provided via the shared market protocol?

Would there be an advantage in having a transition period during which both the B2B e-hub and the shared market protocol operate? How long should such a period be? Would the costs of operating both systems for this period be justified?

Are there any significant implications should the shared market protocol not be operational on the same day that any changes from the expanding competition in metering and related services rule change take effect?

As mentioned above the AEMC has requested AEMO to investigate the various technology options and structure for the shared market protocol. Some of these options include:

1. an extension and upgrade of the B2B e-hub incorporating new advanced metering services;
2. a new market protocol specifically designed to manage advanced metering services to operate in parallel with the common market protocol; and
3. a new replacement protocol that will manage advanced and existing services.

The transitional arrangements will obviously depend largely on the final structure and technology selected for the shared market protocol. The transition to the new structure may have significant system and cost implications for many service providers.

AEMO has successfully managed industry co-ordination on system changes in the past and EA would recommend the establishment of an AEMO chaired industry implementation steering committee for this activity. It will be vitally important that adequate lead time is established so that all energy service providers can suitably, schedule, budget, test and resource this change activity. The notice period will be dependent on the scope of the change but at least 12 - 18 months' notice should be offered from the finalisation of the rules.

The implementation of the shared market protocol will need careful consideration to suitably balance the risks to the market and to also facilitate the introduction of new services to customers. This will obviously depend on the technology and final structure of the shared market protocol but it is likely that some form of phased introduction will be the preferred approach. Considering that advanced metering service providers will have the option to negotiate separate individual service protocols the primary consideration should be to

minimise risk and cost to existing service providers that are delivering the non-advanced metering services.

It also suggested that the technology chosen for the shared market protocol should not force all service providers to upgrade their system when new services are included. It should allow backward compatibility to minimise additional costs to all service providers.

Should you have any queries related to this submission please do not hesitate to contact me on (03) 8628 1437.

Yours sincerely

[Signed]

**Randall Brown**  
Regulatory Manager