

Australian Energy Market Commission

**RULE  
CHANGE**

## **DRAFT RULE DETERMINATION**

**National Electricity Amendment (Updating the  
electricity B2B framework) Rule 2016**

**Rule Proponents**

COAG Energy Council  
Red Energy and Lumo Energy

7 April 2016

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## **About the AEMC**

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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## Summary

The Australian Energy Market Commission (AEMC or Commission) has made a draft rule to update the governance and other arrangements for electricity business-to-business (B2B) procedures on communications for services related to small customer meters.

The draft rule, which is a more preferable rule, amends the relevant provisions of the National Electricity Rules to facilitate communications between a wider range of parties that may be interested in providing and using services related to small customer meters following the commencement of the competition in metering final rule on 1 December 2017.

Implementation of the draft rule is expected to enhance the efficiencies and benefits of the competition in metering rule change and other Power of Choice reforms by facilitating communications between the businesses offering and accessing these new services. A shared communication method is likely to improve interoperability as participants will only need to develop one set of processes in order to interact with other participants in the market. It is likely to reduce barriers to the entry of new participants providing consumers with new services that are enabled by advanced meters. It is also likely to support innovation in new services and reduce the costs of providing those services.

The Commission has made this draft rule determination in response to two rule change requests received from: the Council of Australian Governments (COAG) Energy Council; and Red Energy and Lumo Energy (collectively, the proponents). These rule change requests were consolidated into a single rule change process as similar issues were raised.

While the draft rule is a more preferable draft rule, it contains many of the elements proposed in the rule change requests.

### **Final advice on implementing a shared market protocol**

The rule change requests were submitted in response to recommendations made by the AEMC in its final advice on implementing a shared market protocol, published on 8 October 2015. The shared market protocol final advice was developed as part of the suite of market reforms arising from the AEMC's Power of Choice review in 2012.

The shared market protocol final advice recommended updating the electricity B2B communications framework to accommodate the wider range of services that were expected to become available through advanced meters as well as the wider range of parties that may be interested in those services. It provided detailed recommendations on how this could be implemented.

## **The rule change requests**

The proponents noted that the changes being implemented under the AEMC's final rule on competition in metering are expected to result in the market led deployment of advanced meters for small customers. As a result, the proponents considered that the existing B2B framework in the National Electricity Rules would no longer be suitable. Specifically:

- the membership of the Information Exchange Committee (IEC), the group that is responsible for developing B2B procedures, would no longer reflect the parties interested in services that relate to small customer meters;
- the process and criteria for making or amending B2B procedures would not reflect the range of new services available through advanced meters or the parties interested in those services;
- the existing B2B e-hub, the electronic platform used to send B2B communications, is not capable of supporting the 'near instant' messages that may be necessary for providing many advanced metering services;
- the rights and obligations that apply to parties using the B2B e-hub would not apply to new parties that may wish to use the B2B e-hub in the future and it may be desirable that rights and obligations also apply to those parties; and
- consideration should be given to whether a wider set of parties that may use the B2B e-hub in the future should pay fees in respect to B2B costs.

## **Overview of the draft rule**

The draft rule amends the B2B arrangements in the National Electricity Rules to address the issues raised by the proponents and in stakeholders' submissions.

The key features of the draft rule include:

- Amending the membership of the IEC to include:
  - an Australian Energy Market Operator (AEMO) member (an AEMO director who will be the chairperson of the IEC);
  - one distribution network service provider (DNSP) member (elected by DNSPs);
  - one retailer member (elected by retailers and local retailers);
  - one metering member (elected by metering coordinators, metering providers and metering data providers);
  - one third party B2B participant member (elected by third party B2B participants);

- one consumer member (appointed by AEMO); and
  - at least two, and up to four, discretionary members (appointed by AEMO).
- The B2B procedures must provide for B2B communications that support the services in the metering minimum services specification. The IEC would be able to recommend the inclusion of additional B2B communications in B2B procedures in accordance with the procedure change process.
  - The IEC must have regard to the national electricity objective (NEO) and a new set of B2B factors when considering a proposed change to B2B procedures. It must also seek to give effect to the B2B principles. This expands the current considerations to include wider interests such as whether a B2B procedure change would facilitate innovation or lower barriers to entry in the market for services available through an advanced meter. While the current considerations are still relevant, new considerations are necessary to assist the IEC in making decisions that effectively support both the provision of innovative and competitive metering services and new participants in the market.
  - AEMO must approve an IEC recommendation to make a change to B2B procedures unless the recommendation is inconsistent with market settlements and transfer solutions (MSATS) procedures. This clarifies accountability by reducing the grounds on which AEMO may veto an IEC recommendation to change the B2B procedures.
  - The B2B e-hub must have the capability to facilitate B2B communications in accordance with the B2B procedures and meet any performance requirements specified in B2B procedures.
  - Any party wishing to use the B2B e-hub must be accredited with AEMO. AEMO would have discretion to apply suitable IT, security and credit support requirements as it considers necessary.
  - Costs associated with the development of B2B procedures, establishment and operation of the IEC and services provided by AEMO to facilitate B2B communications (including operation of the B2B e-hub) are to be paid by AEMO and may be recouped through participant fees. Third party B2B participants are deemed to be registered participants for the purposes of rule 2.11 of the National Electricity Rules (participant fees).

### **Expected benefits**

The Commission considers that if implemented, the draft rule will, or is likely to, better contribute to the NEO compared to the current arrangements and the proposed rules. It is generally expected to provide benefits to small customers and the parties that are providing and accessing services related to small customer meters.

Requiring B2B procedures to contain B2B communications that support the minimum services specification is anticipated to improve interoperability for parties providing

services enabled by advanced meters. This means that a new entrant to the market would be likely to only need one set of processes to communicate with other parties in the market. Improving interoperability with a shared communication method may lower barriers to entry for new participants and support operational efficiencies for participants. In both instances, more parties may be encouraged to offer services through advanced meters. This may lead to a wider range of services becoming available (competitive innovation) which may better suit the needs of individual businesses and customers.

In addition, the draft rule would not inhibit innovation in the market for services as it allows parties to agree to use an alternative communication method and requires the IEC to consider the impacts on innovation and barriers to entry when considering a proposed B2B procedure change. Supporting innovation in the market for services available through a customer's meter may also result in a wider range of services becoming available for the benefit of market participants and small customers accessing those services.

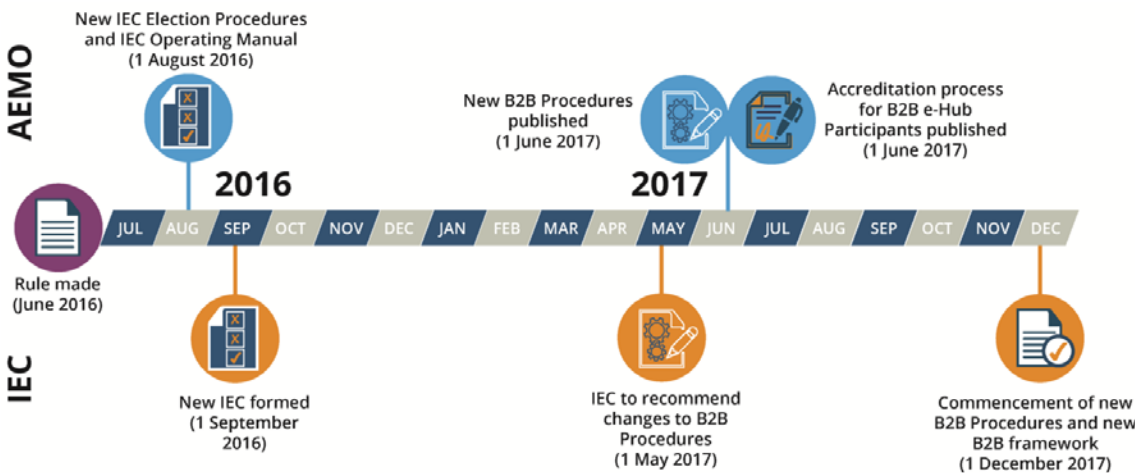
Implementation of the draft rule is also likely to provide the benefits of a new IEC membership that better reflects the variety of parties that will be interested in services regarding small customer meters. The new membership arrangements enable the IEC to have both diverse membership and flexibility to enable it to reflect changing market conditions over time. This should facilitate informed decision-making.

## **Implementation**

Under the draft rule, the changes to the B2B framework would be implemented by 1 December 2017. This is the same date that related reforms, such as the competition in metering and embedded networks reforms, will commence. The Commission considers that aligning these reforms is likely to maximise the benefits of these reforms.

To implement the draft rule, the IEC will be re-formed with a new membership and will amend the B2B procedures to take into account certain new B2B communications. These new B2B communications will support the provision of at least the minimum set of services that are expected to be available through advanced meters. Figure 1 below provides an overview of the implementation schedule for AEMO and the IEC under the draft rule.

**Figure 1                    Implementation tasks for AEMO and the IEC**



**Consultation**

The Commission invites submissions on this draft rule determination, including the draft rule, by 19 May 2016.

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# 1 Consolidated rule change requests

This draft rule determination addresses two rule change requests submitted to the Australian Energy Market Commission (AEMC or Commission). Both rule change requests are seeking changes to the electricity business-to-business (B2B) framework in the National Electricity Rules (NER) to support the introduction of the new framework for metering services under the expanding competition in metering and related services (competition in metering) final rule determination.<sup>1</sup> The rule change requests were submitted in response to recommendations made by the AEMC in its final advice on implementing a shared market protocol (SMP final advice), published on 8 October 2015.<sup>2</sup>

## 1.1 The rule change requests

On 7 December 2015, Red Energy and Lumo Energy (Red and Lumo) submitted a rule change request proposing amendments to the B2B framework in Chapter 7 of the NER. On 11 December 2015, the Council of Australian Governments (COAG) Energy Council submitted a rule change request that also proposed amendments to the B2B framework in the NER.

There are some similarities between the COAG Energy Council rule change request and the Red and Lumo rule change request. Both propose changes to the B2B framework to support the provision of services available from advanced meters and the greater range of parties that may wish to communicate with each other to access these services. This is expected under the new framework for competitive metering services being introduced under the competition in metering final rule determination.

However, the rule proponents have proposed different approaches to some issues, such as proposed changes to the governance arrangements and decision-making of the Information Exchange Committee (IEC) and the procedures change process for B2B procedures.

Details of the rule changes proposed by the COAG Energy Council and Red and Lumo (collectively, the proponents) are set out in section 1.4 and in Chapters 3 to 5 of this draft rule determination.

As the COAG Energy Council rule change request covers similar issues to those presented in the Red and Lumo rule change request, the Commission decided to consolidate the two rule change requests under s. 93 of the National Electricity Law (NEL) (consolidated rule change requests). This has enabled a single consultation and decision process.

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<sup>1</sup> AEMC, Expanding competition in metering and related services, Final rule determination, 26 November 2015.

<sup>2</sup> AEMC, Implementation advice on the shared market protocol, Final advice, 8 October 2015. The SMP final advice provided detailed recommendations regarding updating the B2B communications

## 1.2 Current arrangements

For the purposes of this draft rule determination, the 'current' B2B arrangements refer to the B2B arrangements in rule 7.2A of the NER as at the date of this draft rule determination. As detailed in section 2.3 below, rule 7.2A will be amended in late 2017 by the competition in metering final rule and the embedded networks final rule.<sup>3</sup> References in this draft rule determination to the competition in metering final rule and the embedded networks final rule are references to the NER as amended by those rule changes.

Under the current B2B arrangements, communications between local retailers, market customers and distribution network service providers (DNSPs) regarding the supply of electricity to end users occur through the B2B e-hub, an electronic information exchange platform provided and operated by the Australian Energy Market Operator (AEMO).<sup>4</sup>

Local retailers, market customers and DNSPs must use the B2B e-hub for B2B communications,<sup>5</sup> except where they have agreed to communicate a B2B communication on a basis other than as set out in the B2B procedures.<sup>6</sup>

The B2B procedures include requirements for the content, format, delivery and timing for B2B communications.<sup>7</sup> Currently, local retailers, market customers, DNSPs, AEMO, metering providers and metering data providers must comply with the B2B procedures.<sup>8</sup>

Unlike other procedures provided for in Chapter 7 of the NER that are established and maintained by AEMO, the B2B procedures are only made by AEMO on the recommendation of the IEC. The IEC consists of three DNSP members, three local retailer or market customer members and two independent members.<sup>9</sup> The nomination and appointment process for, and requisite qualifications of, members of the IEC are currently set out in the B2B Information Exchange Committee election procedures.<sup>10</sup> Requirements with respect to the election and appointment (as the case

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framework in the NER to accommodate the wider range of services that will be available through advanced meters, and the wider range of parties that will be interested in those services.

<sup>3</sup> AEMC 2015, Embedded Networks, Final rule determination, 17 December 2015.

<sup>4</sup> Current NER, clause 7.2A.1.

<sup>5</sup> B2B communications are defined in Chapter 10 of the current NER as 'communications between local retailers, market customers and DNSPs relating to an end-user or supply to an end user provided for in the B2B procedures'.

<sup>6</sup> Current NER, clauses 7.2A.1 and 7.2A.4(k). Where such parties have agreed between themselves to communicate a B2B communication on a basis other than as set out in the B2B procedures, the parties need not comply with the B2B procedures to the extent that the terms and conditions agreed between them are inconsistent with the B2B procedures.

<sup>7</sup> Current NER, clause 7.2A.4.

<sup>8</sup> Current NER, clause 7.2A.4(i).

<sup>9</sup> Current NER, clause 7.2A.2.

<sup>10</sup> Available on the AEMO website.

may be) of the IEC chairperson and secretary and the conduct of IEC meetings are currently set out in the Information Exchange Committee operating manual.<sup>11</sup>

A change to the B2B procedures can only be proposed by AEMO, a local retailer, a market customer or a DNSP. The IEC is responsible for consulting on any such proposal and making recommendations on the proposal to AEMO.<sup>12</sup> The IEC can conclude not to recommend the proposed new B2B procedure or change to the existing B2B procedures. Alternatively, the IEC may make a recommendation for a new procedure or change to the existing procedures, which may differ from the proposal.<sup>13</sup> In coming to a conclusion on whether or not to make a recommendation, the IEC must seek to achieve the B2B objective having regard to the B2B principles.<sup>14</sup>

A decision by the IEC to recommend a change to the B2B procedures requires the support of six or more members of the IEC.<sup>15</sup> AEMO must approve the recommendation of the IEC and make the B2B procedure unless it concludes that:<sup>16</sup>

- the IEC has failed to have regard to the B2B objective or the B2B principles;
- the IEC has not followed the rules consultation procedures;<sup>17</sup> or
- the recommendation would conflict with Market Settlement and Transfer Solutions (MSATS) procedures.

A decision of the IEC to recommend a change to the B2B procedures, and AEMO's decision to approve (or not approve) such recommendation, may be reviewed under the dispute resolution arrangements set out in rule 8.2A.2 of the current NER.

### **1.3 Rationale for the rule change requests**

The proponents considered that the existing B2B framework will not be suitable in the future. They note that the changes being implemented under the AEMC's final rule on competition in metering are expected to result in the market led deployment of advanced meters. Among other things, the competition in metering final rule is expected to result in a wider range of services being available through a small customer's<sup>18</sup> meter and a wider range of parties interested in those services.

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<sup>11</sup> Available on the AEMO website.

<sup>12</sup> Current NER, clause 7.2A.3.

<sup>13</sup> Current NER, clause 7.2A.3(i).

<sup>14</sup> Current NER, clause 7.2A.3(j).

<sup>15</sup> Current NER, clause 7.2A.2(m).

<sup>16</sup> Current NER, clause 7.2A.3(k).

<sup>17</sup> The IEC must follow the rules consultation procedures (as supplemented by clause 7.2A.3 of the current NER) in relation to a proposal for a new B2B procedure or change to the existing B2B procedures. See clause 7.2A.3(e).

<sup>18</sup> Under the competition in metering final rule, a 'small customer' includes all residential customers and business customers that consume less than the upper consumption thresholds set by jurisdictions. See definition of 'small customer' in the competition in metering final rule.

While it's acknowledged that these changes to the B2B framework are not vital to support the commencement of competition in metering, the COAG Energy Council considers that a suitable communications framework to support advanced metering services would maximise the efficiencies and benefits of those reforms for consumers.

The key issues raised in each of the rule change requests reflect those identified by the AEMC in its SMP final advice:<sup>19</sup>

- **IEC membership:** The membership of the IEC would no longer reflect the parties interested in services available through a customer's meter. For example, metering coordinators and third party service providers may wish to communicate regarding these services.<sup>20</sup>
- **Making B2B procedures:** The process and criteria for making or amending B2B procedures would not reflect the range of new services available through advanced meters or the parties interested in those services. For example, the current B2B objective and B2B principles<sup>21</sup> are focussed on costs and benefits for DNSPs, local retailers and market customers. Going forward, wider interests may be relevant such as the interests of consumers and new entrants to the market.<sup>22</sup> The COAG Energy Council considered that, given these wider interests, AEMO should have a greater role in the decision-making process.
- **IT platform:** The existing B2B e-hub is not capable of supporting the 'near instant' messages that may be necessary for providing many advanced metering services.<sup>23</sup>
- **Accreditation:** Currently, all parties using the B2B e-hub are either registered participants or accredited service providers. They are defined under the NER and certain rights and obligations currently apply to them in their capacity as registered participants and accredited service providers, respectively. In the future, other third parties (who are neither registered participants nor accredited service providers) may wish to use the B2B e-hub and it may be desirable to provide rights and impose obligations on these parties.<sup>24</sup> Red and Lumo considered an additional certification process would enable parties to test their systems are compatible with the B2B e-hub.
- **Cost recovery:** Costs related to the IEC and B2B e-hub are recouped through participant fees and currently paid by retailers. Consideration should be given to whether a wider set of parties should pay fees in respect to B2B costs.<sup>25</sup>

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<sup>19</sup> AEMC, Implementation advice on the shared market protocol, Final advice, 8 October 2015. Discussed in section 1.5 below.

<sup>20</sup> COAG Energy Council rule change request, p. 6; Red and Lumo rule change request, pp. 6-7.

<sup>21</sup> These are outlined in section 4.4.1.

<sup>22</sup> COAG Energy Council rule change request, p. 7; Red and Lumo rule change request, p. 7.

<sup>23</sup> COAG Energy Council rule change request, p. 8; Red and Lumo rule change request, p. 8.

<sup>24</sup> *ibid.*

<sup>25</sup> COAG Energy Council rule change request, p. 9; Red and Lumo rule change request, p. 9.

## 1.4 Solutions proposed in the rule change requests

The proponents' respective rule change requests seek to resolve the issues discussed above by amending the B2B arrangements in Chapter 7 of the NER. The key objective of the proposed amendments is to facilitate communications between businesses involved in the provision of advanced metering services, in order to improve efficiencies for businesses and improve benefits for consumers.

The two rule change requests share a number of key features as they were both developed having regard to the recommendations made by the AEMC in the SMP final advice. Broadly, the proposed amendments to Chapter 7 of the NER that are common to both rule change requests are as follows:

- The membership of the IEC would be updated to include the wider range of parties interested in services related to a small customer's meter and provide some flexibility in the membership over time. Requirements for the election or appointment of members (including certain requisite qualifications of IEC members), which are currently outlined in the IEC election procedures, would be incorporated into the NER.
- Decisions regarding changes to the B2B procedures would be based on updated B2B principles and a set of new B2B factors that incorporate certain additional matters that are relevant to advanced metering services.
- The B2B e-hub would be required to meet the requirements specified in B2B procedures, including any performance requirements.
- The requirements to comply with B2B procedures and use the B2B e-hub would be expanded to include the new parties involved in the provision of services related to a small customer's meter.
- A new accredited party role would be established and any party wishing to use the B2B e-hub would need to be accredited with AEMO.<sup>26</sup>
- Costs would continue to be recovered by AEMO through participant fees.

The key differences between the proponents' respective rule change requests are as follows:

- The proponents have proposed different membership structures for the IEC. As such, the election or appointment of members and requirements for IEC meetings (including quorum and voting) are different. Red and Lumo have proposed that the IEC be re-named the Retail Industry Panel.

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<sup>26</sup> While this was a stated position, Red and Lumo also suggested a 'certification' process for B2B e-hub users and COAG Energy Council asked AEMC to consider whether a new registered participant category should be created for third party service providers.

- Different B2B factors have been proposed. Again, while there are some similarities, certain changes were only proposed by one of the proponents:
  - Red and Lumo proposed a B2B factor that is based on the national electricity objective (NEO);
  - COAG Energy Council proposed a B2B factor to consider whether a B2B procedure is 'an efficient way to enable parties to meet a legal obligation' (for example, a jurisdictional regulatory requirement).<sup>27</sup>
- COAG Energy Council has proposed a greater role for AEMO in the decision making process. Specifically, that AEMO would be responsible for assessing an IEC recommendation against the NEO and would be able to reject an IEC recommendation on those grounds.
- Red and Lumo proposed changes to the IEC's process for making or amending a B2B procedure to make it more consistent with the process AEMO undertakes with regard to other procedure changes made under Chapter 7 of the NER.
- Red and Lumo proposed a certification process in addition to an accreditation process, to require parties to test their systems prior to using the B2B e-hub.
- COAG Energy Council has requested the AEMC to consider whether third party service providers should be registered participants instead of an accredited party. This would enable appropriate regulation of third party service providers in the market.

A detailed explanation of each proponent's proposed changes, including a comparison of the common features and key differences, is provided in Chapters 3 to 5.

## 1.5 Relevant background to the rule change requests

### Advice on implementing a shared market protocol

The proponents' rule change requests were submitted following the publication of the AEMC's SMP final advice on 8 October 2015.

The SMP final advice was developed as part of the suite of market reforms arising from the AEMC's Power of Choice review in 2012. One of the areas of reform is improving demand side participation and assisting consumers to make more informed decisions about how they use electricity. Facilitating technologies to assist customers, such as advanced meters, have been an important part of this work. The framework for open access and common communication standards for advanced meters, which led to the SMP final advice, has also been a part of this reform process.<sup>28</sup>

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<sup>27</sup> COAG Energy Council rule change request, p. 12.

<sup>28</sup> AEMC, Framework for open access and common communication standards, Report, 31 March 2014.



The SMP final advice recommended updating the B2B communications framework in the NER to accommodate the wider range of services that will be available through advanced meters, and the wider range of parties that will be interested in those services. The SMP final advice provided detailed recommendations on how this could be implemented in the NER. Broadly, it recommended this be done by:<sup>29</sup>

- updating the membership of the IEC to include the wider range of parties expected to have an interest in B2B procedures;
- updating other aspects of the governance arrangements for B2B procedures, such as the decision-making process of the IEC;
- expanding and updating the content requirements for B2B procedures to provide for new B2B communications to support the services in the minimum services specification;
- introducing a new accredited party role (B2B e-hub participant) and requiring that any party wishing to use the B2B e-hub would need to be accredited by AEMO in that role;
- requiring AEMO to maintain a B2B e-hub that has the capability to facilitate B2B communications in accordance with B2B procedures; and
- updating the cost recovery provisions.

### **Competition in metering final rule determination**

The competition in metering final rule was made on 26 November 2015 and introduces significant changes to Chapter 7 of the NER. Under that final rule, B2B arrangements will be set out in rule 7.17 of the NER upon the commencement of the new framework for metering services on 1 December 2017. The changes to the B2B arrangements under the final rule are minor and include re-numbering, updating cross-references and removing certain redundant provisions relating to the initial establishment of the IEC.

The key features of the competition in metering final rule that are relevant to this rule change process are:

- The role and responsibilities of the 'responsible person' under the current NER will be provided by a new type of registered participant - the 'metering coordinator'. The metering coordinator will also have a number of new responsibilities related to the provision of advanced metering services.
- Subject to certain limited exceptions, all new and replacement metering installations for small customers must be type 4 metering installations connected to a telecommunications network that enables remote access and be capable of

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<sup>29</sup> AEMC, Implementation advice on the shared market protocol, Final advice, 8 October 2015.

providing the services set out in the 'minimum services specification' in the NER.<sup>30</sup> See clause 7.8.3 of the final rule for competition in metering.

- The final rule clarifies which parties may access or receive certain types of data including energy data, metering data, settlements ready data, national metering identifier (NMI) standing data and data from the metering register for a metering installation.<sup>31</sup>
- While the metering installation must meet the minimum services specification, there is no requirement for the metering coordinator to provide the services set out in the minimum services specification.<sup>32</sup> Rather, the terms and conditions on which those services are provided, if at all, will be subject to commercial negotiation between parties.
- A transitional provision in clause 11.86.9 of the final rule provides that DNSPs must comply with the B2B arrangements in their role as 'Initial Metering Coordinators' and that certain definitions relevant to B2B arrangements (such as the B2B objective and B2B principles) are deemed to include references to initial metering coordinators to ensure that such parties' interests are taken into account during the procedure change process for B2B procedures.<sup>33</sup>
- Transitional provisions in clause 11.86.6 of the final rule provide for the B2B procedures to be updated to take into account changes made under the final rule. Namely, the IEC must make a recommendation to update the B2B procedures by 1 August 2016 and AEMO must publish the updated B2B procedures by 1 September 2016.

### **Embedded networks final rule determination**

On 17 December 2015, the AEMC published a final rule determination and final rule on embedded networks which, among other things, requires further changes to be made to Chapter 7 of the NER as amended by the competition in metering final rule.<sup>34</sup>

The embedded networks final rule creates a new accredited provider role (an embedded network manager) to perform the market interface functions that link embedded network customers to energy market systems.

The embedded network manager will be responsible for providing market interface functions to facilitate off-market embedded network customers changing to on-market, such as obtaining a NMI. Given these functions, embedded network managers will be

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<sup>30</sup> The minimum services specification is discussed in Appendix C1 of the competition in metering final rule determination.

