

UPDATING THE ELECTRICITY B2B FRAMEWORK DRAFT RULE DETERMINATION: AEMO SUBMISSION



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1. INTRODUCTION

AEMO welcomes the opportunity to provide a submission on the AEMC's draft rule determination on Updating the Electricity B2B Framework Rule 2016.

It is understood that the AEMC is seeking submissions from stakeholders in response to recommendations made in the AEMC's draft rule determination.

This submission focuses on aspects of the proposed B2B framework, the Information Exchange Committee (IEC) and the transitional arrangements.

2. PROPOSED B2B FRAMEWORK

2.1 Cost recovery framework

The cost recovery framework presented in the draft rule determination provides flexibility in the way fees can be recovered from the market without the risk that AEMO is unable to recover its costs. The existing fees consultation processes allows for sufficient adaptability that can accommodate future changes in the market, e.g. increased volumes, new participant types.

2.2 Chairperson Remuneration

The draft rule requires that AEMO appoint a Director in the role of chairperson for the new IEC. The chairperson role is the only mandated role on the IEC that must be present at each meeting.

Whilst AEMO supports the AEMC's proposal, the remuneration arrangements for AEMO Directors do not include the role of IEC chairperson. The existing rule provides for the remuneration and payment of reasonable expenses of the Independent Members, which includes chairperson, to be recovered as part of *B2B costs*. A similar inclusion in the final rule is needed in order for the chairperson remuneration and costs to be recoverable by AEMO via its fees.

3. INFORMATION EXCHANGE COMMITTEE

3.1 Discretionary member appointments

AEMO supports the proposal for the appointment of discretionary members as outlined in the draft rule. The purpose of the discretionary members, as stated in the draft determination, was to ensure flexibility in changing market conditions and to avoid a situation where two similar companies are elected within a one category.

Mandating the appointment of specific discretionary member categories before the rest of the members are elected can result in unbalanced representation. This could be detrimental to the development of the B2B framework, in particular for the initial period following the establishment of the new IEC as the requirements for the B2B e-hub and the initial B2B procedures will be developed over this time.

Further, any requirement to appoint a particular category of B2B participant in a discretionary role, appears inconsistent with the intended purpose of the discretionary appointments outlined in the draft rule.

3.2 AEMO Member Alternate

There are two circumstances when an AEMO member alternate may be required, when the chairperson has a material conflict of interest in relation to a decision and an unplanned absence at short notice.

The situation where a material conflict of interest occurs is addressed in the AEMC's draft rule clause 7.17.6(e), where another IEC member must become the chairperson of the meeting if the AEMO member is considered to have a material conflict of interest for a decision. This arrangement is problematic as any member who is representative of an industry group would likely also have a conflict of interest in chairing the IEC in such an event, and the removal of the AEMO member would alter the dynamic of the IEC voting arrangements, specifically removing the member appointed to represent AEMO.

To ensure that IEC meetings are not unduly disrupted, AEMO considers that the rule should consider the possibility of an unplanned absence of the AEMO member, where it would not be reasonable for AEMO to appoint an alternate director, who does not have a material conflict of interest, at short notice.

A solution to address both potential situations would be that an AEMO delegate, from the AEMO Executive team, to be able to perform the role of chairperson for decisions where the AEMO member is considered to have a conflict of interest, or where the AEMO member is unable to attend due to an unplanned absence.

3.3 Responding to change proposals

There is a clause in the draft rule that AEMO believes could become problematic during the operation of the IEC. Clause 7.17.4(g), obliges that the IEC meet within 25 business days after the receipt of a change proposal in order to determine a prima facie case for the proposed change. While this 25 business day timeframe was suitable for the previous IEC it will not be as simple to gather the new, strategic group, which will have members that consist of company directors and executives. The new IEC is expected to meet less often given their scope.

Alternative methods to determine a prima facie case while ensuring the change proposals are looked at in a timely manner include delegating the decision to the chairperson or AEMO, rather than 25 business days have the requirement for a decision to be made at the next scheduled IEC meeting, or allow members to vote via circular resolution within the 25 business day timeframe.

3.4 Election Procedures and Operating Manual

AEMO agrees with the proposal in the draft rule for the development of initial IEC election procedures to be performed by AEMO without the need for a full rules consultation process. This is critical in ensuring that the new IEC can be established without unnecessary delay. AEMO does not expect the content of the election procedures and operating manual to be controversial.

3.5 Related Bodies Corporate

To ensure the requirement of the draft rule clause 7.17.11 (j) is upheld and that no related bodies corporate submit any more than one vote in the voter category, AEMO considers that the rule should place an obligation on B2B participants to ensure that any vote is consistent with the *Corporations Act 2001 (Cth)* and to declare any related bodies corporate to AEMO while voting to ensure only one vote is received from the related bodies. AEMO do not consider that the obligation to ensure B2B participants are voting in accordance with the rule and in compliance with the act should be directly or indirectly assigned to AEMO.

3.6 Requirements of the IEC members

AEMO supports the intent of the draft rule and determination regarding the requirement for the AEMO member to be an AEMO director, specifically that the IEC should be strategically focused, rather than operationally or technically focused. AEMO considers however, that unless the requirement placed on AEMO is extended to other member categories, the requirement for AEMO to appoint a director will not be sufficient for the IEC to be strategic in approach and that the obligation placed on AEMO could become an anachronistic, either immediately on establishment of the new IEC, or overtime as the B2B procedures move from design to maintenance.

AEMO proposes that in addition to the commitment provided by AEMO in the appointment of a director to the IEC, the rule should require all member nominations and appointments to be from executive leadership positions within representative organisation, with the sole exception of the consumer member role.

4. TRANSITIONAL ARRANGEMENTS

As previously outlined in the AEMO submission to the AEMC's initial consultation paper, a transitional group will be established which would enable AEMO to consult with interested parties on the operations manual and election procedures, commence preliminary discussions on the business requirements for an expanded B2B, IT options for the B2B e-hub and enable interested parties to consider nomination for the new body in preparation for the publication of the final rule.

Expressions of interest for the transitional IEC members have being received. To ensure there is appropriate oversight in its establishment, the AEMO's Board will approve the discretionary member and consumer member appointments. Once the discretionary

members are confirmed the group will be established, the work done by the transitional group will feed into the new IEC.

Design work that will feed into the development of B2B procedures and the development of the B2B e-hub, is ongoing, in anticipation of the final rule. The output from these workshops will support the development of material for presentation to the transitional and new IEC.