
23 July 2015

Ms Meredith Mayes
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW1235

By direct lodgement

Dear Ms Mayes

Re: Draft Advice, Implementation Advice on the Shared Market Protocol (project number EMO0029)

The Information Exchange Committee (IEC) welcomes the opportunity to comment on the AEMC's draft recommendations for implementing a shared market protocol.

The IEC notes the AEMC has made the following key recommendations:

- The B2B Procedures are expanded and updated to provide for new B2B Communications that support advanced metering services;
- The B2B e-hub be re-developed to support the new B2B Communications; and
- A re-structured and extended IEC would be responsible for maintaining the B2B Procedures, including the B2B Procedures for the shared market protocol.

These are matters for the AEMC to determine, in consultation with stakeholders. For the purposes of this submission, the IEC accepts these positions and directs its comments to matters specific to practical aspects of the draft recommendations.

Membership & Flexibility

The IEC notes the AEMC's membership recommendations for the re-structured IEC, and the proposals for building flexibility into membership. The IEC suggests the following principles be adopted:

- **Continuity of participation and engagement.** The IEC needs to be a stable body making well considered and timely decisions on B2B Procedures that are detailed and often complex. The IEC has observed that this requires continuity of committee member participation and engagement to achieve this goal.

The IEC is keenly aware the success of an industry-led structure requires an inclusionary and representative approach. Accordingly, the IEC remains committed to transparent and open meetings and processes. As such the Rules (and subsequent election procedures and operating manual) must have flexibility in who can nominate and flexibility for the IEC to

promote representation of affected participant classes in this increasingly resource constrained environment.

- **Self determination.** The IEC should have the right to optimise its membership to meet contemporary needs of the market. The market is evolving, and can be expected to continue to evolve rapidly. The IEC through its consultation and engagement processes will be close to this and will be best placed to ensure the committee's membership has representation from all affected participant categories.
- **Balanced representation.** Participants impacted by B2B should be adequately represented.

Funding and Engagement of Services

The IEC's regulatory obligations under the proposed framework are clear and unequivocal in relation to B2B Procedures. Accordingly, it is essential the IEC is adequately funded and resourced to fulfil its obligations. The IEC believes the following is required:

- The IEC requires a defined budget, set annually to support the IEC Works Programme.
- The IEC must be able to establish its own budget to deliver on its obligations and the IEC Works Programme.
- The IEC must be answerable to B2B Participants¹ on its budget, and therefore should have an obligation to consult with B2B Participants on its budget.
- AEMO is to provide the required funding for the IEC approved budget, subject to AEMO being satisfied that the IEC has undertaken the required industry consultation including with AEMO.
- The IEC retains the right to choose its own Secretariat and Service Provider for the delivery of services to meet its obligations.

The IEC notes the heightened level of activity that will be required to deliver B2B Procedures to support Metering Competition and the Shared Market Protocol (SMP). This will require a properly established project and project resources. These obligations have become clear after the current annual budget setting process with AEMO has been completed. Accordingly, the IEC will work with AEMO to seek appropriate budgetary updates.

Revised B2B Principles

The IEC notes the revised principles recommended by the AEMC. The IEC suggests refinements to improve the practical operation of these principles.

In relation to the principle focused on costs (principle 5), the IEC recommends that costs to AEMO be taken into account when considering the overall cost/benefits:

¹ The IEC is not making comment on what constitutes a B2B Participant in the allocation of funds. However, for the purposes of this submission, we have used the term B2B Participant for consistency with the draft advice paper issued by the AEMC.

*“Regard should be had to the reasonable costs of **implementation and compliance** by **AEMO**, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants with the B2B procedures compared to the likely benefits from B2B communications.”*

In relation to the principle focused on AEMO (principle 7), the IEC recommends this principle be refined to focus on implementation timeframes and be required to consider these timeframes across all B2B participants.

*“Regard should be had to the ~~likely costs that would be incurred by, and the implementation timeframe necessary for,~~ **AEMO and B2B Participants** to implement any new B2B procedure or change to existing B2B procedures ~~in the B2B e-hub.~~”*

Benefits, costs and timeframe impacts for all impacted parties should be considered in making any change to B2B Procedures.