<sup>31</sup> Access to data is discussed in Appendix A5 of the competition in metering final rule determination.

<sup>32</sup> However, there are certain obligations on the metering data provider to provide data, or access to data, for certain purposes. See clauses 7.10.2 and 7.10.3 of the competition in metering final rule.

<sup>33</sup> The role of 'initial metering coordinator' is described in clauses 11.86.7(a) and 11.86.7(c) of the competition in metering final rule.

<sup>34</sup> AEMC 2015, Embedded Networks, Final rule determination, 17 December 2015.

required to comply with a number of procedures, including B2B procedures, and will be included within certain definitions used in the B2B framework.<sup>35</sup> However, the embedded networks final rule does not include embedded network managers as a party that must use the B2B e-hub, or as a party that is directly represented on the IEC.<sup>36</sup>

## **1.6 The rule making process to date**

On 17 December 2015, the Commission published a notice advising of:

- the consolidation of the COAG Energy Council rule change request and the Red and Lumo rule change request;<sup>37</sup>
- the commencement of the rule making process and the first round of consultation in respect of the consolidated rule change request.<sup>38</sup>

A consultation paper prepared by AEMC staff identifying specific issues and questions for consultation was also published. Submissions closed on 28 January 2016.

The Commission received 19 submissions as part of the first round of consultation. These are available on the AEMC website.<sup>39</sup> A summary of the issues raised in submissions but not otherwise addressed in this draft rule determination is set out and addressed in Appendix A.

## **1.7 Consultation on draft rule determination**

The Commission invites submissions on this draft rule determination, including draft rule, by 19 May 2016.

Any person or body may request that the Commission hold a hearing in relation to the draft rule determination. Any request for a hearing must be made in writing and must be received by the Commission no later than 14 April 2016.

Submissions and requests for a hearing should quote project number “ERC0197” and may be lodged online at [www.aemc.gov.au](http://www.aemc.gov.au).

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<sup>35</sup> For example, the definition of B2B communications, the B2B objective and B2B principles.

<sup>36</sup> See Appendix C.2.8 of the embedded networks final rule determination.

<sup>37</sup> This notice was published under section 93(1)(a) of the NEL.

<sup>38</sup> This notice was published under section 95 of the NEL.

<sup>39</sup> [www.aemc.gov.au](http://www.aemc.gov.au).

## 2 Draft rule determination

In accordance with s. 99 of the NEL, the Commission has made this draft rule determination in relation to the consolidated rule change requests.

The Commission has determined to make a draft rule, which is a more preferable draft rule (draft rule). The draft rule contains many of the proposed changes to the NER set out in the consolidated rule change requests. Aspects of the draft rule that differ from the proponents' respective proposed rules are outlined in Chapters 3 to 5.

The draft rule: amends, among other things, the membership structure of the IEC; updates the content requirements for B2B procedures and the decision making process for making changes to the B2B procedures; and generally provides for new parties that are likely to access or offer services through advanced meters, both through the consideration of their interests and through their participation in the decision making process. The purpose of these changes is to provide a B2B framework suitable for the wider range of services that are likely to be available through advanced meters and the parties that will likely be interested in accessing or offering those services. The Commission's reasons for making this draft rule determination are set out in section 2.3 and Chapters 3 to 5.

This chapter outlines:

- the Commission's rule making test for changes to the NER;
- the assessment framework used by the Commission in considering the consolidated rule change requests; and
- the Commission's consideration of the draft rule against the NEO.

Further information on the legal requirements for making this draft rule determination is set out in Appendix C.

### 2.1 Rule making test

Under the NEL the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the NEO. This is the decision making framework that the Commission must apply.

The NEO is:<sup>40</sup>

“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:

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<sup>40</sup> NEL, s. 7.

- (a) price, quality, safety, reliability and security of supply of electricity;  
and
- (b) the reliability, safety and security of the national electricity system.”

In this case, the relevant aspects of the NEO are the promotion of the efficient investment in, and efficient operation and use of, electricity services, in particular investment in and use of the services that can be provided through advanced meters.

## 2.2 Assessment framework

In assessing the rule change request against the NEO the Commission has considered the following principles:

- **Facilitate competition in the provision of services available through advanced meters.** The communications framework should support competition and not provide any one party with a competitive advantage. Competition has the potential to result in services being offered at the most efficient prices. Service providers may seek to find competitive advantage by differentiating their services, which may result in a greater range of services being offered to businesses and consumers. Competition may be supported by minimising barriers to entry.
- **Support innovation in the provision of new services and the associated means of communication.** Supporting innovation in new services and alternative methods of communication has the potential to result in a greater range of services being offered to businesses and consumers as it allows more efficient options to be discovered. This could support business and operational efficiency improvements and benefits to electricity consumers.
- **Facilitate the efficient ongoing development of B2B communications.** The communications framework should be flexible to changing market needs, given the services available through advanced meters will be driven by market demand. The framework should also facilitate the efficient development of B2B procedures and the B2B e-hub.
- **Impose regulation that is proportional to the issues.** The regulatory framework that is established should be proportional to the issues. The framework should not impose unnecessary administrative and compliance costs on businesses providing services through advanced meters and consequently consumers.

The Commission has also assessed the consolidated rule change request against the relevant counterfactual arrangements, which in this case are the B2B arrangements in the NER as amended by:

- the competition in metering final rule made on 26 November 2015; and
- the embedded networks final rule made on 17 December 2015.

## 2.3 Summary of reasons

The draft rule made by the Commission (which is a more preferable draft rule) is attached to and published with this draft rule determination.

As described in more detail in Chapter 6, the draft rule (if made) amends the B2B arrangements in Chapter 7 of the NER with effect from the date the rule is made and then again on 1 December 2017. This implementation process is to ensure that the substantive changes to B2B arrangements in Chapter 7 of the NER are aligned with the introduction of the new framework for metering services under the final rule for competition in metering. Certain transitional arrangements and consequential changes to Chapters 8, 10 and 11 of the NER will also commence prior to 1 December 2017.

The key features of the draft rule are:

- The membership of the IEC is amended to include:
  - an Australian Energy Market Operator (AEMO) member (an AEMO director who will be the chairperson of the IEC);
  - one distribution network service provider (DNSP) member (elected by DNSPs);
  - one retailer member (elected by retailers and local retailers);
  - one metering member (elected by metering coordinators, metering providers and metering data providers);
  - one third party B2B participant member (elected by third party B2B participants);<sup>41</sup>
  - one consumer member (appointed by AEMO); and
  - at least two, and up to four, discretionary members (appointed by AEMO).<sup>42</sup>
- Certain requirements regarding the election and appointment (as the case may be) of IEC members and their requisite qualifications have been elevated to the NER from the IEC election procedures and updated consistent with the new IEC membership structure.
- The introduction of nomination and voting restrictions that prevent related bodies corporate from having additional voting power within an IEC membership category to secure a position on the IEC.

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<sup>41</sup> A third party B2B participant is a party that is accredited to use the B2B e-hub (see section 5.4) that is not a DNSP, retailer, local retailer, metering coordinator, metering provider or metering data provider.

<sup>42</sup> See section 3.2 for further details on the membership structure of the IEC.

- The B2B procedures must provide for B2B communications that support the services in the minimum services specification and must provide for a free form method of B2B communication. The IEC would be able to recommend the inclusion of additional B2B communications in B2B procedures in accordance with the procedure change process.
- Any party (other than the IEC) may initiate a proposed change to B2B procedures.
- The IEC must have regard to the NEO and B2B factors, and seek to give effect to the B2B principles, when considering a proposed change to B2B procedures.
- AEMO must approve an IEC recommendation to make a change to B2B procedures unless the recommendation is inconsistent with MSATS procedures.
- The following parties are required to comply with B2B procedures: AEMO; DNSPs; retailers; local retailers; metering coordinators; metering providers; metering data providers; embedded network managers; and third party B2B participants.
- The following parties are required to use the B2B e-hub for B2B communications, unless the parties making the communication mutually agree otherwise: DNSPs; retailers; local retailers; metering coordinators; metering providers; metering data providers; embedded network managers; and third party B2B participants.
- The B2B e-hub must have the capability to facilitate B2B communications in accordance with the B2B procedures and meet any performance requirements specified in B2B procedures.
- Any party wishing to use the B2B e-hub must be accredited with AEMO.
- Costs associated with the development of B2B procedures, establishment and operation of the IEC and services provided by AEMO to facilitate B2B communications (including operation of the B2B e-hub) are to be paid by AEMO and may be recouped through participant fees. Third party B2B participants are deemed to be registered participants for the purposes of rule 2.11 of the NER (participant fees).<sup>43</sup>

Further detail on the draft rule can be found in Chapters 3 to 5.

Having regard to the issues raised in the rule change requests and submissions, the Commission is satisfied that the draft rule will, or is likely to, contribute to the achievement of the NEO for the following reasons:

- The draft rule would support improvements in interoperability for parties providing services enabled by advanced meters. Interoperability may be facilitated through the requirement that the B2B procedures must contain B2B

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<sup>43</sup> See section 5.5 for further details on cost recovery.

communications that support the services in minimum services specification and the B2B e-hub will support B2B communications (as required by the B2B procedures). This establishes a 'standard' set of communications that parties must use, unless they agree to an alternative communication method. Improving interoperability may result in lower barriers to entry for new participants, or provide greater efficiencies (and reduced operating costs), as there would be a shared communication method.

- The IEC is required to consider the likely impacts on barriers to entry to the market as part of the B2B factors. Minimising barriers to entry for new participants may result in more parties offering services through advanced meters. This may lead to a wider range of services becoming available (competitive innovation) which may better suit the needs of individual businesses and consumers. Improvements in competition may result in price and quality differentiation, which allows businesses or consumers to choose lower cost services.
- The draft rule enables participants to agree to use an alternative to the B2B e-hub as the method of communication. Market participants are able to determine the most effective or efficient way of communicating with each other and as such the draft rule does not inhibit innovation. In addition, the IEC is required to consider the likely impacts on innovation as part of the B2B factors. Supporting innovation in the market for services available through a customer's meter may also result in a wider range of services becoming available. The draft rule does not inhibit the discovery of more efficient communication methods.
- The draft rule expands the membership of the IEC to include a wider range of industry and consumer representation that will be involved in accessing or providing services through advanced meters. Greater industry and consumer involvement in decision making (within a clear framework) is expected to result in more informed decisions and efficient investment. This may assist in controlling costs that may ultimately be paid by consumers.

Under s. 91A of the NEL, the AEMC may make a rule that is different (including materially different) from a proposed rule if it is satisfied that, having regard to the issues raised by the rule change request, the more preferable rule will, or is likely to, better meet the NEO than the proposed rule.

The Commission considers that the draft rule will, or is likely to, better contribute to the achievement of the NEO than the proposed rules because it:

- Includes IEC membership arrangements that will provide for a greater range of interested parties to participate in the B2B decision making process. Under the draft rule the IEC will include both elected and appointed representatives of industry, AEMO and small customers, that enables the IEC to have both diverse membership and flexibility to reflect changing market conditions over time. The membership arrangements are expected to facilitate informed decision-making over time.



- Includes new criteria for IEC decision making. In addition to the B2B principles, the IEC will be required to have regard to the NEO and new B2B factors. These are more appropriate for the consideration of competitive metering services that may be offered through advanced meters. This is expected to improve the effectiveness of IEC decisions.
- Provides for clear grounds on which AEMO may refuse to approve an IEC recommendation to change the B2B procedures. This simplifies the decision making process and clarifies the respective roles of AEMO and the IEC under the B2B arrangements. These provisions are expected to support improved efficiencies in decision making.
- Provides a more appropriate reflection of users of the B2B e-hub within the cost recovery framework. Third party B2B participants will be deemed to be registered participants for the purposes of cost recovery of B2B costs. As a consequence, AEMO may develop a participant fee structure that includes retailers, DNSPs, metering coordinators and/or third party B2B participants.

## **2.4 Strategic priority**

The consolidated rule change requests relate to the AEMC's strategic priority on providing market and network arrangements that encourage efficient and appropriate investment over time. This strategic priority recognises that new products and services have the potential to benefit small customers, particularly where the products and services offered reflect small customer preferences.

If implemented, the more preferable draft rule is expected to facilitate the provision of new products and services through a small customer's meter by providing efficiencies for businesses communicating with each other with regard to those products and services. These efficiencies may also result in minimised costs for small customers.

### 3 Information Exchange Committee

#### **Box 3.1 Draft rule determination**

The draft rule determination amends the membership of the IEC to provide for a more diverse range of parties that are likely to have an interest in B2B communications and the provision of metering services. It includes a combination of industry elected and AEMO appointed members to provide a broadly representative IEC membership.

The new IEC membership includes:

- an AEMO member (appointed by AEMO);
- one retailer member (elected by retailers and local retailers);
- one DNSP member (elected by DNSPs);
- one metering member (elected by metering coordinators, metering providers and metering data providers);
- up to one third party B2B participant member (elected by third party B2B participants);
- one consumer member (appointed by AEMO); and
- at least two, and up to four, discretionary members<sup>44</sup> (appointed by AEMO).

Except in certain limited circumstances, the AEMO member will be the chairperson of the IEC.

#### **3.1 Introduction**

This chapter sets out the structure and operation of the IEC under the draft rule. This includes arrangements related to:

- the membership of the IEC;
- election and appointment of IEC members;
- nomination and voting restrictions for related entities;
- quorum and voting requirements for IEC meetings; and
- processes for amending the IEC election procedures and IEC operating manual.

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<sup>44</sup> Discretionary members are appointed to represent a class or classes of participants who have an interest in the B2B procedures and those interests are not adequately represented on the IEC.

## 3.2 Membership

### 3.2.1 Introduction

Currently the IEC membership includes: three DNSP members; three local retailer or market customer members; and two independent members (one acting as the IEC chairperson).

The draft rule provides for an expanded and more flexible membership structure that will better reflect the parties interested in B2B communications over time.

### 3.2.2 Rule proponents' views

The COAG Energy Council has proposed that the IEC be updated to comprise:<sup>45</sup> an AEMO member (being an AEMO director, who would be the IEC chairperson); two independent members; one DNSP member; one retailer member; one metering member;<sup>46</sup> up to one third party B2B participant member;<sup>47</sup> one consumer member;<sup>48</sup> and up to two discretionary members.

Red and Lumo have proposed a more flexible membership structure, but with similar member categories. The IEC would be renamed the Retail Industry Panel and would comprise:<sup>49</sup> an AEMO member (being an AEMO director, who would be the IEC chairperson); two DNSP members; two retailer members; two metering members;<sup>50</sup> and up to four discretionary members.<sup>51</sup>

A comparison between the membership structures proposed by the COAG Energy Council and Red and Lumo is set out in the table below:

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<sup>45</sup> COAG Energy Council rule change request, pp. 9-10.

<sup>46</sup> The metering member would be elected by, and represent, metering coordinators, metering providers and metering data providers.

<sup>47</sup> A third party B2B participant is elected by, and represents, third party B2B participants. Third party B2B participants are parties that have become accredited to use the B2B e-hub that are not also a DNSP, retailer, metering coordinator, metering provider or metering data provider.

<sup>48</sup> The consumer member would be appointed by AEMO in consultation with ECA to represent small customers (as defined in the competition in metering final rule).

<sup>49</sup> Red and Lumo rule change request, pp. 8-9.

<sup>50</sup> The metering members would be elected by, and represent, metering coordinators, metering providers and metering data providers.

<sup>51</sup> The discretionary representatives may include: up to one consumer member; up to one independent member; up to two third party B2B participant member; and/or any other B2B party required for adequate representation of the industry as decided by 70 per cent of the number of representatives of the Retail Industry Panel. Note that the Red and Lumo proposed rule uses the term 'representative' instead of 'member' to describe the structure of the Retail Industry Panel.

**Table 3.1 Comparison of proposed IEC membership structures**

COAG Energy Council proposal	Red and Lumo proposal
AEMO member (chairperson of the IEC)	AEMO member (chairperson of the Retail Industry Panel)
1 retailer member	2 retailer members
1 DNSP member	2 DNSP members
1 metering member	2 metering members
Up to 1 third party B2B participant member	Up to 4 discretionary members
2 independent members	
1 consumer member	
Up to 2 discretionary members	
<b>Total: 7- 10 members</b>	<b>Total: 7 - 11 members</b>

Each rule change request is seeking to create a membership that is broadly representative of the parties that will have an interest in B2B procedures and the services that will be available through a customer's meter in the future. Specifically, the rule proponents consider:

- Metering coordinators, metering providers and metering data providers will become integral to the provision of metering services.
- Parties who are not otherwise registered participants or accredited service providers may enter the market for new advanced metering services.
- Small customers may be more involved in accessing services through advanced meters and therefore more interested in how those services are provided. They may also be interested in the cost impacts of decisions.
- The inclusion of discretionary members and independent members provides some flexibility in the membership. These positions could be used to bring particular desirable expertise into the decision-making process. It also allows the membership to adapt to changing market conditions without the need for a rule change.
- An AEMO director as chairperson would provide some strategic guidance to the group.

### 3.2.3 Stakeholder views

Stakeholders raised differing views on the ideal membership structure for the body responsible for recommending changes to the B2B procedures.

DNSPs generally supported a modified COAG Energy Council model that included an independent member as the chairperson (instead of the AEMO member) and replaced the two discretionary members with additional retailer and DNSP members.<sup>52</sup>

In contrast, retailers generally supported the Red and Lumo model. The exception was AGL who proposed a modified Red and Lumo model. The AGL proposal included a non-voting AEMC member who could provide advice on the intent of the power of choice reforms throughout implementation and only three discretionary members instead of four.<sup>53</sup>

Stakeholders generally supported having two retailer members and two DNSP members on the IEC. Some of the reasons provided by retailers and DNSPs include:<sup>54</sup>

- it could provide for the diversity of views and experience within those member categories;
- these parties have corporate knowledge of the industry and B2B arrangements;
- they are most likely to use B2B processes so are most concerned with efficiency; and
- they provide a greater contribution to participant fees.

There was strong support to ensure diversity in experiences and views within the member categories. Some stakeholders suggested the retailer members include one large retailer and one small (by market share) or new entrant retailer.<sup>55</sup> DNSPs proposed that the two DNSP members should be from different jurisdictions.<sup>56</sup>

Some stakeholders also supported having two metering members given the different business types within that category. Metropolis strongly supported including 'smaller' companies on the IEC and suggested one of the metering members should be a competitive metering business (that is, not affiliated with a DNSP).<sup>57</sup> On the other hand, some DNSPs and Energy Consumers Australia (ECA) considered one metering member would be sufficient as these companies are largely engaged by retailers as paid service providers and they do not contribute to costs.<sup>58</sup>

Some retailers noted that four discretionary members provide 'future proofing' and flexibility for the IEC membership.<sup>59</sup> For example, the Red and Lumo model would

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<sup>52</sup> For example, see ENA, submission to the consultation paper, p. 3.

<sup>53</sup> AGL, submission to the consultation paper, p. 6.

<sup>54</sup> For example, see submissions to the consultation paper: ENA, p. 2; Energex, p. 4; ERM, p. 3; AGL; p.2.

<sup>55</sup> For example, see submissions to the consultation paper: ECA, p. 2; Metropolis, p. 4.

<sup>56</sup> For example, see Ausgrid, submission to the consultation paper, p. 6.

<sup>57</sup> Metropolis, submission to the consultation paper, p. 4.

<sup>58</sup> Submissions to the consultation paper: AusNet Services, p. 6; United Energy, p. A4; ECA, p.2.

<sup>59</sup> Submissions to the consultation paper: Energy Australia, p. 2; Simply Energy, p. 2.

allow discretionary members to participate once the class of participants is identified by the IEC as being interested and available to be an IEC member.<sup>60</sup> ECA suggested that the discretionary member category could include independent members, instead of having a separate membership category.<sup>61</sup> Several stakeholders considered that discretionary members should be appointed by the other members of the IEC instead of AEMO.

The inclusion of a consumer member on the IEC was supported by most stakeholders except AGL. AGL did not consider that small customers would be interested in back-end systems and processes related to business communications.<sup>62</sup>

Several stakeholders did not support an AEMO member as the chairperson of the IEC. DNSPs considered an independent member should continue to be the chairperson as they would not have any interest in the decisions. In support of this view, AusNet Services noted that independent members provide 'detached, outside skills in negotiating, compromise, wider perspectives and complementary skills.' Alternatively, the AEMO chairperson should not have a voting role.<sup>63</sup>

However, other stakeholders strongly supported an AEMO director as chairperson. AGL considered an AEMO chairperson would "better ensure that the strategic interests and objectives of AEMO and the industry group are closely aligned and approved recommendations on B2B procedures are managed and implemented properly." ECA also supported an AEMO member as chairperson but noted that an AEMO director cannot make commitments on behalf of AEMO unless specifically authorised. AGL also flagged that the AEMC should consider any conflicts of interest of the AEMO member, given the dual capacity as both the IEC chairperson and as an AEMO director.<sup>64</sup>

More generally, several stakeholders considered the IEC should not be too large and it may be necessary to restrict the numbers of existing member categories.<sup>65</sup>

With regard to the Red and Lumo proposal to change the name of the IEC to the Retail Industry Panel, several stakeholders disagreed. They expressed concern that the proposed name would not reflect the wide industry membership of the group.<sup>66</sup> AGL suggested another alternative name: the Retail Communications Panel.<sup>67</sup>

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<sup>60</sup> ERM, submission to the consultation paper, p. 3.

<sup>61</sup> ECA, submission to the consultation paper, p. 2.

<sup>62</sup> AGL, submission to the consultation paper, p. 3.

<sup>63</sup> AusNet, submission to the consultation paper, p. 5.

<sup>64</sup> Submissions to the consultation paper: AGL, p. 2; ECA, p. 2.

<sup>65</sup> Submissions to the consultation paper: EDMI, p. 2; ECA, p. 2.

<sup>66</sup> Submissions to the consultation paper: Vector, p. 3; Ergon, p. 4.

<sup>67</sup> AGL, submission to the consultation paper, p. 4.

### 3.2.4 Commission's analysis and conclusions

The Commission has considered the membership structures proposed under each of the proponents' proposed rules and has determined that the IEC's existing membership should be expanded to include the range of parties that will have an interest in B2B procedures and services available through meters.

As articulated by the rule proponents, recent changes to Chapter 7 of the NER under the competition in metering and embedded networks final rules mean that such interested parties would now include metering coordinators, metering providers, metering data providers, new third party service providers in the market and potentially consumers. In addition, new parties such as embedded network managers<sup>68</sup> may wish to communicate within the B2B framework.

The rule proponents have proposed two options to update the IEC:

- The COAG Energy Council proposal includes a broad representation of members with predominantly one member from certain categories of participant. It has incorporated some flexibility through the inclusion of two discretionary member positions.
- In contrast, the Red and Lumo proposal includes a core group of existing industry members with two members from each category. It enables flexibility through the use of four discretionary positions, however the core group of IEC members would decide on the inclusion of additional discretionary members.

The Commission has considered these options as well as the suggestions made by stakeholders. It has made a draft rule that, if implemented, would amend the IEC membership to comprise of: an AEMO member (who must act as chairperson of the IEC); one retailer member; one DNSP member; one metering member; up to one third party B2B participant member; one consumer member; and at least two, and up to four, discretionary members.

Each of these member categories is discussed below.

#### **AEMO member**

The draft rule requires the AEMO member to be a director of AEMO. This person would be the chairperson of the IEC.<sup>69</sup> This arrangement is similar to the Reliability Panel, which has an AEMC commissioner as the chairperson and has been considered successful, in part, because of these arrangements. In a similar way, as chairperson of the IEC, the AEMO director would be able to provide strategic guidance and focus to

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<sup>68</sup> Under the embedded networks final rule, the embedded network manager will provide market interface functions (such as obtaining a NMI) for customers within the embedded network wishing to go on-market.

<sup>69</sup> Draft rule, clauses 7.17.6(d) and 7.17.10(c). Under the draft rule, if the AEMO member is unable to act as chairperson at a meeting of the IEC as a result of having a material conflict of interest in the matter to be determined by the IEC, then another member of the IEC may be chosen by the IEC to act as chairperson for that meeting. See clause 7.17.6(e) of the draft rule.

IEC decision making, which would remain subject to member voting. This is consistent with the proposed rules.

The Commission considers that a director of AEMO will have wide ranging industry experience that will enable the chair to consider and inform the IEC of the interests of any party not directly represented on the IEC, such as potential new entrants. The AEMO director may also be able to advise the IEC on developments within the sector generally as well as opportunities for synergies with other AEMO workstreams. In addition, the inclusion of an AEMO member on the IEC allows direct AEMO input on the interactions between B2B procedures, MSATS procedures, procedures related to the minimum services specification (as part of the new competition in metering framework), the B2B e-hub and AEMO's budget processes. This may improve the administrative efficiencies of IEC recommendations in relation to the B2B procedures.

In addition to including an AEMO member on the IEC, AEMO would have a role in developing the initial IEC election procedures and IEC operating manual (see Chapter 6 on implementation). It may also be the IEC secretariat; it would consult with the IEC on conflicts with MSATS procedures and implementation costs; and it would have a limited veto power over IEC recommendations (see sections 4.3 and 4.5). Some stakeholders may have concern that there is a perceived or actual conflict of interest with AEMO undertaking multiple roles.<sup>70</sup> However, the Commission considers that such conflicts are unlikely to arise under the draft rule and can be properly managed. In addition, the risk of such conflicts occurring would be outweighed by the benefits that may be achieved from including an AEMO member on the IEC.

### **DNISP member**

The DNISP member would represent DNISPs. The election and requisite qualifications of the DNISP member is discussed at section 3.3.4. Including a DNISP member on the IEC is consistent with the proposed rules. However, Red and Lumo proposed that there be two DNISP representatives. The Commission considers that one DNISP member is preferable for the reasons discussed in relation to discretionary members below.

