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28 January 2016

Ms Jenessa Rabone
Australian Energy Market Commission
PO Box A2249
Sydney South NSW 1235

Submitted electronically

Dear Ms Rabone,

Re: Updating the electricity B2B framework (ERC0197)

Red Energy (Red) and Lumo Energy (Lumo) welcome the opportunity to respond to the Australian Energy Market Commission (the Commission) on the Updating the Electricity B2B Framework Consultation Paper.

Red and Lumo are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in Victoria and New South Wales and electricity in South Australia and Queensland to approximately 1 million customers.

The Consultation Paper combines the rule change request from Red and Lumo with a similar rule change request from COAG Energy Council. Red and Lumo have addressed each question raised in the Consultation Paper below; as such, we provide the following high level positions.

Governance

Whilst the rule change requests are similar, we consider that our proposed governance structure for the Retail Industry Panel is far more representative of the retail industry and provides the flexibility required for future arrangements. Additionally, extending the limitations on voting and nominations for related entities will also ensure that the Retail Industry Panel remains broadly representative of industry and not the views of individual organisations. Red and Lumo recommend that the Commission ensure that the Retail Industry Panel has the appropriate transitional and establishment provisions in place and the structure to support the evolution of the industry as soon as possible.

Decision making

The amendments to the B2B decision making and the introduction of additional veto powers for AEMO proposed by the COAG Energy Council is unworkable and unnecessary. In particular, by suggesting that an industry body should not be able to assess whether a change meets the National Electricity Objective (NEO) is impertinent. Industry has always been focused on ensuring any change is focused on being efficient in its operation and use of energy services, and ensuring that the benefits of a change are outweighed by the costs to deliver value to consumers.

Therefore, we consider that the proposal to include the NEO as a B2B factor is more appropriate.

Cost Recovery

The COAG Energy Council proposal in relation to cost recovery and consideration of whether third parties should become a registered participant is effective. This will provide AEMO with certainty regarding which participants it would recover fees from. Red and Lumo support the COAG Energy Council proposal in relation to cost recovery.

Red and Lumo thank the Commission for the prompt action of our rule change request and providing the opportunity to respond to the Consultation Paper. Should you have any further enquiries regarding this submission, please call Stefanie Macri, Regulatory Manager on 03 9976 5604.

Yours sincerely

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Ramy Soussou
General Manager Regulatory Affairs & Stakeholder Relations
Red Energy Pty Ltd
Lumo Energy Australia Pty Ltd

Consultation Paper: Issues for Consultation

Proposed B2B Arrangements

1. Given the changes to the NER from the competition in metering and embedded networks final rules and the new services that can be offered using advanced meters, is there a need to update the current B2B framework?

Yes. Red and Lumo consider there is a need to expand the membership to the existing Information Exchange Committee (IEC) in order for the common industry processes to be decided on by the broader set of participants who are likely to use a B2B framework that provides efficient outcomes for the new advanced meters.

Additionally, the Commission noted in the Final Rule Determination for the Competition in Metering that:

“in practice, the B2B e-Hub is required to be used for communications related to type 5 and 6 metering installations. Further, the Commission understands that some parties choose to use B2B for some type 1-4 metering installation communications, although they are not required to do so.”¹

As all new meters will be type 4 in the market, the B2B framework needs to accommodate further type 1-4 communications, to achieve the innovation and efficiency gains from near-real time services being delivered through the B2B e-hub.

2. What are the most appropriate arrangements for IEC/Retail Industry Panel membership, including the arrangements for election/appointment of members and requisite qualifications of members?

As stated in our rule change request, we consider the most appropriate representation arrangements for the Retail Industry Panel to be:

- AEMO representative (acting as chairperson)
- 2 retailer representatives
- 2 DNSP representatives
- 2 metering representatives
- Up to 4 discretionary representatives, encompassing:
 - up to 1 consumer representative
 - up to 1 independent representative
 - up to 2 third party B2B participants
 - any other B2B party necessary to be representative of industry.

Red and Lumo consider that this provides the appropriate level of flexibility and representation of those participants who are most impacted by B2B Procedures.

The COAG Energy Council request does not provide the same level of representation, as providing only 1 representative for the 3 classes of participants is not appropriate. It will be very difficult for that party to represent the broad views across the sector that they represent.

¹ AEMC, Expanding competition in metering and related services, Rule Determination, 26 November 2015, Sydney, pg 144.

In relation to the nomination and voting rights, Red and Lumo agreed with the proposal made by the Commission in their final decision, that related entities would have only one vote. In the interest of fairness, the same should apply to nominating across multiple categories.