Allocation of end-to-end responsibility

The IEC has identified a potential issue with the draft Metering Contestability Rule (7.8.3 (c)), allocating the establishment of the service measures for the Minimum Service Specification services to AEMO.

This appears to be inconsistent with the AEMC’s model that the IEC should be the determinants of the stakeholders B2B/SMP requirements. The B2B Procedures define the end-to-end mechanism to meet the requirements, obligations and/or business drivers, of the users. Under the model which would result from the currently proposed role allocations:

- the IEC would do a business requirements review and determine the processes and B2B Procedures to meet the requirements,
- the IEC would also specify the delivery mechanism performance measures to support these business requirements, however
- AEMO would determine the end-to-end service measures potentially without reference to the IEC business requirements review outcomes.

IEC suggests that the approach most consistent with the IEC being reconfirmed as the B2B change manager, is to allocate the determination of the end-to-end B2B/SMP service measures to the IEC.

Implementation Timeframes and Transition Arrangements

The IEC is conscious of the challenging timeframes for implementation. The IEC believes there are two important factors to consider that will assist in achieving these timeframes:

- Making the earliest possible start on the B2B Procedures work required,
- Minimising the risk of re-work.

The IEC suggests that the development of the B2B Procedures therefore commence under the governance of the current committee structure, rather than waiting for the new committee structure to be established before commencing work, subject to resolving resourcing requirements with AEMO. Delaying work until the committee is established would result in unacceptable overall program delays. The IEC recognises this approach will require broad engagement and consultation with potentially impacted participants.

The IEC notes a potential re-work risk may exist in the transition from the current IEC structure to the new IEC structure. The IEC recommends two strategies to mitigate this risk:

- The IEC adopts an inclusionary approach in the scoping and development of B2B Procedures to meet metering competition and SMP requirements, at the working group level, through consultation and through the right for affected participants to attend and make representations to the IEC.
- Maintain timeframes for completing the SMP implementation Rule changes and establish the new IEC as early as practicable so that a handover can be effected early in the process, prior to any required B2B Procedures draft determination.

Implementation Program Management

The IEC urges the AEMC to include a recommendation in its SMP implementation advice to the COAG Energy Council to establish an overall program management function. The role of the program management function is to oversee and co-ordinate all aspects of the changes required for the initiatives under the Power of Choice reforms.

The program management function should monitor, oversee and co-ordinate the parties responsible for:

- The required regulatory changes to the Rules
- Changes to individual jurisdictional instruments
- Changes or sign-offs required from individual jurisdictional safety regulators
- Changes required from AEMO, the IEC and industry.

The IEC believes the program management function should be provided at the Commonwealth level, through the Department of Industry and Science. There is no other body with the authority or role to co-ordinate the actions of such a wide diversity of participants.

The IEC believes this program management function is critical in the timely delivery of the Power of Choice reforms and, ultimately, the benefits to consumers.

Election Procedures and Operating Manual

The IEC notes that the AEMC has recommended AEMO is responsible for the re-development of the IEC Election Procedures and Operating Manual.

The Election Procedures and Operating Manual have been in operation for some time. Change to these documents is currently the responsibility of the IEC and is subject to a vote by the current B2B Participants. Overall, the Election Procedures and Operating Manual have proven effective. Indeed, the IEC has undertaken a self-review of its governance arrangements and compliance obligations during the past 12 months, with only relatively minor areas for improvement and updating identified.

The IEC believes it is appropriate for the current change control processes for the Election Procedures and Operating Manual to be adopted for the following reasons:

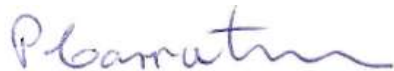
- The timeframes for making changes is shorter than outlined in the AEMC's draft recommendations

- The Election Procedures and Operating Manual do not require re-writing, they require amendment to meet the new IEC structure requirements
- The change control processes already in place for the Election Procedures and Operating Manual provide a clear process to manage any required changes.

Conclusion

This IEC submission highlights a range of practical matters for the AEMC to consider as it finalises its advice to the COAG Energy Council on implementation and governance of the Shared Market Protocol. The IEC stands ready to assist the AEMC with further details on these matters, or other matters related to practical operations of the IEC.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'P Carruthers', with a stylized, flowing script.

Peter Carruthers
Chair
Information Exchange Committee