### **Retailer member**

Under the draft rule, the retailer member replaces the existing 'local retailer and market customer member' under the current B2B arrangements. The Commission considers the new retailer member role to better reflect the parties that would be impacted by B2B procedures.<sup>71</sup> In particular, there are now many retailers that are not local retailers as a result of retail competition. In addition, there are market customers that

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<sup>70</sup> For example, some may consider there to be a perceived conflict if AEMO decided to exercise its veto power over an IEC recommendation, as the AEMO chairperson would have been involved in making that IEC recommendation.

<sup>71</sup> A retailer is defined as a party that holds a retailer authorisation or, in the case of participating jurisdictions that have not introduced the NECF, a person who is registered by AEMO as a customer who engages in the activity of selling electricity to end users. See the new definition of 'retailer member' in the draft rule. Also see definition of retailer in Chapter 10 of the current NER.



are not retailers, such as aluminium smelters and other large users that are not likely to be impacted by B2B procedures. This is consistent with B2B communications being more likely to relate to connection points for small customers,<sup>72</sup> while large customers are more likely to arrange alternative services that suit their specific needs and, as a result, would generally not need representation on the IEC. However, to the extent that a large user was interested, it could still participate in IEC decision making as a third party B2B participant member or a discretionary member if it were eligible and elected or appointed into one of those positions. If a large user was a third party B2B participant, it would be also be involved in the nomination and election of IEC members.

Including a retailer member on the IEC is consistent with the proposed rules. However, Red and Lumo proposed that there be two retailer representatives. The Commission considers that one retailer member is preferable for the reasons discussed in relation to discretionary members below.

### **Metering member**

A new metering member has been introduced under the draft rule. This member would represent the interests of metering coordinators, metering providers and metering data providers. It is appropriate that the interests of these service providers are represented on the IEC given they will be integral to the provision of metering services for small customer connection points. Although there are potentially different business models and regulatory requirements between these types of businesses, it is expected that they will work closely together to provide metering services under the final rule for competition in metering.

Including a metering member on the IEC is consistent with the proposed rules. However, Red and Lumo proposed that there be two metering representatives. The Commission considers that one metering member is preferable for the reasons discussed in relation to discretionary members below.

### **Third party B2B participant member**

Third party B2B participants, being B2B e-hub participants<sup>73</sup> that are not also DNSPs, retailers, metering coordinators, metering providers or metering data providers, will also be represented on the IEC by the third party B2B participant member. This IEC member would represent the interests of third party B2B participants who will be providing new services that are enabled by advanced meters. This could include a wide range of businesses providing innovative services that are not yet envisaged (that is, parties that are not otherwise registered participants or accredited service providers

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<sup>72</sup> Small customers will have new and replacement meters that must meet the minimum services specification and under the draft rule the B2B procedures must have B2B communications that support the services in the minimum services specification.

<sup>73</sup> B2B e-hub participants are parties that are accredited with AEMO to use the B2B e-hub. See section 5.4.

under the NER). It will also include embedded network managers to the extent they use the B2B e-hub.<sup>74</sup>

Including a third party B2B participant member on the IEC is consistent with the COAG Energy Council proposed rule. Under the Red and Lumo proposed rule, a representative for third party B2B participants could be appointed as a discretionary member.

### **Consumer member**

The consumer member would represent the interests of small customers of electricity.<sup>75</sup> The Commission anticipates that small customers are likely to become more impacted by B2B procedures as some may wish to benefit from services enabled by advanced meters, such as data or load control services. Small customers may also be impacted by the way in which DNSPs or retailers use advanced metering services with respect to their connection point. Any cost impact of recommendations by the IEC is likely to affect small customers' electricity prices or the cost of services provided by third parties. For these reasons, it is important to include a consumer representative on the IEC to allow direct input on these decisions. This is more preferable than relying on the retailer member to address such concerns as suggested by AGL.<sup>76</sup> The consumer member is also likely to have useful insights into which new services a significant proportion of small customers are likely to value and should therefore be supported by the B2B procedures.

Including a consumer member on the IEC is consistent with the COAG Energy Council proposed rule. Under the Red and Lumo proposed rule, a representative for small customers could be appointed as a discretionary member.

### **Discretionary members**

The draft rule also provides for AEMO to appoint at least two, and up to four, discretionary members. This provides a degree of flexibility in membership and enables the IEC to be broadly representative of parties with an interest in and relevant expertise regarding B2B procedures over time. There must be at least two discretionary members appointed to the IEC, bringing the minimum number of IEC members to seven. If this were not required, there could be as few as five IEC members. The Commission considers it preferable that at least two discretionary members are included in the IEC to provide more diversity in expertise to inform decision making of the IEC.

The Commission notes that many stakeholders would prefer the IEC to include two retailer members, two DNSP members and two metering members. Stakeholders also

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<sup>74</sup> If embedded network managers become accredited as a B2B e-hub participant to use the B2B e-hub, they would be a third party B2B participant provided they are not also a B2B e-hub participant in respect of another category (such as a metering coordinator). Accreditation is discussed at section 5.4.

<sup>75</sup> Draft rule, clauses 7.17.8(d) and 7.17.11(d)(2)(ii).

<sup>76</sup> AGL, submission to the consultation paper, p. 3.

commented that the two members from each category should represent different business types or sizes. For example:

- the two retailer members should include a 'small retailer' and a 'large retailer';<sup>77</sup>
- the two DNSP members should include DNSPs from different jurisdictions; and
- the two metering members should include different business types, to make sure a mix of metering coordinators, metering providers and metering data providers from competitive as well as 'regulated' businesses are included.

Effective decision making will be supported by including IEC members with a wide range of complementary experience in energy market issues. That is, the IEC should be broadly representative. The Commission closely considered the proposals of stakeholders, but considers:

- having two members from each category elected by industry may result in two similar companies within that category being elected to the IEC. That is, there is no guarantee that the experience (such as business type) and interests of the elected members would be diversified; and
- specifying subcategories within each of the member categories to be elected (such as a large retailer and a small retailer) becomes legally and administratively complex and not flexible to changing market conditions.

For these reasons, the Commission has not included the degree of specificity of membership in the draft rule as suggested by certain stakeholders. However, the draft rule allows between two and four discretionary members to be appointed to the IEC. These members would be appointed to represent a class of people that have an interest in B2B procedures but are not adequately represented on the IEC. The discretionary positions would be used to fill in the gaps in experience of IEC members following election of the industry members. This could result in an additional member that represents certain categories of DNSPs, retailers or metering businesses, to bring in members with different market experience onto the IEC. Over time, if the nature or makeup of the market changes it may be more appropriate that one or more of the discretionary member positions be used to include different types of parties as they become more prevalent in the market. This arrangement provides flexibility to the IEC membership over time, without the need to use a rule change process.

Some stakeholders expressed concern that the IEC may lose experience and corporate knowledge by reducing the number of DNSP and retailer members. However, parties that are not elected or appointed to the IEC would be able to provide their expertise and participate in the development of B2B procedures through the formal consultation process or through IEC working groups. The Commission considers that this provides an appropriate and flexible mechanism for the IEC to draw on relevant industry expertise and is preferable to requiring a greater number of DNSP and retailer elected IEC members.

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<sup>77</sup> For example, this could be determined through market share.

The Commission notes that there may be a theoretical risk that AEMO is unable to meet its obligation to appoint at least two discretionary members to the IEC given there is a possibility that no parties will agree to the appointment. The Commission is interested in stakeholder views on the risk of this occurring and whether any amendments to the draft rule are necessary to address this risk.

### **Independent members**

The draft rule does not include independent members on the IEC, as proposed by the rule proponents and supported by some stakeholders.<sup>78</sup> Under current arrangements, one of the independent members is the chairperson of the IEC and they provide an independent view compared to the retailer and DNSP members.<sup>79</sup> As the draft rule provides that the new IEC include an AEMO chairperson and more broad industry representation, the need for independent members on the IEC is significantly reduced. The Commission considers that it is preferable to have additional discretionary members on the IEC instead of independent members.

### **Renaming the IEC**

The draft rule does not include a change to the name of the IEC as there does not appear to be wide stakeholder support or an identified need at this time. The proposed new names (Retail Industry Panel or Retail Communications Panel) appear to be consistent with the names of AEMO working groups such as the Retail Market Consultative Forum which have a broad scope to discuss work related to retail markets. However, these names were interpreted by some stakeholders as focussing on the views of retailers.

## **3.3 Election and appointment of IEC members**

### **3.3.1 Introduction**

Currently the NER includes very little prescription about the election of IEC members. Instead, these requirements are set out in the IEC election procedures,<sup>80</sup> which include: the nomination and voting process; requisite qualifications of IEC members; certain processes in relation to amending the IEC election procedures; and requirements related to the term, removal and resignation of members.<sup>81</sup>

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<sup>78</sup> The COAG Energy Council proposed the inclusion of two independent members on the IEC and Red and Lumo proposed that independent members could be included as a subset of the discretionary member category. Under the proposed rules, independent members would be nominated and elected by B2B parties (DNSPs, retailers, local retailers, metering coordinators, metering providers, metering data providers and third party B2B participants) and would be required to be independent of those parties.

<sup>79</sup> Under the current IEC election procedures, the independent members are nominated and elected by DNSPs, local retailers and market customers and must be independent of these parties.

<sup>80</sup> Under the current NER, the IEC election procedures may be amended from time-to-time in accordance with clause 7.2A.2.

<sup>81</sup> IEC election procedures are available on the AEMO website.

This section sets out the rule proponents' views, stakeholder views and Commission's draft rule determination and rationale in relation to:

- the election or appointment of IEC members;
- restrictions on nomination and voting for related entities; and
- requisite qualifications of IEC members.

### 3.3.2 Rule proponents' views

The following table summarises the rule proponents' views on the election and appointment of the IEC members.<sup>82</sup>

**Table 3.2 Comparison of proposed election or appointment of members**

Member category	COAG Energy Council proposal	Red and Lumo proposal
AEMO member	Appointed by AEMO	Appointed by AEMO
Retailer member	Elected by retailers and local retailers	Appointed by retailers and local retailers <sup>83</sup>
DNSP member	Elected by DNSPs	Appointed by DNSPs <sup>84</sup>
Metering member	Elected by metering coordinators, metering providers and metering data providers	Appointed by metering coordinators, metering providers and metering data providers <sup>85</sup>
Discretionary member	Appointed by AEMO, in consultation with the independent members and any other person determined by AEMO	Retail Industry Panel decides whether a discretionary membership position should be included. Once decided to include a certain type of member, they would be elected or appointed as set out below
Consumer member	Appointed by AEMO, in consultation with ECA	Appointed by AEMO, in consultation with ECA <sup>86</sup>
Third party	Elected by third party B2B	Appointed by third party B2B

<sup>82</sup> COAG Energy Council proposed rule, clause 7.17.10; Red and Lumo proposed rule, clause 7.17.10.

<sup>83</sup> The Red and Lumo proposed rule refers to both the appointment and election of the retailer members at different points in the proposed rule.

<sup>84</sup> The Red and Lumo proposed rule refers to both the appointment and election of the DNSP members at different points in the proposed rule.

<sup>85</sup> The Red and Lumo proposed rule refers to both the appointment and election of the metering members at different points in the proposed rule.

<sup>86</sup> Under the Red and Lumo proposed rule, the consumer member is a subset of the discretionary member category.

Member category	COAG Energy Council proposal	Red and Lumo proposal
B2B participant member	participants	participants <sup>87</sup>
Independent member	Elected by B2B parties	Elected by B2B parties <sup>88</sup>
B2B party	n/a	Appointed by the relevant class of B2B parties that would be represented by the discretionary member position <sup>89</sup>

The rule proponents have suggested introducing restrictions on who can nominate and vote for certain membership positions:<sup>90</sup>

- **Within a member category:** for example:
  - if a party is registered in two or more of the categories of metering coordinator, metering provider and metering data provider, it would only be able to nominate and vote once for the metering member;
  - if a party is both a retailer and local retailer, it may only nominate and vote once in respect of the retailer member; and
  - if two or more parties are related bodies corporate<sup>91</sup> and belong to the same voter category (for example, each of the related bodies corporate would be able to vote on the retailer member or metering member or DNSP member or third party B2B participant member), then only one of the related bodies corporate may nominate and vote in respect of the relevant member category.
- **Across member categories:** Red and Lumo have also proposed nomination restrictions for related bodies corporate that would prohibit them from nominating in multiple IEC member categories. For example, if a party is both a retailer and a metering coordinator, it may only nominate to be the IEC member in respect of one member category.

<sup>87</sup> Under the Red and Lumo proposed rule, the third party B2B participant member is a subset of the discretionary member category. The Red and Lumo proposed rule refers to both the appointment and election of the third party B2B participant member at different points in the proposed rule.

<sup>88</sup> Under the Red and Lumo proposed rule, the independent member is a subset of the discretionary member category.

<sup>89</sup> Under the Red and Lumo proposed rule, other B2B parties may be appointed as a subset of the discretionary member category.

<sup>90</sup> COAG Energy Council proposed rule, clauses 7.17.10 (j) to (k); Red and Lumo proposed rule, clauses 7.17.10 (g) to (i).

<sup>91</sup> Under Chapter 10 of the current NER, a 'related body corporate' is as defined in the Corporations Act 2001 (Cth). Related bodies corporate include a holding company and its subsidiaries, or two or more companies that are subsidiaries of the same holding company

These proposals are intended to address concerns that related entities could use their voting power to secure one or more membership positions and, in turn, exercise significant influence over the IEC decision making process.

The rule change requests also move the requisite qualifications of members from the IEC election procedures into the NER. While the wording differs slightly between the two proposed rules, each places obligations on the party responsible for the election or appointment of members so that the person nominated or appointed:<sup>92</sup>

- has knowledge and experience of the NEM;
- has experience with and skills in considering issues that affect the category of persons they are being elected or appointed to represent;
- has knowledge of the subject matter of B2B procedures;
- has knowledge and understanding of the NER and related legislative and regulatory framework;
- in the case of independent members, is independent of B2B parties;
- in the case of discretionary members, is independent of AEMO.<sup>93</sup>

COAG Energy Council has defined being 'independent' of a person as:<sup>94</sup>

1. not being an employee or director of that person;
2. not being:
  - (a) an employee of, or a partner in, any partnership; or
  - (b) an employee of, or a director of, any company;
3. which partnership or company is an adviser or consultant to that person, where such relationship is a significant source of income of that partnership or company; or
4. not being an adviser or consultant to that person, where such relationship is a significant source of income for that adviser or consultant.

### **3.3.3 Stakeholder views**

Stakeholders provided some specific suggestions relating to the appointment and election of IEC members:

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<sup>92</sup> COAG Energy Council proposed rule, clause 7.17.11; Red and Lumo proposed rules, clause 7.17.11.

<sup>93</sup> COAG Energy Council proposed rule, clause 7.17.11(d)(5).

<sup>94</sup> COAG Energy Council proposed rule, clause 7.17.11(a). Red and Lumo proposed a similar definition of independence within its definition of an 'independent representative' of the IEC.

- Origin suggested that industry bodies could be involved in the nomination process;<sup>95</sup>
- ECA proposed that nominees for an IEC member position should be endorsed by its CEO to ensure the nominee is supported by the organisation and can contribute to strategic discussions within the IEC.<sup>96</sup>

Several stakeholders considered it important that IEC members are elected or appointed by industry stakeholders where possible.<sup>97</sup>

ECA provided some alternative views to the role of IEC members. It noted that there is currently a requirement in the IEC operating manual that the person selected will canvas the opinion of the sector they represent concerning the items of business to be discussed at each IEC meeting. ECA considers IEC members should be elected because of 'the expertise they bring to the IEC, not to be the voice of a sectoral group'.<sup>98</sup>

With regard to restrictions on nomination and voting, some retailers and the Competitive Energy Association (CEA) supported the Red and Lumo proposal to include restrictions between member categories.<sup>99</sup> AGL and Active Stream did not agree with these restrictions, as:

- metering companies have separate operations, resources and services compared to their parent companies; and
- most metering companies are associated with either a retailer or DNSP, so restricting these parties from participation would result in very few people being eligible.<sup>100</sup>

Metropolis noted that each DNSP will be acting as an initial metering coordinator following the commencement of the competition in metering final rule. In addition, DNSPs may be acting as accredited metering provider and metering data provider businesses. It raised concerns with the potential voting power of DNSPs in the metering category that may preclude a 'competitive' metering company from being elected to the IEC.<sup>101</sup>

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<sup>95</sup> Origin, submission to consultation paper, p. 2.

<sup>96</sup> ECA, submission to the consultation paper, p. 2.

<sup>97</sup> Submissions to the consultation paper: Simply, p. 2; United, p. A6.

<sup>98</sup> ECA, submission to the consultation paper, p. 2. See section 10 of the IEC operating manual available on the AEMO website.

<sup>99</sup> For example, see CEA, submission to the consultation paper, p. 2.

<sup>100</sup> Submissions to the consultation paper: AGL, p. 3; Active Stream, p. 2.

<sup>101</sup> Metropolis, submission to the consultation paper, p. 3.



### 3.3.4 Commission's analysis and conclusions

#### Election and appointment of IEC members

IEC members are currently appointed to the IEC in accordance with the IEC election procedures, which sets out additional prescription regarding the nomination and election processes. The rule proponents have proposed that some of the requirements regarding the nomination and voting process be elevated into the NER.

The draft rule adopts this proposed approach, as it provides greater certainty and clarity of the election process. The nomination and voting requirements set out in the draft rule are an important feature of the overall framework.<sup>102</sup> As the draft rule includes a wider membership structure than the current NER, it is desirable to support this by introducing provisions in the NER detailing the relevant requirements for each of the members.

Similar to the current arrangements for the election of IEC members, the draft rule provides that the DNSP member, retailer member, metering member and third party B2B participant member would be nominated and elected by the category of participant it is representing. This is consistent with the proposed rules.

In the early years of the updated IEC there may be few or no third party B2B participants. To manage this possible situation, the draft rule provides that a third party B2B participant member need only be elected to the IEC once there is at least one B2B e-hub participant accredited with AEMO who is a third party B2B participant and that party has nominated a person for election as a third party B2B participant member of the IEC.<sup>103</sup> While third party B2B participants may be smaller businesses that may not have resources to be an IEC member themselves, a suitable representative outside of their business could be elected to the position. The IEC may address the potential resourcing issues by making the requirements in the IEC election procedures and operating manual conducive to smaller IEC representatives.<sup>104</sup>

In addition to the possibility that there may be no third party B2B participant, there may be no registered metering coordinators when the new IEC is initially formed.<sup>105</sup> As a result, the first metering member would be elected by accredited metering provider and metering data providers. The IEC election procedures could, but are not required to, provide a trigger for re-election once metering coordinators are registered as registered participants. This would have the advantage of including these parties in the election process for the metering member. Alternatively, a discretionary member with metering coordinator experience could be appointed to the IEC, if considered necessary.

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<sup>102</sup> Draft rule, clause 7.17.10.

<sup>103</sup> Draft rule, clause 7.17.6(b)(6). This was proposed by the rule proponents (see clause 7.17.6(b)(1)(vii) of the proposed rules) and supported by United Energy on p. A5 of its submission to the consultation paper.

<sup>104</sup> See section 3.3 below.

<sup>105</sup> See the proposed implementation timeframes set out in Chapter 6.

The consumer member would be appointed by AEMO in consultation with ECA.<sup>106</sup> ECA has been selected for this task because it is a national energy consumer advocacy body on national energy market matters of strategic importance and material consequence for energy consumers, in particular household and small business customers. This is consistent with the proposals put forward by the rule proponents.

The Commission considers it preferable that the consumer member is appointed by AEMO in consultation with ECA, instead of ECA nominating a consumer member. ECA may put suitable candidates forward to AEMO through the consultation process.

As noted in section 3.2.4, the draft rule provides for at least two and up to four discretionary IEC members to be appointed by AEMO. In appointing the discretionary members, AEMO would consider which parties may have an interest in B2B procedures and which of those parties are not adequately represented on the IEC. The discretionary members must be independent of AEMO.<sup>107</sup>

Some stakeholders preferred that IEC members generally be elected by industry where possible. However, the appointment of the discretionary members by AEMO provides some confidence that the IEC should be broadly representative and have wide ranging and relevant experience (see the discussion at section 3.1.4 above). The draft rule allows AEMO to consult with stakeholders in appointing a discretionary member position. For example, if AEMO decides to appoint a discretionary IEC member that is knowledgeable about embedded network manager issues, AEMO may decide to consult with embedded network managers prior to appointing that IEC member.

### **Requisite qualifications**

The rule proponents have also proposed that certain requisite qualifications for IEC members be elevated into the NER.<sup>108</sup> The draft rule incorporates this proposal and includes requirements that are similar to the current knowledge and experience requirements outlined in the IEC election procedures.

The draft rule requires B2B parties to ensure the person they nominate as an IEC member meets the following requirements, and AEMO must ensure that the discretionary members or consumer member it appoints meet the following requirements:

- has knowledge and experience of the NEM;
- has experience with and skills in considering issues that affect the category of persons they are being elected or appointed to represent;
- has knowledge of the subject matter of B2B procedures;

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<sup>106</sup> Draft rule, clause 7.17.10(b). ECA was established by the COAG Energy Council in January 2015. See [www.energyconsumersaustralia.com.au](http://www.energyconsumersaustralia.com.au).

<sup>107</sup> Draft rule, clauses 7.17.10(d) and 7.17.11(d)(5).

<sup>108</sup> COAG Energy Council proposed rule, clause 7.17.11; Red and Lumo proposed rule, clause 7.17.11.

- has knowledge and understanding of the NER and related legislative and regulatory framework; and
- in the case of discretionary members, is independent of AEMO.<sup>109</sup>

These requirements have been incorporated into the NER to provide some certainty and clarity of the qualifications of members. The Commission considers this is important feature of the overall framework and to facilitate decision-making by the IEC.

The intention of this requirement is to ensure that IEC members have, at a minimum, certain knowledge and experience in key areas. It is not necessary that they be experts in each of these areas. Voters would need to ensure that the person they are nominating and electing meets these requirements. It is not the responsibility of the IEC secretariat or the IEC to ensure the candidates meet the knowledge requirements.

This supports the intention that the new IEC would be a strategic group, with working groups set up to carry out the detailed technical work. While it is important that each of the IEC members is able to understand their recommendations and the implications, it is more important that they have complementary expertise and are able to engage in robust discussion on how the B2B procedures can be developed in a way that satisfies the relevant legal tests for changes to the B2B procedures (see section 4.3 below).

### **Restrictions on nomination and voting**

The rule proponents and some stakeholders raised concerns that if multiple related bodies corporate<sup>110</sup> are registered in an IEC voter category then it would be possible for them to use multiple votes to elect their preferred candidate to the IEC. This has not been a significant issue under the current arrangements given there are three retailer member positions and three DNSP member positions on the IEC.

There are a number of scenarios to consider. Some parties entitled to vote for an IEC member will have multiple related bodies corporate within a voter category (such as AGL's retailer businesses in each state and territory). Parties may have one corporate entity with multiple accreditations within a voter category (such as Metropolis as both a metering provider and metering data provider). Alternatively, a retailer may be both a retailer and a local retailer. To manage such scenarios, entities should be prevented from exercising potential voting power in these situations. The draft rule provides that these related bodies corporate will collectively only have one vote within their member category.<sup>111</sup> This would prevent related bodies corporate from being able to vote multiple times for IEC members and secure the membership for their preferred candidate.

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<sup>109</sup> Draft rule, clauses 7.17.11(c)-(d). The definition of 'independent' is set out in clause 7.17.11 of the draft rule and is consistent with the definition proposed by the COAG Energy Council, set out in section 3.3.2 above.

<sup>110</sup> Related bodies corporate under the Corporations Act include a holding company and its subsidiaries, or two or more companies that are subsidiaries of the same holding company.

<sup>111</sup> Draft rule, clauses 7.17.10(i)-(j).

Metropolis raised concerns with the voting power of initial metering coordinators within the metering member category, given DNSPs will have an initial metering coordinator business.<sup>112</sup> The draft rule does not exclude these parties from nomination and voting for the metering member. This type of participant is a recognised industry participant and parties in this category are expected to hold relevant industry knowledge. However, the category of initial metering coordinator is expected to phase out over time. In addition, should an initial metering coordinator be elected to the IEC as the metering member, AEMO may choose to appoint a party representing metering coordinators who are not initial metering coordinators as a discretionary member to broaden the expertise and skills brought to the IEC.

Another scenario to consider is where related bodies corporate are operating across two or more IEC member categories, such as Energex's DNSP business and its metering provider and metering data provider business (Metering Dynamics). While COAG Energy Council did not recommend a nomination and voting restriction for related bodies corporate in this situation, Red and Lumo sought to restrict such related entities from being elected to the IEC in different categories.