The rationale for this proposal is to ensure that related corporate entities (regardless of any ring fencing arrangements) do not end up with multiple representation positions on the Retail Industry Panel. In the interests of fairness, this will apply to both retailers and distributors. This will allow for the representation to be fair and resource allocation shared between all interested parties, not just two or three corporate entities.

3. *What are the appropriate arrangements for the making of B2B procedures, including the decision-making process, decision-making criteria and the split of roles between AEMO and the IEC/Retail Industry Panel?*

As stated above, the amendments to the B2B decision making and the introduction of additional veto powers for AEMO proposed by the COAG Energy Council is unworkable and unnecessary. In particular, by suggesting that an industry body should not be able to assess whether a change meets the NEO is impertinent.

Industry has always been focused on ensuring any change is focused on being efficient in its operation and use of energy services, and ensuring that the benefits of a change are outweighed by the costs to deliver value to consumers. Therefore, we consider that the proposal to include the NEO as a B2B factor is more appropriate.

Furthermore, under Red and Lumo's proposal, we recommend that AEMO will maintain their veto powers where the Retail Industry Panel does not assess against the B2B factors. With the B2B factors including the NEO, it will provide the same outcome, without the expansion of the veto powers of AEMO.

4. *Are the proposed obligations on parties appropriate, including the accreditation requirements and Red and Lumo's proposed certification requirements?*

Yes. Please refer to our rule change request with the rationale for our accreditation and certification approach.

5. *What would be the benefits of, or issues with, requiring third parties to become registered participants to use the B2B e-hub?*

Red and Lumo consider there are only benefits, and no issues, with requiring third parties to become registered participants. We consider this provides AEMO the ability to recover fees from these parties and allow the confidentiality provisions amongst other things, to apply.

Changes to B2B arrangements under recent rule changes

1. *Given the proposed rules are based on the competition in metering draft rule, what changes should be made to the proposed rules as a result of the competition in metering and embedded networks final rules?*

Red and Lumo proposed drafting to the Commission based on the draft metering competition rules, but on the proposed new structure. As such, please refer to our rule change request for more information.

Red and Lumo will provide more information to the Commission on the draft rules, once the Commission makes its draft rule determination.

Implementation

- 1. If a rule is made, is a 1 December 2017 implementation date for the new B2B procedures and upgraded B2B e-hub achievable? If not, why not and what is an alternative date?***

Red and Lumo have been firm that the upgrade to the B2B e-hub must occur independent from this rule change process. There is no rule in the existing framework that precludes AEMO from commencing work on the technology to support advanced meter services. Commencement of this work will result in the ability for industry to be ready.

Whilst Red and Lumo are committed to a 1 December 2017 implementation date, it is dependent on the ability for the B2B Procedures and B2B e-hub technology to be available with enough time for participants to build the capabilities.

We consider that the B2B framework should be in place to support new participants, and potentially for this to commence in advance of 1 December 2017. Further we request that the Commission consider whether there is a need to place obligations on the reformed Retail Industry Panel with a specific date that updated B2B Procedures must be made by.

- 2. Which implementation tasks above may be at risk of not being met in the given timeframes and why? Would any of the timeframes need to be adjusted? Can any of these tasks be completed sooner, e.g. developing the election procedures and operating manual, or do some of them require more time? How would any changes impact other timeframes and the target deadline of 1 December 2017?***

Red and Lumo consider that AEMO must commence work on the B2B e-hub immediately in order for the 1 December 2017 date to be achievable.

- 3. Are any implementation steps missing?***

Implementation of the B2B e-hub and related B2B Procedure changes should include the time required for participants to complete system builds, market trials or industry testing.

- 4. How much time would participants expect to need to update their systems to comply with the new B2B procedures and use the upgraded B2B e-hub? When can participants commence this work, for example can work commence following publication of draft B2B procedures?***

This is dependent on the IT solution that AEMO develops for the B2B e-hub and the transactions required to be built under the B2B Procedures.

- 5. Should any of the steps have reduced requirements to speed up implementation, such as an exemption from having to follow the rules***

consultation procedures? Which steps could be run concurrently with other steps? Are there any further options that could be considered to minimise implementation?

Under the appropriate transitional arrangements, the existing IEC under a collaborative approach could commence consultation on a revised set of B2B Procedures to draft determination before handing over to the Retail Industry Panel to decide whether two or one rounds of consultation are required.

As noted above, Red and Lumo consider that the establishment of the governance structure and the supporting IT changes can be dealt with independently. As the Retail Industry Panel should be established to manage the B2B Procedures, any new B2B Procedures that are introduced will take into account the upgraded B2B e-hub, the B2B Principles and B2B factors.