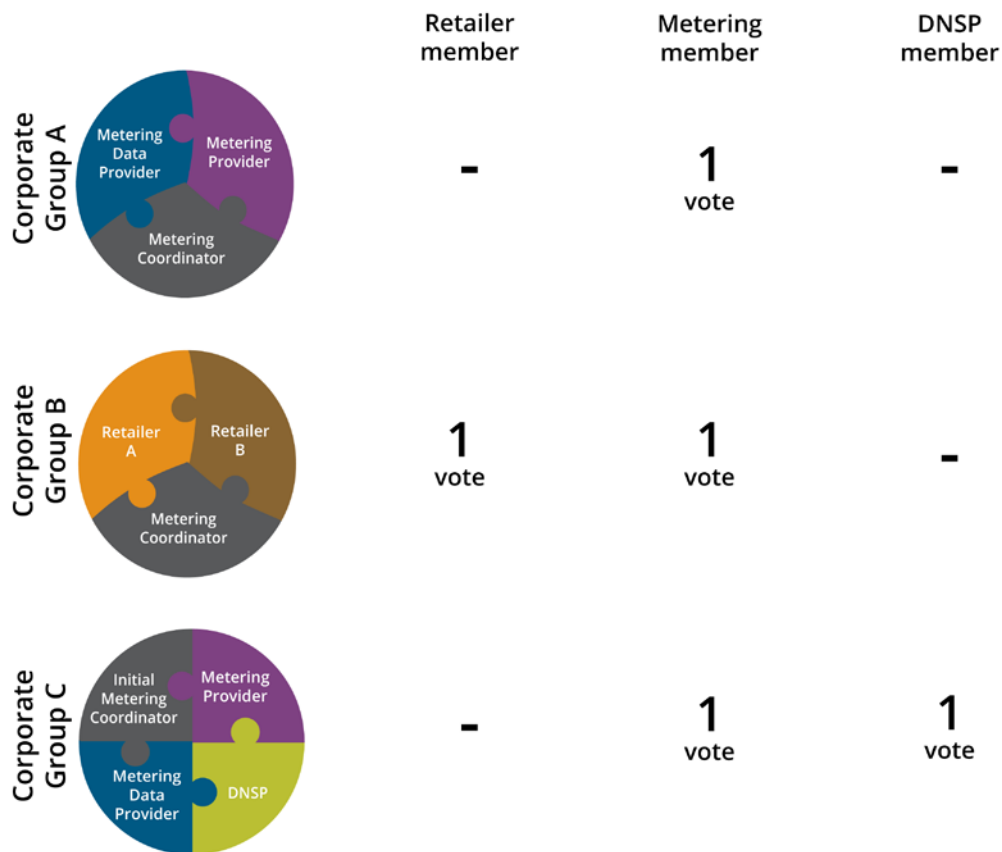
The draft rule does not prevent related bodies corporate from nominating and being elected to the IEC in different member categories. If the related bodies corporate are elected to be the IEC member in each of their respective IEC member categories, they have each been elected by the eligible voters in each of those IEC member categories. The related bodies corporate are prevented from exercising more than one vote within the member category. This is consistent with the COAG Energy Council proposal, but not the Red and Lumo proposal.

Figure 3.1 below provides an overview of three different groups of related entities and their voting arrangements under the draft rule.

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<sup>112</sup> See the competition in metering final rule, clause 11.86.7. A local network service provider that was the responsible person for a type 5 or 6 metering installation is appointed as the Metering Coordinator at that connection point.

**Figure 3.1 Draft rule voting arrangements for related entities**



### 3.4 Meetings

#### 3.4.1 Introduction

This section sets out the rule proponents' views, stakeholder views and Commission's draft rule determination and rationale in relation to:

- quorum for IEC meetings;
- voting on IEC decisions;
- changing the IEC election procedures and IEC operating manual; and
- conflicts of interest.

#### 3.4.2 Rule proponents' views

The rule proponents have proposed slightly different quorum requirements for IEC meetings. This is partly due to the different numbers of IEC members under each of the proposals:

- The COAG Energy Council has proposed that the quorum would be five members if there are less than nine IEC members and six members if there are nine or more IEC members.
- Red and Lumo have proposed that the quorum would be five if there are less than eight IEC members or seven members if there are nine or more members.

In each rule change request, the attendance of the AEMO member (as chairperson) is required for quorum to be satisfied.<sup>113</sup>

This is summarised as follows:

**Table 3.3 Comparison of proposed quorum for IEC meetings**

Number of IEC members	7	8	9	10	11
Quorum - COAG Energy Council	5	5	6	6	-
Quorum - Red and Lumo	5	5	7	7	7

With regard to the number of IEC members that must agree in order to make certain IEC decisions, both rule proponents have proposed the introduction of super majorities (70 per cent of members, rounded up to the next whole number) and ordinary majorities (60 per cent of members, rounded up to the next whole number). IEC decisions related to the IEC works program, recommending changes to B2B procedures and making an IEC recommendation would require a super majority. Other IEC decisions would require an ordinary majority.<sup>114</sup>

The rule proponents have also proposed changes to the NER provisions regarding the IEC election procedures and IEC operating manual to change the way in which industry votes on amendments.<sup>115</sup>

- The COAG Energy Council has proposed that amending the election procedures or operating manual would require the support of at least 75 per cent of voters in at least three of the voter categories for: the DNSP member; the retailer member; the metering member; and the third party B2B participant member.
- Red and Lumo proposed that an amendment would require the support of at least 75 per cent of voters in each of the voter categories for: the DNSP member; the retailer member; and the metering member.

<sup>113</sup> COAG Energy Council proposed rule, clause 7.17.9(b); Red and Lumo proposed rule, clause 7.17.9(b).

<sup>114</sup> COAG Energy Council proposed rule, clause 7.17.9(c); Red and Lumo proposed rule, clause 7.17.9(c). Under the Red and Lumo proposed rule, a decision to 'amend the discretionary members' would also require a super majority.

<sup>115</sup> COAG Energy Council proposed rule, clause 7.17.12; Red and Lumo proposed rule, clause 7.17.12.

Conflicts of interest would be dealt with by requiring IEC members to not take part in any decision where they have a material conflict of interest in that decision. A conflict would be material if it detracts from the capacity of the member to exercise independent judgment in respect of the relevant decision. However, IEC members would be able to take into account the interests of the participants they represent.<sup>116</sup> The COAG Energy Council requested that the AEMC consider whether the wording 'independent judgment' in the proposed rule should be defined differently to provide better guidance around conflict of interest issues.<sup>117</sup>

### **3.4.3 Stakeholder views**

There were few stakeholder comments on the proposed arrangements for IEC meetings.

United Energy proposed that the quorum for meeting should be six (if there are less than nine IEC members) or seven (if there are nine or more IEC members). This would need to include the chairperson (an independent member), one DNSP and one retailer.<sup>118</sup>

United Energy also suggested that each IEC member should nominate an alternate because this would avoid quorum issues and facilitate meetings.<sup>119</sup>

While AGL supported an AEMO member as chairperson for the IEC, it was concerned that conflicts of interest may arise. It also commented that an AEMO director would be obliged to make decisions in the interest of AEMO.<sup>120</sup>

### **3.4.4 Commission's analysis and conclusions**

As discussed above, under the draft rule there may be between seven and ten members of the IEC. The variation in the number of members arises because there may be no third party B2B participant member initially and AEMO must appoint two, and may appoint up to four, discretionary members.

Currently, quorum is five (out of eight) members. If this approximate proportion of quorum to total members is maintained, it results in a quorum of five (out of seven or eight) members or six (out of nine or ten) members, as proposed by the COAG Energy Council. Although United Energy proposed a slightly higher quorum, the Commission does not wish to create an unnecessary barrier to holding meetings. The draft rule is consistent with the COAG Energy Council proposal and provides an approach that is similar to the current arrangements.<sup>121</sup>

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<sup>116</sup> COAG Energy Council proposed rule, clause 7.17.8; Red and Lumo proposed rule, clause 7.17.8.

<sup>117</sup> COAG Energy Council rule change request, p. 11.

<sup>118</sup> United, submission to the consultation paper, p. A6.

<sup>119</sup> *ibid.*

<sup>120</sup> AGL, submission to the consultation paper, p. 2.

<sup>121</sup> Draft rule, clause 7.17.9(b).

With regard to which IEC members must be present at meetings, the Commission is not convinced that any particular member apart from the AEMO member must be present. The IEC will include broad representation of parties interested in B2B procedures and as long as there is quorum, the meeting should be able to proceed.

The NER also currently sets out the number of members that must support particular IEC decisions for those decisions to be validly made. Again, the draft rule provides a proportional approach to the current requirements to manage the variability in the number of IEC members that may arise. This is also consistent with the rule proponents' proposals. A decision of the IEC to recommend a change to the B2B procedures or the approval of an IEC works program<sup>122</sup> would require the support of at least 70 per cent of IEC members. Any other decision of the IEC would require the support of at least 60 per cent of members.<sup>123</sup>

The following table provides an overview of the IEC quorum and voting requirements in the draft rule.

**Table 3.4 Draft rule IEC quorum and voting requirements**

Number of IEC members	7	8	9	10
Quorum	5	5	6	6
Votes required for a recommendation to change the B2B procedures or IEC works program	5	6	7	7
Votes required for other IEC decisions	5	5	6	6

AGL had expressed some concern that the AEMO member may be conflicted in IEC decision making. However, considering the qualification requirements for IEC members, it is likely that all members will have some interest in decisions. In general, IEC members will likely work for a business that will be affected by IEC decisions. To acknowledge this, the NER currently allows IEC members to take into account the interests of the parties or groups of parties they represent.<sup>124</sup> The draft rule extends this provision to allow new IEC member categories, including the AEMO member, to consider the interests of the relevant representative group.<sup>125</sup>

This is balanced with a requirement that IEC members not take part in IEC decisions if they have a material conflict of interest. The draft rule provides that a conflict will be

<sup>122</sup> This is the work program prepared by the IEC in respect of the development, implementation and operation of the B2B procedures and other matters which are incidental to effective and efficient B2B communications.

<sup>123</sup> Draft rule, clause 7.17.9(c). The draft rule does not contemplate a threshold for changes to discretionary members as suggested by Red and Lumo as the draft rule does not provide for the IEC to appoint these parties.

<sup>124</sup> Current NER, clauses 7.2A.2(o)-(p).

<sup>125</sup> Draft rule, clauses 7.17.8(c)-(f).



material if it detracts, or would reasonably be considered to be likely to detract, from that member's capacity to exercise independent judgment in respect of the relevant decision.<sup>126</sup> The Commission considers that the draft rule provides sufficient certainty as to what constitutes a material conflict of interest. Whether a conflict of interest is material will also depend on the circumstances. The process for managing and providing supporting guidance on what particular circumstances may give rise to a conflict of interest is best provided in the IEC operating manual.

It is possible that this requirement may result in the AEMO member not being able to attend, or act as chairperson, at certain meetings of the IEC because of a conflict of interest. If this is the case and the chairperson is required to leave the meeting, the IEC would no longer have a chairperson. Should this occur, the draft rule provides that another member, with the support of an ordinary majority of members, may act as chairperson for such meetings.<sup>127</sup>

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<sup>126</sup> Draft rule, clauses 7.17.8(a)(5)-(b).

<sup>127</sup> Draft rule, clauses 7.17.6(e) and 7.17.9(b). Under the draft rule, additional processes related to managing material conflicts of interest may be set out in the IEC operating manual.

## 4 Making B2B procedures

### Box 4.1 Draft rule determination

The draft rule provides that B2B procedures must, in addition to the content requirements currently set out in the NER, provide for B2B communications to support each of the services in the minimum services specification. The IEC may recommend the inclusion of other B2B communications in B2B procedures in accordance with the draft rule.

The draft rule allows any party (other than the IEC) to initiate a change to B2B procedures. It sets out requirements for the IEC's process in developing recommendations to change the B2B procedures. For example, in addition to the existing requirements under the NER, the IEC must consult with AEMO on the changes required to the B2B e-hub in order to implement the proposed change and the potential costs of implementation.

When developing recommendations to change B2B procedures, the IEC must have regard to the NEO and the new B2B factors. It must also seek to give effect to the B2B principles. The new B2B factors are:

- the reasonable costs of compliance by AEMO and B2B parties with the B2B procedures compared with the likely benefits from B2B communications;
- the likely impacts on innovation in, and barriers to entry to, the market for services facilitated by advanced meters resulting from changing the B2B procedures; and
- the implementation timeframe reasonably necessary for AEMO and B2B parties<sup>128</sup> to implement systems or other changes required to be compliant with any change to B2B procedures.

The draft rule simplifies the decision making process and clarifies the respective roles of AEMO and the IEC under the B2B arrangements. The grounds on which AEMO may veto an IEC recommendation to change B2B procedures have been narrowed to where there is an inconsistency with MSATS procedures.

The draft rule also extends the decisions that may be reviewed under the dispute resolution provisions set out in Chapter 8 the NER. An IEC decision to not recommend a B2B procedure change may now be reviewed, in addition to an IEC recommendation to change the B2B procedures and AEMO's decision to approve (or not approve) an IEC recommendation. Dispute resolution will be accessible by B2B parties and parties that proposed the relevant change to B2B procedures that have been adversely affected by the decision.

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<sup>128</sup> 'B2B parties' includes DNSPs, retailers, local retailers, metering coordinators, metering providers, metering data providers, embedded network managers and third party B2B participants.

## 4.1 Introduction

This chapter sets out the Commission's draft rule determination in relation to the process for making and amending B2B procedures. This includes issues related to:

- the content requirements for B2B procedures;
- the process for the IEC to develop a recommendation to change B2B procedures;
- the criteria for making an IEC recommendation (namely the NEO, B2B factors and B2B principles);
- AEMO's role in the B2B framework; and
- dispute resolution.

## 4.2 Content of B2B procedures

### 4.2.1 Introduction

The content requirements for B2B procedures are currently set out in clause 7.2A.4 of the NER. This requires the B2B procedures to include certain types of information for each B2B communication. B2B communications are currently defined as "communications between local retailers, market customers and DNSPs relating to an end user or supply to an end user provided for in B2B procedures."<sup>129</sup>

A key issue is that the current rules regarding the B2B framework do not include communications related to metering coordinators, metering providers and metering data providers.

In addition, there is currently no guarantee that the B2B procedures would provide for communications that support the services in the minimum services specification under the new framework for metering services being introduced by the competition in metering final rule. It may be important that these services are supported by B2B procedures going forward because the competition in metering final rule will result in the installation of new meters for small customers that are capable of providing the services in the minimum services specification (subject to certain exceptions).<sup>130</sup> These services are expected to be the most widely used services facilitated through advanced meters at small customer connection points.

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<sup>129</sup> Current NER, Chapter 10.

<sup>130</sup> See Appendix C1 in the competition in metering final rule determination for a full explanation of the minimum services specification and under what circumstances metering installations at small customer connection points must meet the minimum services specification.

#### 4.2.2 Rule proponents' views

The proponents considered the content requirements set out in clause 7.2A.4 of the NER should be expanded. They proposed that B2B procedures should be required to include B2B communications to support each of the services set out in the minimum services specification. However, B2B procedures may also provide for other B2B communications.<sup>131</sup>

The proponents have proposed that B2B procedures may include performance requirements for the B2B e-hub. This is because the communications that will be supported through the B2B e-hub may require 'near instant' delivery times and the performance of the B2B e-hub may be vital for the delivery of these communications. The proponents also suggested that B2B procedures must allow for parties to communicate outside the B2B e-hub. However, if parties use an alternative to the B2B e-hub they should still be required comply with any B2B procedures relevant to the B2B communications being communicated.<sup>132</sup>

The proponents have also suggested that the definition of B2B communications be amended to include all the parties who may have an interest in providing or receiving services related to a small customer's meter. This would enable the B2B framework to support communications amongst the new parties emerging in the electricity market that will provide services to other market participants and end users.

#### 4.2.3 Stakeholder views

Stakeholders were primarily concerned with the list of services that would be supported through B2B communications in the B2B procedures:

- DNSPs considered the B2B procedure change to reflect the competition in metering and embedded networks final rules (commencing on 1 December 2017) must include B2B communications to support more than the services in the minimum services specification:
  - In particular, Ausgrid considered that load control services should be supported as these services are widely used.<sup>133</sup>
  - AusNet Services considered the vital processes that should be supported through B2B communications are: de-energisation and re-energisation; new connections and site configurations; meter churn; retailer isolation for

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<sup>131</sup> COAG Energy Council proposed rule, clause 7.17.3(a); Red and Lumo proposed rule, clause 7.17.3(a).

<sup>132</sup> COAG Energy Council rule change request, pp. 11-13; Red and Lumo rule change request, pp. 11-13.

<sup>133</sup> Ausgrid, submission to the consultation paper, p. 4. Ausgrid considered that if load control is not included in B2B procedures, DNSPs will have to negotiate multiple bespoke agreements and may choose not to offer the services.

metering work; failed meter processes including meter fault based customer outages; and life support.<sup>134</sup>

- Vector noted that metering providers and metering data providers will increasingly perform site visits (instead of DNSPs) so will need access to certain services.<sup>135</sup>
- Ausgrid considered the B2B procedures should include functionality to prioritise and coordinate services, for example, in an emergency situation.<sup>136</sup>

#### **4.2.4 Commission's analysis and conclusions**

Under the competition in metering final rule, all new and replacement metering installations at small customer connection points will need to be capable of providing the services in the minimum services specification (subject to certain limited exceptions). These services are defined under the final rule for competition in metering and minimum service levels and AEMO is required to develop procedures that set out standards for the provision of those services.<sup>137</sup> The services in the minimum services specification were selected because they were expected to be the most widely used services.<sup>138</sup> The market would then decide what additional services would be most beneficial and should be supported by a new or replacement metering installation.

The draft rule includes a new requirement that B2B procedures must provide for B2B communications to support each of the services in the minimum services specification.<sup>139</sup> This is expected to enable these services to be provided more efficiently, as there would be a standard form of communication for providing or accessing these services.

Stakeholders identified a number of services that they considered should be supported by B2B procedures because they are widely used, even though they are not included in the minimum services specification. However, the Commission considers it preferable that the additional B2B communications to be included in B2B procedures be determined through the B2B procedure making process, as the IEC is the most appropriate body to recommend changes to the B2B procedures.

The draft rule does not specify that the B2B procedures must include B2B communications that support services beyond the minimum services specification, but it enables the B2B procedures to include these types B2B communications.<sup>140</sup> In accordance with the transitional requirements for this draft rule determination, the IEC

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<sup>134</sup> AusNet Services, submission to the consultation paper, p. 8.

<sup>135</sup> Vector, submission to the consultation paper, p. 2.

<sup>136</sup> Ausgrid, submission to the consultation paper, p. 7.

<sup>137</sup> See the Competition in metering final rule, Schedule 7.5 and clause 11.86.6.

<sup>138</sup> See Appendix C1 in the competition in metering final rule determination for a full explanation of the minimum services specification.

<sup>139</sup> Draft rule, clause 7.17.3(a)(1).

will be required to update the existing B2B procedures to accommodate the draft rule, including the addition of B2B communications to support the services in the minimum services specification. It may also include any additional B2B communications it considers appropriate to accommodate the draft rule.<sup>141</sup> Following this, any B2B procedure change process must be initiated by a party other than the IEC.

These arrangements are preferable to introducing additional content requirements in the B2B framework in the NER, which would set out all relevant services that must be supported by B2B communications. In meeting its requirements under the transitional provisions (see section 6.5), the Commission expects that the IEC would consider whether to include communications related to the services identified by DNSPs as part of the B2B procedure development process.

If this draft rule is made, the IEC has several options with regard to meeting its transitional requirements with regard to updating the B2B procedures to accommodate the draft rule. For example, the IEC may decide:

- to recommend the minimal necessary changes to B2B procedures during the transition period, in order to implement these changes quickly. B2B communications to support other services could be added through a B2B procedure change process at a later date;
- to recommend changes to the B2B procedures that include B2B communications that support the services in the minimum services specification plus some additional services that are agreed to be vital services. B2B communications to support other services could be added through a B2B procedure change process at a later date; or
- to recommend changes to B2B procedures that include B2B communications that support a wide range of commonly used services. B2B communications to support new services could be added through a B2B procedure change process at a later date.

Implementation of this draft rule is discussed further in Chapter 6.

In addition, the Commission understands that parties are currently able to send free form communications through the B2B e-hub that could be used to support other services. This enables parties to communicate regarding a service that is not yet supported by a B2B communication in the B2B procedures. To ensure this functionality continues, the draft rule includes a requirement that the B2B e-hub must have the capability to support free-form communications between B2B parties.<sup>142</sup>

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<sup>140</sup> Draft rule, clause 7.17.3(a)(3).

<sup>141</sup> See section 6.5.

<sup>142</sup> Draft rule, clause 7.17.1(b). See also section 5.2.

## 4.3 Process for making an IEC recommendation

### 4.3.1 Introduction

The process for changing B2B procedures is currently contained in clause 7.2A.3 of the NER. Broadly, it sets out:

- who may propose a change to B2B procedures;
- the IEC's initial consideration of the proposal and preparation of consultation documents (including seeking AEMO's advice on whether the proposal may conflict with MSATS procedures);
- the process for consulting on the B2B proposal, including a requirement to follow the rules consultation procedures; and
- requirements for the IEC to prepare a draft report for consultation and a final report.

Clause 7.2A.3 of the current NER also sets out the decision making criteria and AEMO's role in the decision making process. These are discussed below at sections 4.4 and 4.5 respectively.

### 4.3.2 Rule proponents' views

The proponents consider the process for making an IEC recommendation should be amended to improve accessibility and ensure the correct participants are involved in the consultation process. The proposals included:

- Any party should be able to propose a change to B2B procedures.<sup>143</sup>
- The IEC should seek AEMO's advice on the changes that would be required to the B2B e-hub as a consequence of the B2B procedure change and the likely costs involved, for inclusion in the B2B procedure change pack.<sup>144</sup>
- The list of parties that must be notified of a consultation process for a B2B procedure change should be expanded.<sup>145</sup>
- The IEC should consult with AEMO on impacts of the proposal with all retail market procedures, not only MSATS procedures.<sup>146</sup>

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<sup>143</sup> COAG Energy Council proposed rule, clause 7.17.4(f); Red and Lumo proposed rule, clause 7.17.4(a).

<sup>144</sup> COAG Energy Council rule change request, p. 13; Red and Lumo rule change request, p. 12.

<sup>145</sup> COAG Energy Council proposed rule, clause 7.17.4(j).

<sup>146</sup> Red and Lumo proposed rule, clause 7.17.4(c)(1)(i). Retail market procedures are the procedures developed by AEMO under Chapter 7 of the NER. Currently this includes metrology procedures, service level procedures, meter churn procedures and MSATS procedures.

- Changes should be made to the IEC's process for considering a B2B proposal. While these were not explained in detail in the Red and Lumo rule change request, it appears the changes have been made in order to make the process more consistent with AEMO's process for amending other procedures under Chapter 7 of the NER in the competition in metering final rule.<sup>147</sup> The main changes proposed to the B2B procedure making process are:
  - specifically allowing the IEC to obtain additional information from the proponent of the B2B proposal;<sup>148</sup>
  - including a more extensive process for making minor and administrative changes to B2B procedures, including a short consultation period that is not currently required;<sup>149</sup>
  - removing the requirement for the IEC to decide whether to proceed with the B2B procedure change process within 25 business days;<sup>150</sup>
  - other changes to the existing provisions that provide for greater consistency with clause 7.16.7 of the competition in metering final rule. While the steps involved are generally similar to clause 7.16.7, the proposed changes have the effect of reducing the level of prescription in relation to certain aspects of the IEC's processes. For example, instead of the prescription currently in clause 7.2A.4(e) regarding the commencement date for B2B procedures, the Red and Lumo drafting simplifies this to a single requirement that the IEC consult on an effective date for the B2B procedure.
- Changes should be made to the NER that were not explained in detail in the COAG Energy Council rule change request. For example:
  - there should be an additional legal test as criteria to be considered by IEC at the initial stage of considering the proposed change;<sup>151</sup>
  - the B2B procedure change pack must include an assessment of the B2B procedure proposal against the B2B factors and B2B principles.<sup>152</sup>

### 4.3.3 Stakeholder views

Few stakeholders commented on the proposed changes to the process for making an IEC recommendation. However, United Energy did not agree that the B2B procedures should be required to be consistent with all retail market procedures. It considered the

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<sup>147</sup> See clause 7.16.7 of the competition in metering final rule.

<sup>148</sup> Red and Lumo proposed rule, clause 7.17.4(c)(2).

<sup>149</sup> Red and Lumo proposed rule, clause 7.17.4(e).

<sup>150</sup> Red and Lumo proposed rule, clause 7.17.4(b).

<sup>151</sup> COAG Energy Council proposed rule, clause 7.17.4(h).

<sup>152</sup> COAG Energy Council proposed rule, definition of 'B2B procedures change pack'.



coverage of retail market procedures is very broad and so long as MSATS procedures are not impacted, the IEC should be able to make recommendations on the B2B procedures on slightly different or inconsistent arrangements.<sup>153</sup>

There were also suggestions that AEMO should be required to publish reasons for approving or vetoing an IEC recommendation and the IEC should be able to re-consider a proposal that has been vetoed by AEMO. It was suggested that this would improve transparency and accountability of the assessment against the decision making criteria.<sup>154</sup>

#### **4.3.4 Commission's analysis and conclusions**

##### **Proposing changes to B2B procedures**

Currently, B2B procedures prescribe content of, the processes for, and the information to be provided to support, communications between local retailers, market customers and DNSPs that relate to an end user or supply to an end user. Given the nature of current B2B arrangements, it is suitable that only AEMO and these participants may propose changes to B2B procedures.

Under the draft rule, a greater range of parties will be required to comply with the B2B procedures, such as metering coordinators, embedded network managers and third party B2B participants (see section 5.3). As these parties will be required to comply with B2B procedures, it is appropriate that these parties should be able to propose changes to the B2B procedures.

In addition, new parties in the market that are not yet using the B2B e-hub may wish to propose a change to the B2B procedures. This could enable such parties to seek that the IEC consider the introduction of a new B2B communication in the B2B procedures to support a particular service, prior to becoming an accredited B2B e-hub participant.<sup>155</sup> Allowing parties that are not otherwise B2B parties to propose changes to the B2B procedures may support innovation in the provision of new services, or lower barriers to entry for these participants.

For these reasons, the draft rule allows any party (other than the IEC) to propose a change to the B2B procedures.<sup>156</sup> The Commission considers the IEC should not be able to initiate a B2B procedure change process as the IEC is unlikely to be able to bring an open mind to the consideration of a change they have proposed, which is a key part of the IEC's function.

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<sup>153</sup> United, submission to the consultation paper, Appendix, p. 8.

<sup>154</sup> Submissions to the consultation paper: AGL, p. 4; Active Stream; p. 2. Note that AEMO is currently required to publish reasons for vetoing an IEC decision. See clause 7.2A.3(o) of the current NER.

<sup>155</sup> The accredited B2B e-hub participant role is discussed in section 5.4.

<sup>156</sup> Draft rule, clause 7.17.4(f).

## Changes to the IEC's process for considering a B2B proposal

The proponents have suggested a number of changes to the IEC's processes for considering a B2B proposal:

- The changes proposed by Red and Lumo would generally lead to greater consistency between the IEC's process for considering B2B proposals and AEMO's process for considering proposals to change retail market procedures under the competition in metering final rule.
- The changes proposed by the COAG Energy Council clarify the IEC's process for considering a B2B procedure change proposal and makes additions such as introducing an express ground on which the IEC may determine not to proceed with a B2B proposal – namely, if the proposed change is misconceived or lacking in substance.

The Commission does not consider that these proposals have demonstrated an issue with the current process that requires a rule change at this point. There were no stakeholder comments on these proposals. While there may be some benefits from the changes suggested by the rule proponents, there are also benefits from retaining the current requirements.

The draft rule does not provide any substantive amendments to the process for initiating changes to the B2B procedures (other than amending the parties that may propose a B2B procedure change discussed above) as the Commission does not consider that these changes would better meet the NEO than the current arrangements. The Commission's responses to specific proposals are outlined in Table 4.1 below. Proposals not addressed in this section of the draft rule determination are addressed in Appendix B.

**Table 4.1**      **Commission's responses to suggestions to change the IEC's process for considering a B2B proposal**

Proposal	Response
Remove the current requirement that the IEC must, within 25 business days of receiving a proposed change to the B2B procedures, decide on a prima facie basis whether the change is warranted.	It is beneficial to retain this timeframe as it provides some certainty and clarity of the process carried out by the IEC.
Expressly allow the IEC to obtain additional information from the B2B proponent.	While there is no formal requirement under the draft rule that the IEC seek additional information from the party requesting the change, there is nothing to prevent the IEC from obtaining such information. However, this would need to be done within the given timeframes.
Include a more extensive process for making minor	Prescribing additional process for the IEC to make minor and administrative changes may provide a more consultative

Proposal	Response
and administrative changes to B2B procedures, including a short consultation period.	process. However, the potential administrative burden and delay in implementing minor or administrative changes to the B2B procedures under such a requirement is likely to outweigh the benefits.
Include other general changes that would create greater consistency with clause 7.16.7 of the competition in metering final rule.	<p>In principle, there may be efficiencies from creating greater consistency between the procedure making processes of the B2B procedures and other procedures under Chapter 7 of the NER.</p> <p>However, there are some inherent differences between the IEC's decision making process and AEMO's procedure making processes. For example, the IEC must provide an IEC recommendation to AEMO prior to it making a B2B procedure, which typically adds a month to the process.</p> <p>In addition, the proposal would have the effect of removing the level of prescription in relation to certain aspects of the IEC's processes. This may increase uncertainty in the B2B procedure making process. The Commission does not consider these changes are necessary.</p>
Amend the process by which the IEC is permitted to not proceed with a B2B procedure change process such that the NER expressly provides that the B2B procedure proposal must be rejected if it is 'misconceived or lacking in substance'.	This proposal would narrow the current discretion of the IEC with regard to when to initiate the consultation process for a proposed change to B2B procedures. The current requirement is appropriate and is generally consistent with the process for assessing proposed changes to retail market procedures.
Require that the B2B procedure change pack must include an assessment of the B2B proposal against the B2B factors and B2B principles.	It is not considered necessary or appropriate for the IEC to provide an assessment of the B2B proposal against the B2B factors and B2B principles at the start of consultation process. This assessment is provided in the draft and final reports after the IEC has received input from the consultation process.

### Advice from AEMO on consistency with retail market procedures

Red and Lumo have proposed that the IEC should be required to seek AEMO's advice on any potential inconsistencies between the B2B proposal and the retail market procedures.<sup>157</sup> In addition, AEMO would be able to veto an IEC recommendation to make a B2B procedure if it considers there is an inconsistency with any of the retail market procedures.

<sup>157</sup> The retail market procedures are a broad group of procedures made by AEMO under Chapter 7 of the NER. This group includes procedures on MSATS, metrology, meter churn and service levels for metering providers and metering data providers. As a consequence of the competition in metering final rule, procedures on the minimum services specification and emergency management will also be created during 2016-2017. See clause 11.86.6(b) of the current NER.

The Commission considers there is a distinction between MSATS procedures and the other retail market procedures that warrants different treatment with respect to whether they must be consistent with B2B procedures.

While the scope of MSATS procedures and B2B procedures and the systems which support them differ, an inconsistency between MSATS procedures and B2B procedures could impact on the settlement process.

Some of the other retail market procedures also have interactions with B2B procedures. For example, metrology procedures set out requirements for metering providers that involve making updates in MSATS, with communications likely to be sent through the B2B e-hub. When the procedures related to the minimum services specification commence, they are likely to include requirements on the provision of services that would affect metering providers and metering data providers. Again, it is likely that these communications would be sent through the B2B e-hub.

The B2B decision making framework provides for industry to develop communications to support its business needs. This includes where participants have obligations under other retail market procedures. Industry stakeholders are able to propose changes to B2B procedures to include new B2B communications that facilitate their obligations in the market.

The Commission considers that it is appropriate for the IEC to continue to have the discretion to consider any potential inconsistencies between the B2B procedures and the other retail market procedures. It is not necessary to expand AEMO's veto power to include those additional procedures given the scope of such procedures.

However, to safeguard against any impacts on the settlement process, it is important that AEMO is able to advise the IEC of any inconsistencies between MSATS procedures and the B2B procedures, and veto an IEC recommendation on the basis of an inconsistency with the MSATS procedures.

For these reasons, the draft rule does not expand the requirement for the IEC to seek AEMO's advice on potential inconsistencies to include all retail market procedures.<sup>158</sup> This is consistent with the current arrangements and the COAG Energy Council proposed rule. AEMO's ability to veto an IEC recommendation on certain grounds is discussed in section 4.5.4.

### **Advice from AEMO on costs of implementing a B2B procedure**

Both proponents proposed that the IEC obtain information on the likely costs involved in upgrading the B2B e-hub to be consistent with the B2B procedure change. The draft rule includes a requirement for the IEC to seek AEMO's advice on the likely changes that would be required to the B2B e-hub as a consequence of the procedure change and the likely costs involved, for inclusion in the consultation documents.<sup>159</sup> This will enable stakeholders to consider and provide submissions on the likely costs of the

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<sup>158</sup> Draft rule, clause 7.17.4(i)(2)(i).

<sup>159</sup> Draft rule, clause 7.17.4(i)(2)(ii).

proposal. This is appropriate as these parties will ultimately pay for upgrades to the B2B e-hub through participant fees.

### **Notification of consultation**

Both of the proponents also proposed that the range of parties that must be notified of the consultation process should be expanded to include the new parties that must comply with B2B procedures. The Commission considers it important that such parties should be notified of a B2B procedure change process. This will facilitate participation by all of the parties that would be affected by the B2B procedure and improve the quality of decisions related to making changes to the B2B procedures. The draft rule requires that B2B parties, B2B change parties, AEMO and any other person who has identified themselves to the IEC as interested in B2B procedures, must be notified of a consultation process to change the B2B procedures.<sup>160</sup>

## **4.4 B2B factors and B2B principles**

### **4.4.1 Introduction**

Currently, each IEC member must have regard to the B2B objective and B2B principles in exercising any right, power or discretion under the B2B arrangements.<sup>161</sup> In addition, when making decision about B2B procedures, the IEC must seek to achieve the B2B objective and, in seeking to achieve the B2B objective, must have regard to the B2B principles.<sup>162</sup>

The current B2B objective states that "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".<sup>163</sup>

The current B2B principles are that the B2B procedures should:

- provide a uniform approach to B2B communications in participating jurisdictions in which there are no franchise customers;<sup>164</sup>
- 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

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<sup>160</sup> Draft rule, clause 7.17.4(j). B2B change parties are parties (other than B2B parties) that have proposed a change to the B2B procedure, discussed in section 4.6.4.

<sup>161</sup> Current NER, clause 7.2A.2(n).

<sup>162</sup> Current NER, clause 7.2A.3(j).

<sup>163</sup> Current NER, Chapter 10.

<sup>164</sup> A franchise customer is a customer that must purchase electricity from its local retailer as retail competition does not apply.

- protect the confidentiality of commercially sensitive information.

These considerations do not directly take into account issues related to advanced services and new entrants in a competitive market for metering services.

#### 4.4.2 Rule proponents' views

The proposed rules amend the criteria that apply to IEC decision making to incorporate matters relevant to advanced metering services that will be available under the new competitive metering framework.

It was proposed that the IEC would be required to have regard to some new B2B factors and give effect to updated B2B principles when making decisions about B2B procedures.<sup>165</sup> Under each proposal, the B2B objective would no longer apply, but would be incorporated into the new B2B factors (see below). The proposed B2B principles are:

- B2B procedures should provide a uniform approach to B2B communications in participating jurisdictions;<sup>166</sup>
- B2B procedures should detail operational and procedural matters and technical requirements that result in efficient, effective and reliable B2B communications;
- B2B procedures should avoid unreasonable discrimination between B2B parties;<sup>167</sup> and
- B2B procedures should protect the confidentiality of commercially sensitive information.

While the wording differed slightly between the proposals, both the COAG Energy Council and Red and Lumo proposed new B2B factors that would include:

- the reasonable costs of compliance by AEMO and B2B parties with B2B procedures compared with the likely benefits from B2B communications;
- the likely impacts on innovation in and barriers to entry to the market for services facilitated by advanced metering services<sup>168</sup> resulting from making the new B2B procedures or changing the existing B2B procedure;

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<sup>165</sup> COAG Energy Council rule change request, pp. 11-13; Red and Lumo rule change request, pp. 12-13.

<sup>166</sup> Note the removal of 'in which there are no franchise customers'.

<sup>167</sup> Updated to reflect that 'B2B parties' would be required to comply with B2B procedures.

<sup>168</sup> The wording proposed by Red and Lumo does not include 'facilitated by advanced metering services' as it considered that these words may limit consideration of services that aren't provided through the meter, for example customer switching.

- the implementation timeframe reasonably necessary for AEMO and B2B parties to implement systems or other changes required to be compliant with any new B2B procedure or change to existing B2B procedure.<sup>169</sup>

In addition, Red and Lumo proposed that there be a B2B factor that reflects the wording of the NEO given the retail industry panel would not be a market body.<sup>170</sup>

COAG Energy Council also proposed a B2B factor on whether a proposed B2B procedure would be an efficient method for parties to meet an obligation. It considered that:<sup>171</sup>

“B2B procedures primarily work to support efficient commercial operations. However, the National Electricity Law and Rules, and individual jurisdiction requirements, also affect the transactions that need to be completed by participants and may lead to a need for corresponding procedures. The AEMC should consider whether an additional B2B factor is needed, which would require the IEC to have regard to whether a change to B2B procedures would be an efficient way to enable parties to meet a legal obligation.”

#### **4.4.3 Stakeholder views**

There were few stakeholder comments on the proposed B2B factors and B2B principles. Retailers generally supported the B2B factors and B2B principles put forward by Red and Lumo.<sup>172</sup> Retailers also generally supported the IEC considering the NEO, either as a B2B factor or as a separate objective to consider. Red and Lumo considered the IEC would be well placed to ensure decisions are efficient and the benefits of change outweigh the costs to consumers.<sup>173</sup>

#### **4.4.4 Commission's analysis and conclusions**

The assessment framework that guides IEC decisions should be amended to reflect recent changes under the competition in metering and embedded networks final rules. While the current considerations are still relevant, new considerations are necessary to assist the IEC in making decisions that effectively support both the provision of innovative and competitive metering services and new participants in the market.

The draft rule provides that the IEC must have regard to the NEO and B2B factors, and seek to give effect to the B2B principles, when deciding whether or not to recommend a

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<sup>169</sup> The wording proposed by Red and Lumo considered the timeframes reasonably necessary for 'AEMO and B2B e-hub participants' to implement systems or other changes to be compliant with the B2B procedure change.

<sup>170</sup> Red and Lumo rule change request, p. 13.

<sup>171</sup> COAG Energy Council rule change request, p. 12.

<sup>172</sup> Submissions to the consultation paper: AGL, p. 4; CEA, p. 2

<sup>173</sup> Submissions to the consultation paper: Simply, p. 2; Red and Lumo, p. 1.

change to B2B procedures. To the extent there is any inconsistency between the B2B principles, the IEC may determine which of the B2B principles should prevail.<sup>174</sup> This enables the IEC to weigh up the B2B principles against each other, while having regard to the NEO and B2B factors.

## **B2B principles**

The rule proponents suggested removing the words 'in which there are no franchise customers' from the first B2B principle under the existing arrangements (see section 4.4.1). As a consequence, the IEC would be required to consider a uniform approach to B2B communications across all participating jurisdictions. It would therefore consider the suitability of B2B communications in jurisdictions that have franchise customers equally to other jurisdictions.<sup>175</sup>

When this principle was introduced, franchise customers were relevant to B2B communications because as not all jurisdictions had applied retail competition. In jurisdictions with no retail competition, the retailer and the DNSP were often the same organisation and did not require B2B communications. It was not necessary to consider the suitability of B2B communications in those jurisdictions.

There are now very few franchise customers<sup>176</sup> and it is not necessary to treat those jurisdictions differently with regard to B2B communications. For these reasons the draft rule removes the words 'in which there are no franchise customers' from the first B2B principle. The first B2B principle is that "B2B procedures should provide a uniform approach to B2B communications in participating jurisdictions".<sup>177</sup>

The draft rule also amends the third B2B principle that exists under the current arrangements. The third B2B principle is currently that B2B procedures should avoid unreasonable discrimination between local retailers, market customers and distribution network service providers. This is amended such that the B2B procedures should avoid unreasonable discrimination between all 'B2B parties', as these are the parties that must comply with B2B procedures (see section 5.3). This is consistent with the proposed rules.<sup>178</sup>

## **B2B factors**

The current B2B objective references the detriments and benefits for the parties that must comply with B2B procedures. This is still an important consideration for the IEC, however it should not be the overarching objective. There are other important considerations discussed below that the IEC should be able to weigh against each other when making decisions about B2B procedures. For these reasons, the draft rule

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<sup>174</sup> Draft rule, clauses 7.17.4(q)-(r).

<sup>175</sup> A franchise customer is a customer that must purchase electricity from its local retailer as retail competition does not apply.

<sup>176</sup> Customers of Ergon in North Queensland are the only franchise customers. In Tasmania, retail competition has been applied but there is currently only one retailer operating.

<sup>177</sup> Draft rule, Chapter 10.

<sup>178</sup> See the definition of 'B2B principles' in Chapter 10 of the draft rule.



includes an assessment of the costs of compliance and benefits for B2B parties and AEMO as a B2B factor, instead of retaining it as a separate objective.

It will also be important for the IEC to consider the impacts of a decision on potential new entrants, in order to not inhibit competition in the market. As articulated by the COAG Energy Council:<sup>179</sup>

“The way in which new services are integrated into B2B procedures will be important for supporting innovation and competition. Service providers are likely to seek market advantage by offering innovative services and might not want to compromise this by sharing their intellectual property in the form of public B2B procedures. However, as new services become more common and established, it is likely to be more efficient if providers start to use shared procedures and communications tools. Some new entrants might want their service to be supported by procedures at an early stage.”

For these reasons, the draft rule includes a B2B factor related to innovation in and barriers to entry to the market to require the IEC to consider these issues. As a consequence, IEC decisions should take into account impacts on new services and potential new entrants in the market.

The draft rule also includes a B2B factor on implementation timeframes as suggested by the rule proponents. The inclusion of this new B2B factor will require the IEC to consider implementation timeframes for different possible B2B changes. It will be able to weigh up whether to recommend making a certain procedure that may take a long time to implement, or an alternative procedure that would take less time to implement. For example, the IEC may decide to recommend a procedure change that only includes a limited number of services in order to implement that procedure by a particular date, instead of a procedure that includes a greater range of services but would take longer to implement.<sup>180</sup> This will be particularly important during the first few years of a new B2B framework where staging and implementation may be an important consideration for the IEC (see Chapter 6).

The COAG Energy Council proposed a B2B factor on whether the proposed B2B procedure would be an efficient way for parties to meet an obligation. The COAG Energy Council noted that the NEL, NER and jurisdictional requirements can affect the efficient commercial operations of participants, so the IEC should consider whether an obligation should be supported through B2B procedures with corresponding B2B communications.<sup>181</sup>

The Commission considers that such matters are expected to form part of the assessment of costs and benefits for participants (a separate B2B factor). Certain parties may be required to provide a service or communicate a particular way, for example under jurisdictional regulations or the other retail market procedures. If this is the case,

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<sup>179</sup> COAG Energy Council rule change request, p. 13.

<sup>180</sup> See the definition of 'B2B factors' in Chapter 10 of the draft rule.

<sup>181</sup> COAG Energy Council rule change request, p. 12.

the IEC may consider whether the benefits of including that communication in the B2B procedures (that is, the cost savings to the affected parties compared to using an alternative) outweigh the costs of compliance with the B2B procedure. As such, it is unnecessary to include a B2B factor specifically related to meeting an obligation in the draft rule.

### **National electricity objective**

The new B2B framework under the draft rule is expected to support wider range of services being provided to participants and consumers. As such, the Commission considers it important that changes to B2B procedures are assessed against the NEO.

The draft rule requires the IEC to have regard to the NEO when deciding whether or not to recommend a change to the B2B procedures. This will provide an overarching principle to guide its decision making. As discussed in section 4.5.4 below, AEMO would not be responsible for assessing proposed changes to the B2B procedures against the NEO.

## **4.5 AEMO's role in making B2B procedures**

### **4.5.1 Introduction**

Under the current B2B framework, the IEC may make a recommendation to AEMO to make new B2B procedures. AEMO must then make the B2B procedure unless it concludes that:

- there is an inconsistency between the proposed B2B procedure and MSATS procedures;
- the IEC has failed to have regard to the B2B objective or B2B principles; or
- the IEC has not followed the rules consultation procedures in its decision making process.

AEMO is prevented from considering the merits of the IEC recommendation or the way in which the IEC has considered the B2B objective or B2B principles.<sup>182</sup>

### **4.5.2 Rule proponents' views**

The rule proponents have made proposed amendments to the existing grounds on which AEMO may determine not to approve an IEC recommendation that are consistent with other aspects of their proposals:<sup>183</sup>

- Red and Lumo have proposed that AEMO may veto an IEC recommendation if it is inconsistent with any of the retail market procedures.<sup>184</sup>

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<sup>182</sup> Current NER, clauses 7.2A.3(k)-(l).

<sup>183</sup> COAG Energy Council proposed rule, clause 7.17.5; Red and Lumo proposed rule, clause 7.17.5.

- Both proponents suggest that AEMO may veto an IEC recommendation if the IEC has not considered the B2B factors or B2B principles.<sup>185</sup>

The COAG Energy Council noted that it will be important for the NEO to be considered when making B2B procedures. However, it raised some concerns about the IEC, rather than AEMO, being responsible for carrying out the assessment of changes to B2B procedures against the NEO. The COAG Energy Council considered:<sup>186</sup>

“... the role of considering whether a procedure change would contribute to achieving the NEO should be carried out by AEMO.

This is consistent with the existing governance arrangements contained within the National Electricity Law (NEL). Each of the market institutions are required to perform their statutory functions in a way that contributes to the delivery of the NEO, but a similar obligation is not placed on industry bodies. It would be contradictory under the NEL for an industry group, but not AEMO, to have a role in considering whether a proposal contributes to achieving the NEO.”

The COAG Energy Council has proposed that when the IEC makes a recommendation to change the B2B procedures it must have regard to the B2B factors and give effect to the B2B principles. Then AEMO would be required to have regard to the NEO when deciding whether or not to approve the IEC recommendation.<sup>187</sup>

Currently, the IEC makes a recommendation to AEMO only if it determines that a change should be made to the B2B procedures. If the IEC concludes that a B2B procedure change should not be made then it simply does not make a recommendation to AEMO and AEMO must not take any further action in respect of the proposal.<sup>188</sup> The COAG Energy Council proposed amending this requirement. Under its proposed rule, the IEC would be required to provide a recommendation to AEMO whether, or not, to make the B2B procedure change. AEMO would then approve, or not approve, that IEC recommendation.

The COAG Energy Council also provided a proposed mechanism for managing a situation where the IEC’s recommendation is not approved by AEMO and the IEC remakes a recommendation that is again vetoed by AEMO. Under the COAG Energy Council’s proposed rule, if AEMO vetoes an IEC recommendation, the IEC must remake the recommendation and if AEMO again vetoes the IEC recommendation, such

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<sup>184</sup> This proposal is consistent with the Red and Lumo proposal that the IEC should consult on any inconsistencies between the B2B proposal and the retail market procedures.

<sup>185</sup> This proposal reflects the updated considerations for making a B2B procedure discussed in section 4.4.4. Note that under the Red and Lumo proposal, the NEO would be included as a B2B factor.

<sup>186</sup> COAG Energy Council rule change request, p. 14.

<sup>187</sup> COAG Energy Council proposed rule, clause 7.17.4(q) and clause 7.17.5.

<sup>188</sup> Current NER, clause 7.2A.3(k) and competition in metering final rule, clause 7.17.3(k).

a stalemate would be resolved through requiring the IEC to adopt any adjustments or modifications to the IEC recommendations as specified by AEMO.<sup>189</sup>

In its rule change request, the COAG Energy Council requested the AEMC consider the likelihood of such a stalemate situation arising and how this could be resolved (in considering either the drafting provided or a suitable alternative).

#### **4.5.3 Stakeholder views**

Industry stakeholders were generally not supportive of AEMO having a greater role in decision-making through an additional veto power based on the NEO.<sup>190</sup> Red and Lumo noted that under their proposed rule, the veto power would be slightly expanded because AEMO would be able to veto an IEC recommendation on wider grounds – that is, if the IEC fails to consider the NEO, B2B factors or B2B principles.<sup>191</sup>

However, other stakeholders considered the IEC has suitable market experience to assess whether a B2B procedure is consistent with the NEO and the cost impacts on customers. In addition, considering the B2B factors and B2B principles would assist the IEC in coming to a decision that is consistent with the NEO.<sup>192</sup>

United Energy and AusNet Services noted that AEMO would be involved in the B2B procedure making process: through the participation of its IEC member (who would be chairperson); possibly by acting as the IEC secretary; and through formal consultation by providing any advice on any inconsistencies with MSATS procedures and likely costs involved with implementing the B2B procedure. United Energy and AusNet Services considered it would be more efficient for AEMO to raise any consistency concerns with the NEO during one of these earlier stages. AusNet Services proposed that AEMO should be required to provide a formal NEO assessment at appropriate points during B2B procedure development to avoid the risk of AEMO vetoing an IEC recommendation.<sup>193</sup>

Simply Energy observed that the COAG Energy Council proposal for managing a stalemate between AEMO and the IEC is quite complex.<sup>194</sup> AGL considered that a stalemate between the IEC and AEMO would be very unlikely given the role of the AEMO member as chairperson of the IEC.<sup>195</sup>

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<sup>189</sup> COAG Energy Council proposed rule, clause 7.17.5(h).

<sup>190</sup> Submissions to the consultation paper: Ergon, p. 4; ENA, p. 3; Active Stream, p. 2.

<sup>191</sup> Noting that the NEO would be a B2B factor under the Red and Lumo proposal. Red and Lumo, p. 4.

<sup>192</sup> Submissions to the consultation paper: CEA, p. 2; Energex, p. 5.

<sup>193</sup> Submissions to the consultation paper: United Energy, p. A7; AusNet Services, p. 7.

<sup>194</sup> Simply Energy, submission to the consultation paper, p. 2.

<sup>195</sup> AGL, submission to the consultation paper, p. 4.

#### 4.5.4 Commission's analysis and conclusions

Under the current B2B arrangements, the IEC is responsible for assessing proposed changes to the B2B procedures and making recommendations to AEMO in respect of such changes. AEMO is responsible for determining whether to approve such recommendations and, when necessary, publishing revised B2B procedures. AEMO may only veto an IEC recommendation in limited circumstances.

It is important that the IEC and AEMO are accountable for their roles in the decision-making process for B2B procedures are that each are clear of their respective roles and responsibilities. Equally, the new B2B decision making framework should not introduce any uncertainty or unnecessary complexity with respect to the respective roles and responsibilities of the IEC and AEMO. The current arrangements already provide for a complex set of decision-making parameters for the IEC and AEMO. The Commission acknowledges that accountability may become more complex, and potentially uncertain, if AEMO is required to assess whether the IEC has considered each of the NEO, B2B factors and B2B principles when making an IEC recommendation.

Accordingly, the draft rule amends the existing B2B arrangements to provide that the IEC must have regard to the NEO and B2B factors, and seek to give effect to the B2B principles, when deciding whether or not to recommend a change to B2B procedures.<sup>196</sup> The Commission considers that these criteria are appropriate considerations for the IEC to take into account when assessing a proposed change to the B2B procedures.

Under the draft rule, AEMO has a more a limited right of veto in respect of IEC recommendations than is currently the case. More specifically, the draft rule requires AEMO to approve an IEC recommendation unless AEMO has concluded that the IEC's recommendation would conflict with MSATS procedures. The Commission considers that reducing the grounds on which AEMO may veto an IEC recommendation to just those circumstances where the recommendation would conflict with MSATS procedures clarifies accountability and the nature and scope of the decision-making roles of the IEC and AEMO.

The second and third grounds on which AEMO may veto an IEC recommendation under existing clause 7.2A.3(k) of the NER (and clause 7.17.3(k) of Chapter 7, as amended by the final rule for competition in metering)<sup>197</sup> are grounds on which a person could approach a court for judicial review of an IEC recommendation. In addition, a party who is dissatisfied with the way in which the IEC has sought to achieve the B2B objective or had regard to the B2B principles has the ability to seek merits review of the IEC recommendation under dispute resolution provisions in rule 8.2A. In light of these potential avenues of review, the Commission does not consider it necessary or appropriate to maintain the three existing grounds on which AEMO may

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<sup>196</sup> See draft rule, clause 7.17.4(q).

<sup>197</sup> Such grounds being that: "the IEC has failed to have regard to the B2B Objective and/or the B2B Principles" and "the IEC has not followed the rules consultation procedures". See section 4.4.4.

veto an IEC recommendation (albeit in an amended form to take into account the additional decision-making criteria for the IEC being introduced under the draft rule) under a revised B2B framework.

However, it is important that AEMO retain the ability to veto an IEC recommendation on the ground that it is inconsistent with MSATS procedures. This is an important safeguard for AEMO to ensure there are no impacts with regard to its market settlement functions. Given that the draft rule requires AEMO's advice to be sought as part of the consultation process on any potential conflicts with MSATS procedures, the Commission expects that it is unlikely that such veto would need to be exercised by AEMO.

As is the case under current B2B arrangements, AEMO is not permitted under the draft rule to consider the merits of the IEC recommendation.<sup>198</sup>

Should AEMO veto an IEC recommendation, the draft rule expressly provides that the IEC may reconsider the proposed change to the B2B procedures and subsequently make an IEC recommendation, which may be materially different from the vetoed recommendation.<sup>199</sup>

Consistent with this approach, the draft rule does not require the IEC to make a recommendation to AEMO in circumstances where the IEC has determined that the proposed change to the B2B procedures should not be made. However, the IEC is still required to include details of such a decision in the final report that is prepared as part of the consultation process for the proposed change.<sup>200</sup> In this particular circumstance, if a B2B party or B2B change party is not satisfied with an IEC decision to not recommend a B2B procedure, that person may seek a review of that decision under the dispute resolution provisions in the NER.<sup>201</sup>

## **4.6 Dispute resolution**

### **4.6.1 Issue**

The process and requirements for resolution of 'B2B determination disputes'<sup>202</sup> are currently set out in rule 8.2A of the NER. It enables DNSPs, market customers and local retailers that are adversely affected by an IEC recommendation or B2B decision to seek a full review of that decision.<sup>203</sup>

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<sup>198</sup> Draft rule, clauses 7.17.5(b)-(c).

<sup>199</sup> Draft rule, clause 7.17.5(f)(2). This was supported by AGL in its submission to the consultation paper, p. 4.

<sup>200</sup> Draft rule, clauses 7.17.4(n)-(p).

<sup>201</sup> Draft rule, clause 8.2A.2(i).

<sup>202</sup> A dispute in relation to either a B2B Decision or an Information Exchange Committee Recommendation. See Chapter 10 of the current NER.

<sup>203</sup> Clause 8.2A.2(i) of the current NER. Under Chapter 10 of the current NER, a 'B2B decision' is a decision of AEMO to approve or not approve an Information Exchange Committee

#### 4.6.2 Rule proponents' views

Both of the proposed rules extend access to dispute resolution to metering providers, metering providers and third party B2B participants, in addition to the parties who currently have access to the arrangements.<sup>204</sup>

However, the COAG Energy Council noted that not all parties who can propose a change to the B2B procedures will be 'B2B parties' and, as such, be able to access the dispute resolution process under their proposed rule. Given the possibility that a new entrant may propose a change to B2B procedures, the COAG Energy Council requested the AEMC consider the impacts of some parties not being able to seek dispute resolution regarding a B2B decision.<sup>205</sup>

#### 4.6.3 Stakeholder views

There were few stakeholder comments on dispute resolution arrangements for B2B determination disputes. Retailers did not consider that dispute resolution needed to be available to any party in addition to B2B parties. This was because parties are likely to use the B2B e-hub (and will therefore be a B2B party) before they seek to include new communications into the B2B procedures. In their view, the likelihood of a person seeking to incorporate new services before becoming a B2B participant is quite low.<sup>206</sup>

#### 4.6.4 Analysis and conclusion

As outlined in 4.3 above and noted by the COAG Energy Council, the draft rule enables any person to propose a change to the B2B procedures. While it may be unlikely that a person will propose a change to B2B procedures prior to becoming an accredited B2B e-hub participant, it could be possible and should not be prevented given the innovative nature of new metering communications and new parties in the market.

If the IEC decides not to recommend a B2B procedure change and the proposing party does not have access to dispute resolution to seek review of the decision, there are two potential solutions for the affected party in this circumstance:

- where there is a metering coordinator that is, or would be, providing the affected party with access to services facilitated by the meter, that metering coordinator could commence the dispute resolution process; or

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Recommendation and an 'Information Exchange Committee recommendation' is a recommendation made by the Information Exchange Committee to AEMO to make B2B Procedures or to change the B2B Procedures.

<sup>204</sup> COAG Energy Council proposed rule, clause 8.2A.2(i); Red and Lumo proposed rule, clause 8.2A.1(i).

<sup>205</sup> COAG Energy Council rule change request, p. 18. The COAG Energy Council proposed rule removed an IEC recommendation from the matters that can be reviewed under dispute resolution. See clause 8.2A.2(i)(d1)

<sup>206</sup> CEA, submission to the consultation paper, p. 2.

- if the affected party simply wishes to have access to a shared communications platform, it could become a B2B e-hub participant and propose changes to the B2B procedures.

While these options may resolve the issue for an affected party, it would be more efficient and provide clarity and certainty to expand the dispute resolution provisions to include a person that has proposed a change to the B2B procedures but is not otherwise a B2B party (a B2B change party).

Accordingly, the draft rule enables B2B parties and B2B change parties that are affected by an IEC recommendation or a B2B decision to apply for review of that decision. This reflects the parties that are likely to be affected by an IEC recommendation or a B2B decision and may wish to seek review of that decision.<sup>207</sup>

The draft rule also expands the types of decisions that are may be reviewed under the dispute resolution provisions. The decisions that may be reviewed now include an IEC decision to not recommend the proposed change to the B2B procedures.<sup>208</sup>

Figure 4.1 provides an overview of the process for changing the B2B procedures under the draft rule that have been outlined in this chapter, including the decisions that are subject to review under the dispute resolution provisions.

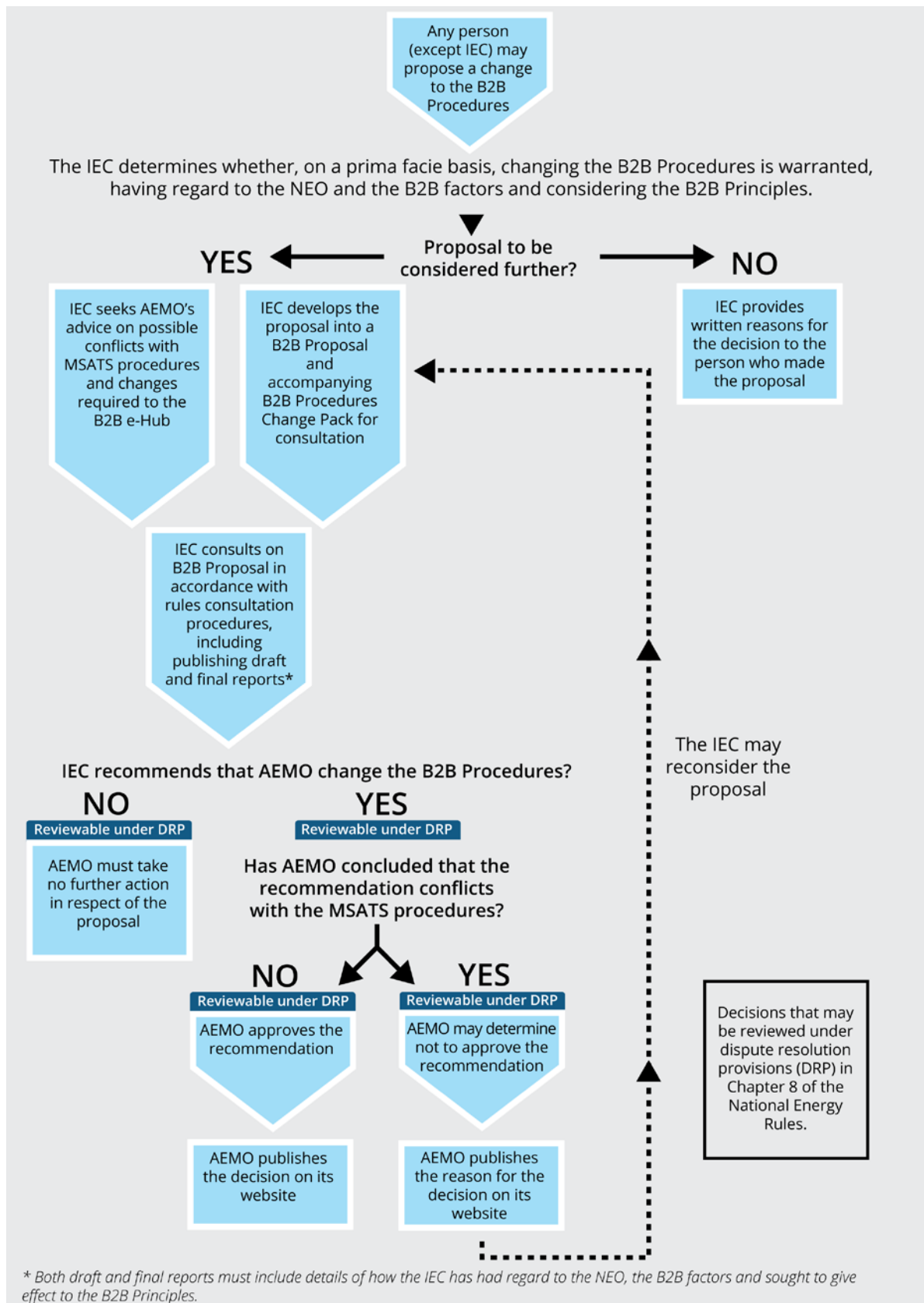
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<sup>207</sup> Draft rule, clause 8.2A.2(i)(d1).

<sup>208</sup> Draft rule, definition of 'IEC recommendation' and clause 8.2A.2(i)(d1)



**Figure 4.1 Draft rule process for changing the B2B procedures**



## 5 Using the B2B framework

### Box 5.1 Draft rule determination

The draft rule requires that the B2B e-hub must be capable of facilitating B2B communications in accordance with the B2B procedures. The B2B e-hub must also have the capability to support a free-form method of communication between B2B parties and meet any performance requirements set out in the B2B procedures.

AEMO and B2B parties (being DNSPs, retailers, local retailers, metering coordinators, metering providers, metering data providers, third party B2B participants, and embedded network managers) must comply with the B2B procedures.

B2B parties must use the B2B e-hub for B2B communications, except where they have agreed between themselves to communicate a B2B communication on a basis other than through the B2B e-hub.

In order to use the B2B e-hub, a party must first be accredited as a B2B e-hub participant by AEMO through an accreditation process. Under the draft rule, AEMO has a wide discretion to determine the nature of accreditation requirements for B2B e-hub participants.

The costs of developing B2B procedures, establishing and operating the IEC, and services provided by AEMO to facilitate B2B communications (such as providing the B2B e-hub) must be paid by AEMO and recouped as participant fees.

### 5.1 Introduction

This chapter sets out the Commission's draft rule determination in relation to certain requirements for using the B2B framework. These requirements relate to:

- the operation of the B2B e-hub;
- compliance with B2B procedures and use of the B2B e-hub;
- accreditation for parties using the B2B e-hub; and
- recovery of costs relating to the B2B framework.

## 5.2 B2B e-hub

### 5.2.1 Introduction

Under the current NER, AEMO is required to provide and operate a B2B e-hub, being an electronic platform used to transfer information between participants.<sup>209</sup>

### 5.2.2 Rule proponents' views

The proposed rules include a new requirement that the B2B e-hub support the B2B communications included in the B2B procedures. As the proposed rules also include a requirement for the B2B procedures to include B2B communications to support the services in the minimum services specification, the B2B e-hub would be required to facilitate B2B communications that support the services in the minimum services specification. In addition, the B2B e-hub must support any other B2B communications that the IEC has included in the B2B procedures.

The proponents have also proposed a new requirement that the B2B e-hub must meet any performance requirements specified in the B2B procedures. They noted that 'the technical performance of the B2B e-hub may influence whether particular advanced services are offered through the B2B e-hub'. They considered that allowing the B2B procedures to specify performance requirements enables the IEC to recommend minimum requirements that will then direct AEMO's development of the B2B e-hub.<sup>210</sup>

However, Red and Lumo noted that:<sup>211</sup>

“... there is no provision in the current NER that prohibits AEMO, in consultation with the existing IEC and stakeholders more broadly, from upgrading or changing the technology used for the B2B e-hub. If the existing B2B e-hub is not fit for current or future purpose, stakeholders expect that AEMO would flag this situation with industry, consult and budget accordingly.”

### 5.2.3 Stakeholder views

There were few comments on the proposed requirements related to the B2B e-hub in stakeholder submissions. Vector noted the importance of the NER providing that parties may agree to an alternative form of communication to reinforce the market led approach to competitive metering services.<sup>212</sup> Ausgrid requested that the current

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<sup>209</sup> Current NER, clause 7.2A.1.

<sup>210</sup> COAG Energy Council rule change request, p. 15; Red and Lumo rule change request, pp. 13-14.

<sup>211</sup> Red and Lumo rule change request, p. 14.

<sup>212</sup> Vector, submission to the consultation paper, p. 1.

functionality of the B2B e-hub be maintained to minimise costs for those parties that do not wish to provide or receive advanced metering services.<sup>213</sup>

#### **5.2.4 Commission's analysis and conclusions**

The NER does not currently include any technical requirements for the B2B e-hub. The only guidance on the form of the B2B e-hub is found in its definition, which explains that it is 'an electronic information exchange platform established by AEMO to facilitate B2B communications'.<sup>214</sup>

The technical performance of the B2B e-hub may influence whether B2B communications for particular advanced services can be facilitated by the B2B e-hub. This may also influence the potential new services and benefits available to consumers. For example, it may be considered necessary that the B2B e-hub:

- can provide 'near instant' messaging so the associated services can be provided quickly to capture the benefits of those services;
- has sufficient capacity to manage the quantity of services expected to be facilitated by advanced meters;
- can allow its users to choose the most appropriate means of messaging for their commercial or technical needs; and
- is flexible enough to provide any additional functionality that is required to support the requirements of amended B2B procedures.

The Commission understands that the existing B2B e-hub is not capable of supporting 'near instant' messages that would be necessary to support certain advanced metering services. For example, 'near instant' messaging could enable a DNSP to access certain information from a meter quickly to manage network security and reliability in a timely manner. It may also allow a retailer to access services while addressing a telephone inquiry from a customer.

In general, the time taken for the B2B e-hub to process and deliver a B2B communication will determine the minimum possible time for a service that relies on the B2B communication to be provided to a customer.

To allow the B2B e-hub to support the B2B communications that may be included in the B2B procedures (including those that may be introduced to support advanced metering services), the draft rule amends the NER to provide that the B2B e-hub:

- must have the capability to facilitate the B2B communications set out in the B2B procedures; and

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<sup>213</sup> Ausgrid, submission to the consultation paper, p. 7.

<sup>214</sup> Current NER, Chapter 10.

- must meet any performance requirements specified in B2B procedures.<sup>215</sup>

The Commission considers that these requirements should result in AEMO providing a B2B e-hub that supports B2B communications as considered necessary by the IEC.

In addition, the Commission understands that parties are currently able to send free form communications through the B2B e-hub that could be used to support other services. This enables parties to communicate regarding a service that is not yet supported by a B2B communication in the B2B procedures. It is important that this functionality of the B2B e-hub continue, to facilitate communications that are not B2B communications, including communication related to new services in the market. To ensure this functionality continues, the draft rule includes a requirement that the B2B e-hub must have the capability to support free-form communications between B2B parties.<sup>216</sup>

As a consequence of these changes, on the date of commencement of the new B2B framework under the draft rule (being 1 December 2017), if the draft rule were implemented, there would need to be:

- B2B procedures in place that include B2B communications that support the services in the minimum services specification; and
- B2B e-hub functionality to facilitate a free form method of communication and the B2B communications as required by the B2B procedures.

However, the Commission notes that B2B procedures may specify a method of communication that does not involve the B2B e-hub, if the IEC considers that to be appropriate for the particular communication. If B2B procedures do not require the B2B communication to be provided through the B2B e-hub, the B2B e-hub does not need to be capable of providing that particular B2B communication.<sup>217</sup>

This is relevant for implementation of arrangements under the draft rule discussed further in section 6.5.

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<sup>215</sup> Draft rule, clause 7.17.1(b).

<sup>216</sup> Draft rule, clause 7.17.1(b)(2).

<sup>217</sup> Draft rule, clauses 7.17.1(b) and (e). The B2B e-hub is required to have the capability to facilitate B2B communications *in accordance with the B2B procedures* and parties must use the B2B e-hub for B2B communications *in accordance with the B2B procedures*. The requirement for certain parties to use the B2B e-hub for B2B communications in accordance with the B2B procedures is reflected in clause 7.2A.1 of the current NER.

## **5.3 Complying with B2B procedures and using the B2B e-hub**

### **5.3.1 Introduction**

Currently, AEMO, DNSPs, local retailers, market customers, metering providers and metering data providers are required to comply with B2B procedures.<sup>218</sup>

In addition, DNSPs, local retailers and market customers are required to use the B2B e-hub for B2B communications, as required by B2B procedures, except where they have agreed to communicate a B2B communication on another basis.<sup>219</sup>

### **5.3.2 Rule proponents' views**

The proponents considered that AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants should be required to comply with B2B procedures.

In addition, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants should be required to use the B2B e-hub for B2B communications, unless they have agreed between themselves to use an alternative method of communication. The proponents noted that the B2B procedures should continue to apply (other than to the extent that the provisions relate to the use of the B2B e-hub) if parties choose to use an alternative to the B2B e-hub.

The proponents considered that this approach would support interoperability and minimise barriers to entry for new participants (as a new entrant would only need to integrate with one IT system, rather than a different system for each metering coordinator). This was expected to support the entry of innovative products and services into the electricity market.<sup>220</sup>

### **5.3.3 Stakeholder views**

DNSPs agreed that parties should be required to use the B2B e-hub unless they mutually agree to an alternative method of communication.<sup>221</sup>

Vector and EDMi considered it important that parties be able to agree to an alternative method of communication, so as to not inhibit innovation in the market for services. Vector also noted that:<sup>222</sup>

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<sup>218</sup> Current NER, clause 7.2A.4(i).

<sup>219</sup> Current NER, clauses 7.2A.1 and 7.2A.4(k). B2B procedures are able to specify a communication process that does not involve the B2B e-hub. Under the current arrangements, where such parties have agreed between themselves to communicate on a basis other than as set out in the B2B procedures, the parties need not comply with the B2B procedures to the extent that the terms and conditions agreed between themselves are inconsistent with the B2B procedures.

<sup>220</sup> COAG Energy Council rule change request, p. 16; Red and Lumo rule change request, p. 15.

<sup>221</sup> ENA, submission to the consultation paper, p. 3.

“... allowing parties to use alternative communication methods... reinforces the market-led approach of the ongoing reforms in the NEM, and is consistent with the light-handed arrangements for the provision of competitive metering services.”

#### **5.3.4 Commission's analysis and conclusions**

##### **Complying with B2B procedures**

The Commission considers that metering coordinators and third party B2B participants will have an interest in services provided through a customer's meter and should be required to comply with the B2B procedures.

Embedded network managers will also be a new party in the market and will be responsible for providing market interface functions, such as obtaining a NMI, to facilitate off-market embedded network customers seeking to go on-market. As such, the embedded networks final rule includes embedded network managers as one of the parties that must comply with B2B procedures.<sup>223</sup>

The draft rule maintains this requirement for embedded network managers to comply with B2B procedures. It also adds metering coordinators and third party B2B participants to the list of parties that must comply with B2B procedures because these parties will be involved in the provision of services related to a small customer's meter.<sup>224</sup>

##### **Using the B2B e-hub**

The second matter raised by the rule proponents relates to whether parties should be required to use the B2B e-hub for B2B communications.

The Commission considers that including a requirement to use the B2B e-hub supports interoperability and potentially minimises one of the barriers to entry for new participants in the market. For example, consider an energy management company accessing real time consumption data and meter status information to provide services to customers. For the energy management company, it will be easier and less costly if it only needs one set of processes and systems in place (the B2B e-hub) to deal with each of the metering coordinators. Otherwise, it may need to develop multiple processes to interact with multiple services providers.<sup>225</sup> Having a default or shared communications platform also potentially reduces the operating costs for DNSPs and retailers.

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222 Submissions to the consultation paper: Vector, p. 1; EDMI, p. 2.

223 AEMC, Embedded networks final rule determination, 17 December 2015. Appendix C.2.8.

224 Draft rule, clause 7.17.1(d). Note that some metering coordinators are exempt from this requirement. See below.

225 COAG Energy Council rule change request, p. 16.

However, to support the provision of competitive metering services, the Commission also considers it important that parties may agree to an alternative method of communication, thereby not inhibiting innovation in the market. It is important for parties to have flexibility to negotiate and use alternatives to the B2B e-hub should a more efficient or preferable method be available. Nevertheless, it is anticipated that most parties that fall within the B2B framework will elect to use the B2B e-hub for interoperability reasons.

For these reasons, the draft rule requires the following parties to use the B2B e-hub for B2B communications: DNSPs; retailers; metering coordinators; metering providers; metering data providers; embedded network managers; and third party B2B participants. However, these parties may agree between themselves to use an alternative method of communication.<sup>226</sup>

Compared with the current arrangements, the draft rule extends the requirement to use the B2B e-hub to metering coordinators and third party B2B participants because these new parties will be involved in the provision of new advanced metering services.

With regard to embedded network managers, the Commission considers it appropriate that these parties also be required to use the B2B e-hub for B2B communications. This is a change from the embedded networks final rule, which did not require embedded networks managers to use the B2B e-hub. At the time, the Commission did not consider this requirement necessary because the current B2B e-hub only supports a more limited range of services and it was considered sufficient that embedded network managers could use the B2B e-hub if they elected to.<sup>227</sup>

Embedded network managers will provide market interface functions and will communicate with other participants that operate under the B2B framework. The Commission considers it appropriate that the requirement to use the B2B e-hub is applied consistently to the participants within the B2B framework. If communicating through the B2B e-hub is considered onerous for an embedded network manager, it may agree with the counter-party to the communication to use an alternative method of communication. Alternatively, the B2B procedures may provide an alternative to the B2B e-hub as the method of communication for the relevant communications.

### **Alternatives to the B2B e-hub**

It is worth noting that, under the draft rule, B2B parties are only required to use the B2B e-hub for B2B communications as required by the B2B procedures. It is possible for the B2B procedures to set out a method of communication that does not specify the use of the B2B e-hub, if that is considered most suitable for the particular circumstances and relevant service. This is discussed further in section 6.5.

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<sup>226</sup> Draft rule, clauses 7.17.1(e)-(f). Some metering coordinators are exempt from this requirement. See below.

<sup>227</sup> AEMC, Embedded networks final rule determination, 17 December 2015. Appendix C.2.8.



## **Metering coordinators and the B2B e-hub**

Under the competition in metering final rule, there is no obligation on a metering coordinator to provide the services in the minimum services specification or any other advanced metering services. The price and other terms related to accessing those services would be negotiated between relevant parties.

However, under the draft rule if a metering coordinator chooses to offer a service in respect of which there is a B2B communication prescribed in the B2B procedures, it must use the B2B e-hub as required by the B2B procedures for that communication unless agreed otherwise with the counter-party to the B2B communication. To the extent that a metering coordinator has contracted with a metering provider or metering data provider to provide a service that is the subject of a B2B communication in the B2B procedures, these parties would also be required to use the B2B e-hub to provide advanced metering services unless agreed otherwise.

Some metering coordinators will be exempt from the requirement to comply with B2B procedures and use the B2B e-hub for B2B communications. These are parties that are appointed as a metering coordinator in respect of a transmission network connection point and are not accredited as a B2B e-hub participant. These parties are exempt from some other requirements for metering coordinators under the competition in metering final rule and will be unlikely to have an interest in the types of communications supported by B2B procedures. However, these exempt metering coordinators could opt-in to the B2B framework by becoming an accredited third party B2B participant.<sup>228</sup>

## **5.4 Accreditation**

### **5.4.1 Introduction**

The NER does not currently include any requirements related to how parties may access the B2B e-hub. All parties that use the B2B e-hub are either already registered participants or accredited with AEMO as service providers under the NER. To access the B2B e-hub, registered participants and accredited service providers obtain a participant identification from AEMO, which allows them to sign in to AEMO's energy market systems. The Commission understands that these parties are not currently required to demonstrate that they have compatible back-end systems for interacting with the B2B e-hub.

When advanced metering services become available through a customer's meter, parties that are not otherwise registered participants or accredited service providers may wish to use the B2B e-hub to provide their services. These parties are not currently defined under the NER.

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<sup>228</sup> Draft rule, clause 7.17 1(g).

### 5.4.2 Rule proponents' views

To accommodate parties that may wish to use the B2B e-hub but do not currently fall within a defined category of parties under the NER within the B2B e-hub arrangements, the proposed rules establish a new accredited party role (B2B e-hub participant) and require any party wishing to use the B2B e-hub to be accredited by AEMO.

Under the proposed framework, AEMO would be required to establish and maintain an accreditation process for B2B e-hub participants and publish information on the accreditation process. This would create a means by which third parties using the B2B e-hub would become defined categories of persons under the NER and enable rights and obligations to be attached to those parties. Such parties could be identified and contacted by AEMO and be assigned IEC voting and nomination rights under the NER. Accreditation would also enable AEMO to confirm that parties have appropriate IT and security to interface with and use the B2B e-hub, should this be necessary.<sup>229</sup>

Red and Lumo also proposed that parties should be 'certified' by AEMO prior to using the B2B e-hub.<sup>230</sup>

“Certification occurs where participants using the B2B e-hub provide assurance to other B2B e-hub participants that B2B communications will be correctly created, prepared, sent and received. This assurance, or certification, is provided where AEMO validates that a B2B e-hub participant is able to send a receive communications in a compliant fashion. It is also expected that where a B2B e-hub participant makes changes to their internal systems which interact with the IT infrastructure used to communicate with other B2B e-hub participants. ”

Both proponents suggested that AEMO should have discretion to apply different processes to different categories of applicant, or exempt certain parties from parts of the accreditation process. This discretion would allow AEMO to recognise that parties are likely to interact with the B2B e-hub in different ways. AEMO can minimise compliance costs by applying differentiated but suitable requirements for accreditation as appropriate.<sup>231</sup>

### 5.4.3 Stakeholder views

There was some agreement among stakeholders that parties should be accredited to use the B2B e-hub to allow the appropriate rights and obligations to be established.<sup>232</sup>

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<sup>229</sup> Red and Lumo rule change request, p. 14; COAG Energy Council rule change request, p. 15.

<sup>230</sup> Red and Lumo rule change request, p. 14.

<sup>231</sup> COAG Energy Council proposed rule, clause 7.17.2(e); Red and Lumo proposed rule, clause 7.17.2(e).

<sup>232</sup> Submissions to the consultation paper: ERM, p. 3; Origin, p. 2; ENA, p. A2.

Several stakeholders considered that existing B2B e-hub users should have either reduced or deemed accreditation to avoid unnecessary costs.<sup>233</sup>

Vector and Metropolis cautioned that parties may be incentivised to use alternatives to the B2B e-hub if the accreditation requirements are onerous. In their view, accreditation should be low cost and not discourage parties from using the B2B e-hub.<sup>234</sup>

United Energy raised some concerns with AEMO having the ability to exempt parties from accreditation requirements. Instead of AEMO developing accreditation and certification requirements, United Energy proposed that the IEC develop a technical guideline to set out the B2B e-hub certification requirements.<sup>235</sup>

Some stakeholders supported Red and Lumo's proposed AEMO certification of user systems.<sup>236</sup> Others considered that certification is not necessary in addition to the proposed accreditation framework.<sup>237</sup> AusNet Services noted that certification is standard in the gas B2B e-hub.<sup>238</sup>

EDMI considered it may be appropriate to have different accreditation requirements for access to different B2B e-hub environments, for example a test system compared to a production system. EDMi also considered that there should be some flexibility for different types of arrangements for accessing services. For example, a sub-registration category for when a service provider operates a managed service for an existing registered participant should be available.<sup>239</sup>

#### **5.4.4 Commission's analysis and conclusions**

##### **Accreditation and certification**

With regard to whether AEMO should require that parties have appropriate IT and security to interface with the B2B e-hub, the Commission sees value in AEMO having some discretion to determine whether such requirements are necessary as part of the accreditation process. While AEMO does not require parties to test their systems to access the current B2B e-hub technology, the technology may change in the future and certain requirements may be appropriate. If necessary, AEMO should have the ability to set requirements for various participants using the B2B e-hub regarding the participants' internal IT requirements or security. This ability may be more important in the future as the wider use of advanced metering services may present a higher risk around data, security and confidentiality in the future.

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<sup>233</sup> Submissions to the consultation paper: ERM, p. 3; Energy Australia, p. 3.

<sup>234</sup> Submissions to the consultation paper: Vector, p. 3; Metropolis, p. 4.

<sup>235</sup> United Energy, submission to the consultation paper, p. A9.

<sup>236</sup> ERM, submission to the consultation paper, p. 3.

<sup>237</sup> Vector, submission to the consultation paper, p. 3.

<sup>238</sup> AusNet Services, submission to the consultation paper, p. 13.

<sup>239</sup> EDMi, submission to the consultation paper, pp. 3-4.

In light of these considerations, the Commission's conclusion is that a new accredited party role should be established, a 'B2B e-hub participant'. Any party wishing to use the B2B e-hub must be accredited by AEMO as a B2B e-hub participant. This includes parties that are already registered participants or accredited service providers, as well as third party service providers that are not otherwise registered or accredited (discussed below).<sup>240</sup>

Establishing this requirement provides a mechanism for AEMO to impose accreditation requirements related to interacting with the B2B e-hub as necessary.

There has been some confusion through the consultation process over the use of the term 'accreditation' (as distinct from registration or certification) to describe the process to become a B2B e-hub participant.

The accreditation requirements for metering providers and metering data providers can be quite extensive. As part of the accreditation requirements, metering providers and metering data providers are required to obtain independent assessment of their capabilities.<sup>241</sup> The new embedded networks manager role is also an accredited party, however the required capabilities, and therefore the accreditation requirements, are expected to be less onerous.<sup>242</sup>

Discussions with AEMO to date have indicated that accreditation of B2B e-hub participants is not likely to be onerous. AEMO would have discretion to develop requirements that are appropriate to the level of risk of parties interfacing with the B2B e-hub.

For example, accreditation could be as simple as lodging a name and contact details with AEMO to secure a username and password for accessing the B2B e-hub. Alternatively, it could require the applicant testing its IT system in a test B2B e-hub environment ('certification') similar to the requirements for parties accessing the gas FRC hub (the gas equivalent of the B2B e-hub). Or, if AEMO considers it necessary, accreditation could include specific IT or security requirements.

The Commission does not consider it necessary for the NER to specify the particular details of an accreditation framework. Nor is it necessary to include requirements for B2B e-hub participants to certify their IT systems. This is not to say that certification or re-certification is not valuable, but that AEMO is able to place these types of requirements on B2B e-hub participants as part of their accreditation requirements. The Commission considers that discretion on this issue is appropriately placed with AEMO.

Consistent with the above, the draft rule does not deem any parties to be B2B e-hub participants. It is important that all participants meet the accreditation requirements

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<sup>240</sup> Draft rule, clause 7.17.1(c).

<sup>241</sup> See the 'metering service provider accreditation procedure' published on the AEMO website. Also see Schedules 7.4 and 7.6 in the current NER for the capabilities required of metering providers and metering data providers respectively.

<sup>242</sup> See Schedule 7.7 in the embedded networks final rule.

considered necessary by AEMO to mitigate any risks of using the B2B e-hub. However, as noted, the draft rule provides discretion to AEMO to apply different requirements to different categories of applicant, or exempt certain parties from certain aspects of the accreditation process.<sup>243</sup> While this discretion was not supported by several stakeholders, the Commission considers it appropriate as it enables AEMO to minimise unnecessary administrative burden where appropriate.

To support these requirements, the draft rule requires AEMO to establish an accreditation process for B2B e-hub participants. As well as having regard to any relevant IT requirements, the accreditation process may also include any payment and credit support requirements (see section 5.5) considered necessary by AEMO.<sup>244</sup>

### **Third parties**

Certain parties offering or accessing services through an advanced meter may not otherwise be a registered participant or accredited service provider. As a result, they would not be subject to the rights and obligations that apply to parties that currently use the B2B e-hub, such as compliance with B2B procedures.

The Commission notes that, following the commencement of the competition in metering framework, it is expected that parties would generally negotiate with metering coordinators to access or provide services through a customer's meter. For example, the metering coordinator must ensure that a small customer's metering data is only accessed by a person who is authorised under the NER or who has the customer's consent.<sup>245</sup> As metering coordinators must comply with the NER and B2B procedures, there is an incentive on the relevant metering coordinators to impose requirements on third party service providers through contractual arrangements that would prevent a breach of the metering coordinator's obligations under the NER or B2B procedures.

This solution may provide some safeguards to any risks from certain parties not being subject to obligations related to the B2B e-hub. However, it is preferable that these parties fall within a defined category of persons under the NER to achieve this outcome. Clear inclusion in the NER provides a framework under which appropriate obligations related to B2B arrangements may be imposed directly on these parties. This may include compliance with B2B procedures, confidentiality requirements or potentially the payment of fees. It also provides a means by which parties can be identified and contacted by AEMO, and be assigned IEC nomination and voting rights.

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<sup>243</sup> Draft rule, clause 7.17.2(d).

<sup>244</sup> Draft rule, clauses 7.17.2(b)-(c).

<sup>245</sup> The competition in metering final rule provides certain restrictions on who may access data available through a metering installation. See AEMC, Competition in metering final rule determination, 26 November 2015. Appendix A5.

For these reasons, the draft rule provides that a third party service provider<sup>246</sup> seeking to use the B2B e-hub must become an accredited B2B e-hub participant. These third party service providers are 'third party B2B participants' and are subject to certain rights and obligations as outlined in this draft rule determination.<sup>247</sup>

The Commission notes that third party service providers that elect to not use the B2B e-hub to provide services will not be captured by the B2B arrangements. These parties are not required to comply with B2B procedures, are not involved in the IEC processes, and are not within the scope of the cost recovery framework. The Commission considers it appropriate that third parties 'opt-in' to the B2B framework at this stage because:

- It is uncertain what types of services will be provided by third party service providers and the extent to which the services should be supported through the B2B framework. The Commission is cautious of imposing unnecessary obligations that may inhibit innovation in the market for metering services that will benefit customers.
- Given the uncertainty around the services that may be provided by third party service providers, it would be difficult to define the third party service providers that would be captured.
- The metering coordinator may impose any requirements it considers necessary through contractual arrangements.

## **5.5 Cost recovery**

### **5.5.1 Introduction**

Costs incurred in the development of B2B procedures, establishing and operating the IEC, and providing and operating the B2B e-hub are currently paid by AEMO and recouped through participant fees.<sup>248</sup> The current practice is that B2B related costs are paid by retailers.

The draft rule would result in a wider set of participants using the B2B e-hub and being required to comply with B2B procedures. In addition, there may be some significant upfront costs involved in updating the B2B framework (such as upgrading the B2B e-hub). Reviewing the cost recovery framework allows consideration of whether these costs are being recovered from the most appropriate parties.

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<sup>246</sup> For the purposes of this section, a third party service provider is a party that is providing or accessing services related to advanced meters, but is not otherwise a DNSP, retailer, local retailer, metering coordinator, metering provider, metering data provider or embedded networks manager.

<sup>247</sup> For example, the requirement to comply with B2B procedures (section 5.3.4) and a requirement to pay participant fees (section 5.5.4). Embedded network managers would also be third party B2B participants under the draft rule.

<sup>248</sup> Current NER, clause 2.11. Participant fees are imposed on registered participants as determined by AEMO.

### 5.5.2 Rule proponents' views

The proposed rules provide that costs relating to the B2B framework should continue to be paid by AEMO and recouped through participant fees. As parties are able to agree to use an alternative to the B2B e-hub, cost recovery through participant fees provides AEMO with some certainty that it can recover its expenditure compared to a user pays framework, for example.

However, the proponents have differing suggestions on the treatment of third party B2B participants with regard to cost recovery.

Red and Lumo have proposed that third party B2B participants be deemed to be registered participants for the purposes of rule 2.11 of the NER (participant fees). As a consequence, the fee structure for participant fees developed by AEMO may include DNSPs, retailers, metering coordinators and/or third party B2B participants. Red and Lumo propose that AEMO have discretion to determine a suitable fee structure for registered participants.<sup>249</sup>

The COAG Energy Council proposed rule included a cost recovery approach that was consistent with Red and Lumo's approach. However, in its rule change request the COAG Energy Council also requested the AEMC consider whether a new category of registered participant should be introduced for third parties. It suggested that a new category of registered participant would allow appropriate, limited obligations to be imposed on these new service providers in the same way as other participants.<sup>250</sup>

“The entry to market and appropriate regulation of third parties is likely to be an important issue as the electricity market develops in future. A suitable registration category may be one way to future-proof the market regulatory framework. The rules currently include examples of registration categories for specific, limited purposes, including Traders and Reallocators. The registration requirements for third parties would need to be proportional to the role they will fill in the market, for example relating to a party's IT and security capabilities. ”

### 5.5.3 Stakeholder views

Retailers were generally supportive of expanding the cost recovery provisions so all users of the B2B e-hub would contribute to costs.<sup>251</sup> Energy Australia noted that some parties within the B2B framework may not use the B2B e-hub initially, but will benefit from having the option to use it in the future. Consequently, costs should not only be recovered from parties that elect to use the B2B e-hub (B2B e-hub participants), but all parties within the B2B framework.<sup>252</sup>

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<sup>249</sup> Red and Lumo rule change request, p. 15.

<sup>250</sup> COAG Energy Council rule change request, p. 17.

<sup>251</sup> Submissions to the consultation paper: Origin, p. 2; AGL, p. 4.

<sup>252</sup> Energy Australia, submission to the consultation paper, p. 3.

Energex supported the proposal that third parties could be deemed to be registered participants for the purposes of cost recovery.<sup>253</sup>

Several stakeholders supported the COAG Energy Council suggestion that third parties should be registered participants. They considered that requiring these new parties to the market to be registered participants would mean that they would be bound by confidentiality and cost recovery requirements in the NER.<sup>254</sup>

AEMO also considered the B2B e-hub participant role should be a registered participant role. In AEMO's experience, an 'accreditation' process includes assessing a company's competency and credibility in providing particular services. This requires ongoing monitoring and assessment, at a cost. It considered that if third parties were to be registered participants, registered participants and accredited parties could request access to the B2B e-hub as an extension to their status.<sup>255</sup>

Other stakeholders noted that requiring third parties to be registered participants could increase barriers to entry and may slow the development of new services in the market. This could ultimately disadvantage consumers.<sup>256</sup> Metropolis noted that third parties could simply bypass the requirement to become a registered participant by using an alternative to the B2B e-hub. It considered there would be no incentive for third parties to be registered participants if the requirements are onerous.<sup>257</sup>

## **5.5.4 Commission's analysis and conclusions**

### **Cost recovery framework**

The Commission has considered the proposals put forward by the proponents and stakeholder comments. It has also considered an alternative cost recovery solution – one that relies on user fees for the B2B e-hub. However, there are some significant issues with this alternative option.

The first issue with a user pays framework is that parties can elect not to use the B2B e-hub and in doing so, avoid incoming B2B e-hub fees. As a result there is a risk that B2B e-hub participants cease to use the B2B e-hub over time. There is also a risk that the number of B2B e-hub participants drops to a level that the fees required for AEMO to recover its costs become prohibitively high for the remaining users. It is important that AEMO has certainty that it will be able to fully recover its costs, as it will be required to pay the upfront costs of facilitating B2B communications (such as operating the B2B e-hub), developing B2B procedures and operating the IEC.

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<sup>253</sup> Energex, submission to the consultation paper, p. 6.

<sup>254</sup> Submissions to the consultation paper: Simply, p. 3; Red and Lumo, p. 2; CEA, p. 2; AGL, p. 4; Active Stream, p. 2; AusNet Services, p. 17.

<sup>255</sup> AEMO, submission to the consultation paper, p. 3.

<sup>256</sup> Submissions to the consultation paper: United Energy, p. A9; ENA, p. A2.

<sup>257</sup> Metropolis, submission to the consultation paper, p. 5.



The second issue is that parties that choose not to use the B2B e-hub would still be required to comply with B2B procedures and may be involved in other IEC processes. They would be likely to benefit from expenditure on these activities, although they would not be contributing to costs. Cost recovery through participant fees instead of through B2B e-hub user fees recognises that it may be appropriate to recover some B2B costs from parties that choose not to use the B2B e-hub.

For these reasons, the Commission has concluded that a user pays approach is unlikely to be feasible for the proposed B2B e-hub framework. Accordingly, the draft rule retains the existing cost recovery framework through participant fees. The draft rule provides that the costs arising from the development of B2B procedures, establishing and operating the IEC, and providing and operating the B2B e-hub continue to be paid by AEMO and then recovered through participant fees.<sup>258</sup>

### **Payment of fees**

Currently, it is appropriate that only retailers pay fees for B2B (through participant fees) as any costs imposed on DNSPs, metering providers and metering data providers would ultimately be passed onto the retailer, as the party responsible for charging the customer.

Under the existing cost recovery approach, metering providers and metering data providers are not registered participants and therefore cannot be charged participant fees. This is appropriate because these metering businesses provide services to other parties operating within the B2B framework and would likely pass any costs onto other participants through service fees.

Embedded network managers will also be accredited service providers and will not be subject to participant fees. As embedded network managers are providing market interface functions and are not providing or accessing advanced metering services for the benefit of a customer, it is not proposed that they fall within the cost recovery framework.<sup>259</sup>

Currently, AEMO has determined that DNSPs should not pay B2B costs through participant fees. This decision has been made because B2B communications are currently between retailers and DNSPs and any costs incurred by the DNSPs would likely be passed on to the retailer, who charges the customer. Once advanced metering services are available, DNSPs may wish to access these advanced services in addition to the regular communications with retailers. To the extent that DNSPs are accessing advanced services it may be appropriate for them to contribute to B2B costs in the future. This would be decided by AEMO through the process of determining participant fee structures under Chapter 2 of the NER.

Like retailers, third party B2B participants may provide services to, and directly charge, consumers. If these third parties do not contribute to B2B fees, either directly or

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<sup>258</sup> Draft rule, clause 7.17.13(a) and definition of 'B2B costs' in Chapter 10.

<sup>259</sup> The draft rule excludes embedded network managers from the third party B2B participants that may be required to pay participant fees. See draft rule, clause 2.11.1A.

indirectly, their use of the B2B e-hub may be cross subsidised by other users. This may not have a significant impact while there are a small number of third party B2B participants. But as the number of third parties grows and their proportional use of the B2B e-hub increases, it may be inequitable for the parties paying fees if third party B2B participants are not contributing to the costs of operating the B2B e-hub.

For these reasons, the Commission considers third party B2B participants (except embedded network managers) should be included in the group of parties that may be charged fees under the B2B framework. To implement this decision, the draft rule specifies that third party B2B participants are deemed to be registered participants for the purposes of rule 2.11 of the NER. As a result, AEMO would be able to recover B2B costs by way of participant fees from third party B2B participants, in addition to registered participants.

Table 5.1 below provides a summary of the parties that may be required to pay fees under AEMO's participant fee process.

**Table 5.1            Parties that may be required to pay fees under the draft rule**

May be required to pay fees	Not required to pay fees
DNSPs (registered participants)  Retailers and local retailers (registered participants)  Metering coordinators (registered participants)  Third party B2B participants (deemed to be registered participants for the purposes of participant fees, except for embedded network managers)	Metering providers  Metering data providers  Embedded network managers

In general terms, clause 2.11.1(b) of the NER currently requires that participant fees, to the extent practicable, be consistent with the following principles:

- participant fees should be simple;
- participant fees should recover the budgeted revenue requirements;
- the components of participant fees charged to each registered participant should reflect the extent to which the budgeted revenue requirements involve that category of registered participant; and
- participant fees should not unreasonably discriminate between categories of registered participants.

Within this framework, there is discretion for AEMO to determine a suitable fee structure for registered participants.

The draft rule provides that the B2B costs that may be recouped by AEMO through participant fees include:

- the costs of developing the B2B procedures;
- the costs of establishing and operating the IEC (including engagement costs of specialist advisers); and
- the operational costs associated with any service provided by AEMO to facilitate B2B communications (including providing, maintaining, upgrading and operating a B2B e-hub).<sup>260</sup>

In addition, the draft rule allows AEMO to impose fee payment and credit support requirements as part of the accreditation requirements for B2B e-hub participants. This provides important support for AEMO to recover its costs in line with its not for profit status. It provides some recourse for AEMO should, for example, a third party B2B participant fail to pay fees owed to AEMO.<sup>261</sup>

### **Registered participant role for third parties**

The Commission does not consider third party service providers<sup>262</sup> should be required to be registered participants as proposed by the COAG Energy Council at this time. Being a registered participant provides AEMO with the ability to charge fees to those parties.<sup>263</sup> However, other rights and obligations would also apply, as they apply to all registered participants under the NER, including:

- participation in the dispute resolution process;<sup>264</sup>
- confidentiality obligations with respect to confidential information;<sup>265</sup> and
- reporting requirements as determined by the AER.<sup>266</sup>

In addition to these rights and obligations, parties in each class of registered participant also have particular rights and obligations that are specific to their respective roles in the market.

Creating a registered participant role for third party service providers as proposed would require all third party service providers seeking access to the meter through a metering coordinator to become a registered participant. As a result, classification as a

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<sup>260</sup> Draft rule, clause 7.17.13 and definition of 'B2B costs'.

<sup>261</sup> Clause 7.17.2(c)(2) of the draft rule.

<sup>262</sup> For the purposes of this section, a third party service provider is a party that is providing or accessing services related to advanced meters, but is not otherwise a DNSP, retailer, local retailer, metering coordinator, metering provider, metering data provider or embedded networks manager.

<sup>263</sup> Current NER, clause 2.1.2(f).

<sup>264</sup> Current NER, clause 8.2.

<sup>265</sup> Current NER, clause 8.6.1(b).

<sup>266</sup> Current NER, clause 8.7.2(e).

registered participant would apply to third parties whether or not they intend to use the B2B e-hub.

There may be value in applying some of the general requirements that apply to registered participants to third party service providers. However, it is not yet clear what the role of third party service providers will be in the market or what additional obligations should reasonably apply. The Commission is cautious in imposing unnecessary requirements on third parties that may deter market entry and stall the development of new innovative services for the benefit of consumers.

For this reason, the draft rule only imposes obligations on third party service providers related to their involvement in business communications within the B2B framework, which is the focus of this rule change. For example, third parties are required to comply with B2B procedures should they elect to become an accredited B2B e-hub participant.<sup>267</sup> Effectively, third party service providers are able to opt-in to the B2B framework and in doing so, these parties are then subject to fees that AEMO may charge.

This draft rule does not preclude reconsidering whether a fuller registered participant role is suitable for certain third party service providers at a later date through a separate rule change process, if it is considered to be necessary.

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<sup>267</sup> Under the draft rule, third party B2B participants are also required to comply with confidentiality provisions and are able to access dispute resolution.

## 6 Implementation

### Box 6.1 Draft rule determination

Under the draft rule, the NER is amended:

- on the date the final rule is made – this includes amendments that provide for an interim B2B framework that will operate until the substantive aspects of the new B2B framework are introduced; and
- on 1 December 2017 – this provides for the introduction of the B2B framework at the same time as the commencement of the new framework for competition in metering is introduced.

The key transitional arrangements to implement the B2B framework include:

- the current IEC would be dissolved on commencement of the draft rule;
- AEMO must develop and publish new IEC election procedures and IEC operating manual by 1 August 2016;
- AEMO must establish the new IEC in accordance with the IEC election procedures by 1 September 2016;
- the IEC must recommend a change to the B2B procedures to be consistent with the draft rule by 1 May 2017;
- AEMO must publish the new B2B procedures by 1 June 2017;
- AEMO must publish information the process for accreditation as a B2B e-hub participant by 1 June 2017; and
- new B2B procedures would commence on 1 December 2017.

### 6.1 Introduction

This chapter sets out the timetable for implementing the new B2B framework under the draft rule and the related transitional arrangements that would need to be undertaken by AEMO and industry.

The process for implementing the new B2B framework under the draft rule is complex and involves multiple staged amendments to the NER. More specifically, it contemplates changes to a number of chapters of the NER on the date the rule would commence and subsequently on 1 December 2017. This is necessary to provide for a transitional period between when the rule commences and subsequently when the substantive aspects of the new B2B framework commence. During this time the IEC would develop new B2B procedures and certain other transitional steps must be completed. In addition, some of the staged amendments to the NER are necessary to

align the commencement of the new B2B framework with the introduction of the new frameworks under the competition in metering final rule and embedded networks final rule.

The draft rule does not include draft provisions for transitional arrangements. However for the purpose of consultation with stakeholders, this chapter contains a summary of transitional arrangements that the Commission considers necessary in order to implement the new B2B framework under the draft rule.

Implementation and transitional arrangements are set out in sections 6.4 and 6.5 below.

## **6.2 Rule proponents' views**

Both rule proponents provided a list of steps and potential timeframes for implementing new B2B arrangements by 1 December 2017. The COAG Energy Council considered it desirable that the B2B market reforms are aligned with the commencement of competition in metering, even though it is not essential to the provision of metering and related services.

Assuming a final rule determination was made by May 2017, the tasks and timeframes identified by the proponents included:<sup>268</sup>

- AEMO developing new IEC election procedures and IEC operating manual to provide for the new framework (by 1 August 2016).
- AEMO conducting an IEC election process to establish the new IEC (by 1 October 2016).
- The new IEC updating the B2B procedures in accordance with the new framework (by 1 April 2017).
- AEMO updating the B2B e-hub to comply with new B2B procedures, although Red and Lumo noted that as the IT service provider, AEMO can choose at any time to commence consultation and development of a new B2B e-hub.
- Integration testing of the B2B e-hub with industry systems and processes.
- AEMO developing an accreditation process for B2B e-hub participants (by 1 April 2017).
- AEMO amending its participant fee structure to include new parties in the recovery of B2B costs.

The COAG Energy Council requested the AEMC to consider options to minimise the effort needed for a new IEC to adopt the existing B2B procedures, so they are transitioned as necessary and are available at the start of the new framework under the final rule for competition in metering.

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<sup>268</sup> Red and Lumo rule change request, p. 16; COAG Energy Council rule change request, pp. 18-19.

### 6.3 Stakeholder views

Stakeholders expressed firm views on implementation issues, in particular noting that the proposal to introduce a new B2B framework by 1 December 2017 may result in tight implementation timeframes.

Stakeholders generally agreed that the B2B framework should be updated before the commencement of the new framework for metering services under the competition in metering final rule on 1 December 2017. Standardised communications are considered necessary by many stakeholders for the delivery of some services in a safe and timely manner, and to maximise benefits and efficiencies for consumers.<sup>269</sup> Many participants anticipate a need to offer or access advanced services when competition in metering commences. As articulated by ERM, if a shared platform is not available participants will develop their own communication methods, which would later diminish the value of creating a shared platform.<sup>270</sup>

Some stakeholders were concerned that the proposed limited timeframes could lead to resourcing issues, sub-optimal outcomes and higher costs for industry. For these reasons, some stakeholders suggested delaying the commencement of the competition in metering final rule to allow more time for implementation of the B2B framework. A commencement date of between mid-2018 and December 2018 was put forward as more achievable.<sup>271</sup>

Vector strongly disagreed with this view. It noted that parties can use existing industry processes to provide advanced metering services with appropriate agreements in place. As a result, meeting a target commencement date of 1 December 2017 for a new B2B framework was not critical. Vector considered that if implementation timeframes are delayed, participants could manage their position more effectively if they were required to 'opt-in' to the B2B framework, instead of being able to 'agree to an alternative' to the B2B e-hub. Participants would not need to have their own processes in operation by 1 December 2017.<sup>272</sup> EDMl noted that lessons from early commercial providers of data delivery systems could be incorporated into the new B2B framework if it were delayed.<sup>273</sup>

Stakeholders generally agreed that industry would need approximately 12 months to develop new internal processes and systems following the publication of the revised B2B procedures prepared by the new IEC.<sup>274</sup> Metropolis considered it could meet the proposed timeframes, but noted that it is potentially in a better position than some

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<sup>269</sup> Submissions to the consultation paper: United Energy, p. A10; Energex, p. 8; Ausgrid, p. 3; AusNet Services, p. 7.

<sup>270</sup> ERM, submission to the consultation paper, p. 3.

<sup>271</sup> Submissions to the consultation paper: Energy Australia, p. 4; Energex, p. 8; AusNet Services, p. 12; ENA, p. 2.

<sup>272</sup> Vector, submission to the consultation paper, pp. 4-5.

<sup>273</sup> EDMl, submission to the consultation paper, p. 5.

<sup>274</sup> Submissions to the consultation paper: ERM, p. 4; Energy Australia, p. 5; United Energy, p. A10; Energex, p. 8.

other stakeholders.<sup>275</sup> Ausgrid noted that it would need three to four months to test its systems with a finalised B2B e-hub.<sup>276</sup> ERM noted that the technical aspects of implementation are the greatest risk to meeting the target of 1 December 2017.<sup>277</sup>

Most stakeholders explicitly stated they would not begin developing or amending their internal processes until a final B2B procedure has been published.<sup>278</sup> However, some smaller retailers indicated that they would be willing to begin work following publication of draft B2B procedures, in order to meet implementation timeframes.<sup>279</sup>

To meet a 1 December 2017 implementation timeframe, several stakeholders noted that new B2B procedures would need to be published by December 2016.<sup>280</sup>

In regard to the potential redevelopment of the B2B e-hub, several stakeholders considered it to be independent of B2B procedure development and could begin immediately.<sup>281</sup> Some noted that certain decisions related to B2B e-hub technology may affect the implementation timeframes for this rule change. For example, if the B2B e-hub is 'backwards compatible' technology, some participants may not need to update their internal systems at all.<sup>282</sup> AusNet Services proposed that AEMO should be required to determine the nature of any changes to the B2B e-hub by September 2016 to enable the decisions that depend on that decision to be made.<sup>283</sup>

There was some support for AEMO beginning work on the new IEC election procedures and IEC operating manual following the publication of a draft rule determination.<sup>284</sup> AusNet Services suggested that a new IEC could be in place by 1 August 2016.<sup>285</sup> Energy Australia noted that, given the AEMO member was also the chairperson, there should be some oversight of the process by an independent party, such as the AEMC.<sup>286</sup> Alternatively, United Energy proposed that the current IEC begin work on developing the new IEC election procedures and IEC operating manual.<sup>287</sup>

Meeting the proposed timeframes for B2B procedure development would be very tight. Several stakeholders suggested options to increase the likelihood that the timeframes could be met:

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<sup>275</sup> Metropolis, submission to the consultation paper, p. 5.

<sup>276</sup> Ausgrid, submission to the consultation paper, p. 1.

<sup>277</sup> ERM, submission to the consultation paper, p. 4.

<sup>278</sup> Submissions to the consultation paper: Energy Australia, p. 5; ENA, p. 2; Energex, p. 9.

<sup>279</sup> Simply Energy, submission to the consultation paper, p. 4.

<sup>280</sup> Submissions to the consultation paper: Ergon, p. 3; United Energy, p. A10.

<sup>281</sup> Submissions to the consultation paper: Simply, p. 3; Red and Lumo, p. 5; CEA, p. 2.

<sup>282</sup> Submissions to the consultation paper: ERM, p. 4; EDMI, p. 5.

<sup>283</sup> AusNet Services, submission to the consultation paper, p. 13.

<sup>284</sup> Submissions to the consultation paper: Simply Energy, p. 3; Origin, p. 4; AusNet, p. 10.

<sup>285</sup> AusNet Services, submission to the consultation paper, p. 10.

<sup>286</sup> Energy Australia, submission to the consultation paper, p. 3.

<sup>287</sup> United Energy, submission to the consultation paper, p. A5.



- Red and Lumo suggested the existing IEC should begin work on the new B2B procedures immediately. This work would be handed over to the new IEC once elected, to finalise the process.<sup>288</sup>
- DNSPs suggested that the existing IEC develop new B2B procedures under the new B2B framework. The IEC could hold open meetings and workshops to take everyone's views into account. The new IEC would take over in early 2017 once the B2B procedures are finalised.<sup>289</sup>
- ECA considered it important to maintain corporate knowledge and minimise disruption during this transition period. It suggested that new member categories be elected immediately and join the existing IEC. Then at a later date the retailer, DNSP and independent members would be replaced.<sup>290</sup>

Some retailers suggested that a 'minimal' set of B2B procedures could be implemented for 1 December 2017 so long as there is a clear plan to introduce the other desired services.<sup>291</sup> However, several DNSPs strongly considered a 'minimal' set of procedures must include the services that are widely used by DNSPs, such as load control, NMI supply failure notification and network service line safety management.<sup>292</sup>

A number of stakeholders opposed reducing consultation requirements in order to meet the proposed implementation timeframes.<sup>293</sup> However, some stakeholders supported an exemption from the rules consultation procedures, for example where there was general support from stakeholders on a topic. Origin noted that while reducing consultation requirements was not ideal, it was a good way to assist with meeting the implementation timeframes.<sup>294</sup>

DNSPs also proposed that a 'readiness review' be carried out in mid-2017 to identify and manage barriers to implementation.<sup>295</sup>

## 6.4 Implementation

### Commission's analysis

The draft rule provides for amendments to the NER that would commence on:

- the date of commencement of the draft rule, which comprise of amendments to Chapters 7 and 8 of the NER (and consequential changes to Chapter 10 to amend

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<sup>288</sup> Red and Lumo, submission to the consultation paper, p. 6.

<sup>289</sup> Submission to the consultation paper: Ergon, p. 4; United Energy, p. A3; ENA, p. 1; Ausgrid, p. 2.

<sup>290</sup> ECA, submission to the consultation paper, p. 3.

<sup>291</sup> Submissions to the consultation paper: ERM, p. 4; Energy Australia, p. 5; Origin, p. 4.

<sup>292</sup> Submissions to the consultation paper: Energex, p. 9; AusNet, pp. 3-5.

<sup>293</sup> Submissions to the consultation paper: ERM, p. 4; United, p. A13; ENA, p. A3; Energex, p. 9; Ausnet, p. 20; Metropolis, p. 5.

<sup>294</sup> Submissions to the consultation paper: Origin, p. 4; Simply Energy, p. 4.

<sup>295</sup> Submissions to the consultation paper: ENA, p. 4; Energex, p. 9; AusNet Services, p. 11.

and introduce new definitions) that provide for an interim B2B framework that will operate until the substantive aspects of the new B2B framework are introduced;<sup>296</sup> and

- 1 December 2017, which comprise of amendments to Chapters 2, 7 and 8 of the NER (and consequential changes to Chapter 10 to amend and introduce new definitions) that provide for the introduction of the new B2B framework at the same time as the new framework for competition in metering is introduced.<sup>297</sup>

The draft rule does not include draft transitional provisions. However, a summary of the transitional arrangements that the Commission considers necessary to support the introduction of the new B2B framework are set out in detail below. Such transitional arrangements would commence on the date of commencement of the draft rule.

While it is not vital that the B2B framework be updated for the commencement of the competition in metering framework (that is, an alternative would be for parties to determine their own form and manner for communications), it is preferable that these market reforms commence at the same time. The draft rule would result in an agreed set of communications to facilitate, at a minimum, the services in the minimum services specification, to support parties who wish to provide or access these services. The Commission expects that providing for an agreed form of communication from the day these services are available is likely to maximise benefits and efficiencies for participants and consumers. It would also enable B2B procedures to provide for communications between a wider group of participants.

Consultation with AEMO and industry stakeholders has indicated that it may be difficult to achieve all of the implementation steps identified by the proponents by 1 December 2017. In particular, the process for developing new IT systems to support the new B2B communications is currently expected to take 12 to 18 months. However, for the reasons set out in section 6.5 below it may not be necessary for AEMO and participants to develop new IT in order to send B2B communications.

The Commission does not consider the development of IT should delay the commencement of the draft rule beyond 1 December 2017, where those communications could use an agreed alternative means. The inclusion of B2B factors in the decision making process for B2B procedures that relate to the reasonable costs of compliance with B2B procedures and implementation timeframes will mean that the IEC is expected to recommend changes to the B2B procedures that are appropriate for an implementation deadline of 1 December 2017.<sup>298</sup>

As mentioned above, a multi-staged process is necessary to provide for the transitional period in which the current IEC has ceased operation and the new IEC is established to develop B2B procedures to commence on 1 December 2017 in accordance with this draft rule. A multi-staged process is also necessary to for the introduction of the new

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<sup>296</sup> Draft rule, Schedule 1.

<sup>297</sup> Draft rule, Schedules 2, 3 and 4.

<sup>298</sup> The B2B factors are discussed in section 4.4.

B2B framework to properly align with the introduction of amendments under the competition in metering final rule and embedded networks final rule on 1 December 2017. The key implementation steps are outlined below.

### **Changes to the NER on the date the final rule is made**

The following changes to the NER would commence on the date of commencement of the draft rule.

1. Chapter 7 of the NER would be amended to:
  - (a) Remove the provisions related to the establishment, maintenance and operation of the IEC. The current IEC would cease to operate on the date of commencement of the rule and a new IEC would be established at a later date under transitional provisions (described in section 6.5). It is preferable not to have two IECs operating concurrently for the reasons set out below.
  - (b) Remove provisions relating to making amendments to the B2B procedures. A transitional provision would provide that B2B procedures as in force immediately prior to the commencement of the draft rule would continue to be in force (without amendment) until revised B2B procedures that reflect the draft rule commence on 1 December 2017.
    - (i) A consequence of dissolving the current IEC is that there would be no appropriate body to undertake the B2B procedure change processes on the existing B2B procedures. The Commission considers it preferable that the current B2B procedures remain in force and not be amended until the B2B procedures are amended in accordance with the transitional arrangements under the draft rule (described in section 6.5), for the reasons set out below.
    - (ii) This is a different approach to that contemplated in the transitional arrangements to the competition in metering and embedded networks final rules. However, the approach of keeping these procedures unchanged during the period in which new B2B procedures are developed will create greater clarity for participants on the role of the IEC in the lead-up to 1 December 2017. It will also allow for the focus of consultation during that period to be on the development of the new B2B procedures, rather than any incremental changes to the existing B2B procedures.
  - (c) Retain the existing requirements that AEMO, local retailers, market customers, DNSPs, metering providers and metering data providers must comply with the B2B procedures and use the B2B e-hub for B2B communications as required by B2B procedures. This clarifies that ongoing compliance with the existing B2B procedures prior to 1 December 2017 is required.

2. Chapter 8 of the NER is amended to remove the existing B2B determination dispute resolution provisions in rule 8.2A. This is consequential to the changes to Chapter 7 of the NER noted above. The Commission does not consider these dispute resolution provisions are required as there would be no changes to B2B procedures in force between the commencement of the rule and 1 December 2017.
3. Chapter 11 of the NER is amended to remove certain transitional provisions introduced under the competition in metering and embedded networks final rules that are no longer necessary or appropriate as timelines for revising B2B procedures<sup>299</sup> have been extended. For example, the transitional requirements for the current IEC to recommend changes to the B2B procedures to take into account the competition in metering and embedded networks final rules have been deleted. Under the B2B transitional arrangements, the new IEC would be required to recommend changes to the B2B procedures by 1 April 2017 (described in section 6.5).

The Commission has made the above decisions in the draft rule determination because the alternatives considered would result in a more complex and greater administrative burden on AEMO and the IEC. Specifically, if the draft rule were to allow for new change proposals to the B2B procedures in force between the commencement of the draft rule and 1 December 2017, the draft rule would need to provide arrangements to support this. For example:

- two IECs could operate in parallel. The existing IEC and procedure change process may need to continue to operate in force in case a change to the existing B2B procedures was proposed, while the new IEC changes the B2B procedures to satisfy requirements in the draft rule; or
- the new IEC could process requests related to existing B2B procedures in addition to its transitional work. This would require the new IEC to consider change proposals relating to B2B procedures against a different set of decision making criteria and in accordance with a different decision making process.

As noted previously, it is not desirable for the NER to provide for two IECs operating at the same time. Such an arrangement would be an unnecessary financial and administrative burden on the resources of AEMO and industry and may give rise to uncertainty in respect of the respective roles of the two groups.

Nor is it preferable that a new IEC make decisions about existing B2B procedures and new B2B procedures under two different sets of decision making criteria. These arrangements would be complicated and potentially confusing for the new IEC as well as AEMO and industry participants.

Accordingly, the Commission has concluded that one IEC should be operational at any time and that the existing B2B procedures remain in place during the transition period.

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<sup>299</sup> Competition in metering final rule, clauses 11.86.6(e)-(f) and 11.86.7; embedded networks final rule, clauses 11.87.2(b)-(c).

During this period the new IEC will be required to amend the B2B procedures in accordance with the transitional arrangements, in addition to making changes required under the transitional arrangements for the competition in metering and embedded networks final rules. The Commission expects this to be a significant workload and so the new IEC should not be required to respond to additional B2B procedure change requests by industry during this transition period.

B2B procedures have been typically amended one to two times per year.<sup>300</sup> There is potentially an 18 month period between publication of a final rule determination and 1 December 2017 in which changes to the existing B2B procedures would not be possible.<sup>301</sup> While there is a risk that some parties may wish to propose a change to the existing B2B procedures during this time, the Commission considers the impact of this risk is sufficiently small. Parties will be involved in the B2B procedure change process under the draft rule and in practice, any B2B procedure change requested during the transition period would likely lead to a B2B procedure change that would only be in force for a short period of time before the commencement of new B2B procedures on 1 December 2017. The Commission considers the costs involved in retaining the change processes for existing B2B procedures and the risks for the new IEC, should it be required to carry out an additional procedure change during the transition period, outweigh the potential benefits that may arise for a possible procedure change process to be conducted during the transition period.

### **Changes to NER that would commence on 1 December 2017**

The following changes to the NER would commence on 1 December 2017:

1. The new B2B framework would be introduced into Part H of Chapter 7 of the NER (rule 7.17), with certain consequential amendments made to Chapters 2 and 10 of the NER.
2. The B2B determination dispute provisions previously set out in rule 8.2A would be reintroduced in Chapter 8 of the NER with certain amendments to reflect the new B2B framework.

## **6.5 Transitional requirements**

This section provides a summary of the key transitional arrangements the Commission considers necessary in order to implement the new B2B framework under the draft rule.

If a final rule determination is made by 30 June 2016, the key transitional arrangements and related dates are as follows:

- The current IEC would be dissolved upon commencement of the draft rule.

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<sup>300</sup> See the document history table in the B2B procedures available on the AEMO website.

<sup>301</sup> A party could submit a rule change request to seek a change to these arrangements if a B2B procedure change is required.

- B2B procedures as in force immediately prior to the commencement of the draft rule would continue in force (without amendment) until revised B2B procedures that reflect the draft rule commence on 1 December 2017.
- By 1 August 2016, AEMO must develop and publish new IEC election procedures and IEC operating manual to be consistent with the draft rule. AEMO must consult with DNSPs, retailers, local retailers, metering providers and metering data providers on the form of the IEC election procedures and operating manual prior to publishing the documents.<sup>302</sup>
- By 1 September 2016, AEMO must establish the new IEC in accordance with clause 7.17.6 of the draft rule and the IEC election procedures and operating manual (as in force on 1 August 2016).
  - The new IEC's role will be to develop and consult on recommended changes on the revised B2B procedures to commence on 1 December 2017.
- By 1 May 2017, the new IEC must make an IEC recommendation to change the B2B procedures to be consistent with the draft rule. As noted below, this is the latest possible date for the IEC to recommend changes to the B2B procedures and the IEC could decide to make a recommendation earlier.
  - The new IEC would be required to follow the consultation process set out in clause 7.17.4(i) to (r) of the draft rule in respect of such recommendation. The new IEC's recommendation must propose that changes to the B2B procedures commence on 1 December 2017. As noted earlier, participants will not be able to dispute this IEC recommendation through the dispute resolution process in Chapter 8 of the NER. The decision could, however, be subject to judicial review.
- By 1 June 2017, AEMO must publish new B2B procedures (subject to its limited veto right under clause 7.17.5(b) of the draft rule).
  - Once the new B2B procedures are published, AEMO would need to redevelop the B2B e-hub to reflect the new procedures
- By 1 June 2017, AEMO must also establish and maintain an accreditation process for B2B e-hub participants. AEMO must publish information relating to the process by which parties can apply to be accredited as B2B e-hub participants under clause 7.17.2 of the draft rule.
- On 1 December 2017, the new B2B procedures would commence operation and the redeveloped B2B e-hub would be operational. The B2B procedures would be subject to change in accordance with the procedure change process under the new B2B framework.

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<sup>302</sup> AEMO would not be required to comply with the rules consultation procedures for the purposes of this consultation.

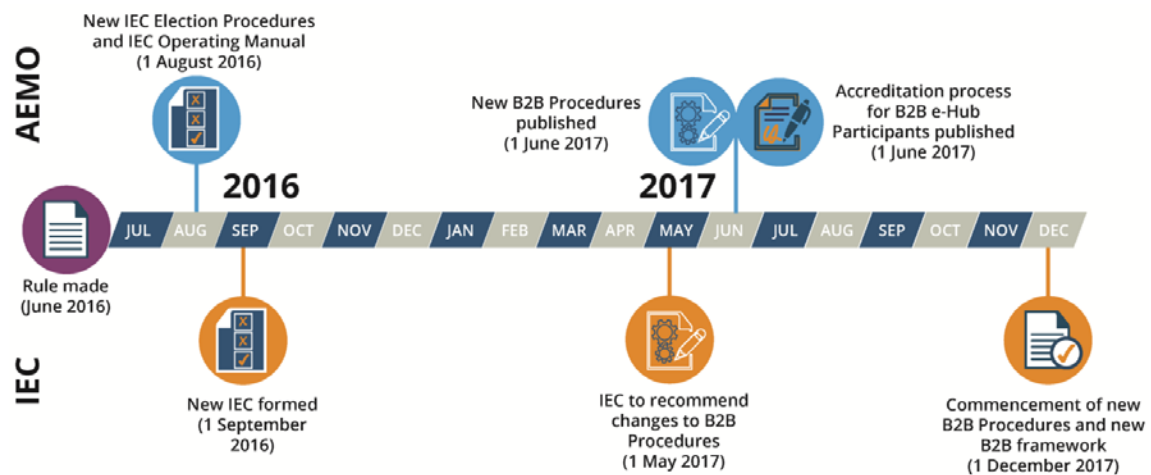
- The IEC established under the transitional arrangements would continue in effect until membership is changed in accordance with the IEC election procedures.

The table and figure below provide a summary of the key implementation tasks and the relevant parties responsible.

**Table 6.1 Key implementation tasks**

Party	Task	Date
AEMO	Develop and publish new IEC election procedures and IEC operating manual.	1 August 2016
AEMO	Establish the new IEC	1 September 2016
IEC	Recommend a change to B2B procedures to be consistent with the draft rule.	1 May 2017
AEMO	Publish B2B procedures that are consistent with the draft rule.	1 June 2017
AEMO	Establish an accreditation process for B2B e-hub participants and publish information relating to the process for becoming an accredited B2B e-hub participant.	1 June 2017

**Figure 6.1 Implementation tasks for AEMO and the IEC**



## Development of IT

As mentioned in section 5.5 above, it may not be necessary for AEMO and participants to develop new IT systems and processes in order to send B2B communications. This is because the B2B procedures are able to allow for a method of communication that does not use the B2B e-hub if the IEC considers it to be appropriate for that particular communication. If the B2B procedures do not require the B2B communication to be

provided through the B2B e-hub, then the B2B e-hub does not need to be capable of providing that particular communication.<sup>303</sup>

During the period between the new IEC being established and 1 May 2017, the new IEC will be required to develop and consult on recommended changes to the B2B procedures to provide for (amongst other changes) B2B communications that support the services in the minimum services specification. It will also need to decide whether the B2B procedures should include any performance requirements necessary for the B2B e-hub to provide those services.

Under the draft rule, the B2B e-hub must be capable of facilitating B2B communications in accordance with the B2B procedures.<sup>304</sup> As a consequence, if the B2B procedures provide for a particular communication to be made through the B2B e-hub, the B2B e-hub must be able to facilitate that B2B communication as soon as the new B2B procedure commences. This means that if the IEC develops B2B procedures that include B2B communications through the B2B e-hub, or performance requirements for the B2B e-hub, the B2B e-hub will need to provide these from the commencement date for the B2B procedure (1 December 2017). As AEMO is responsible for providing the B2B e-hub, the IEC is expected to work closely with AEMO to ensure any IT changes that need to be carried out by AEMO and industry are aligned with the commencement date for the B2B procedure.

The IEC has several options regarding this aspect of implementation during the transition period for the draft rule:

- If the IEC decides that updates to the B2B e-hub are required by 1 December 2017, it will need to develop B2B procedures with enough time for AEMO and industry to develop the associated IT requirements. In this case, the IEC may recommend, and AEMO may publish, B2B procedures at a much earlier date than required under the draft rule.
- Alternatively, the IEC may decide to not require certain new B2B communications to be made through the B2B e-hub. Instead, new communications could be made by other means for an interim period from 1 December 2017. This arrangement could remain in place until further changes to B2B procedures and new IT are developed at a later date.

### **B2B amendments developed by the current IEC**

The Commission understands that the current IEC has begun work to amend the B2B procedures in accordance with the competition in metering final rule and the embedded networks final rule. Under the transitional requirements for those final

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<sup>303</sup> Draft rule, clauses 7.17.1(b) and (e). The B2B e-hub is required to have the capability to facilitate B2B communications *in accordance with the B2B procedures* and parties must use the B2B e-hub for B2B communications *in accordance with the B2B procedures*. The Commission notes that the requirement for certain parties to use the B2B e-hub for B2B communications in accordance with the B2B procedures is currently reflected in clause 7.2A.1 of the current NER.

<sup>304</sup> Draft rule, clause 7.17.1(b)



rules, the IEC must provide a recommendation to change the B2B procedures to AEMO by 1 August 2016 and AEMO must publish the B2B procedures by 1 September 2016.

As discussed above, there should not be two IECs carrying out different work streams. For clarity and administrative efficiency, the current IEC would cease to exist on the commencement of the final rule. The draft rule also removes the transitional provisions introduced under the competition in metering and embedded networks final rules that relate to timing requirements for the development and publication of B2B procedures. These transitional provisions have been removed because consideration of changes to the B2B procedures should be made by the new IEC, which will include a greater range of members. When considering how to amend the B2B procedures, the new IEC will need to consider the broader framework.

Removing these transitional provisions introduced under the competition in metering and embedded networks final rules will improve administrative efficiencies for the IEC and AEMO throughout the transition period for the draft rule, as it may consider all of the B2B changes through one process. These benefits should also flow to industry participants. The new IEC could choose to pick up and use the work undertaken to date by the current IEC on draft initial changes to B2B procedures.

Figure 6.2 below sets out the key implementation timeframes as required by this draft rule against the timeframes of related Power of Choice reforms.



## Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
Commission	See AEMC
B2B	business to business
COAG	Council of Australian Governments
DNSP	distribution network service provider
ECA	Energy Consumers Australia
IEC	Information Exchange Committee
MSATS	market settlements and transfer solutions
NEL	National Electricity Law
NER	National Electricity Rules
NEO	national electricity objective
NMI	national metering identifier
SMP	shared market protocol

## A Summary of other issues raised in submissions

Where relevant, stakeholder comments have been addressed throughout the draft rule determination. The table below summarises issues raised that were not explicitly addressed in the body of the draft rule determination and the Commission's responses to these comments

Stakeholder	Issue	AEMC Response
<b>Governance</b>		
AGL (p. 2)	The IEC should include a non-voting AEMC member to ensure the policy intent behind the Power of Choice rule determinations are being met.	This is not necessary. The IEC may consult with AEMC if necessary.
AGL (p. 3); United Energy (p. A5); AusNet (p. 6)	The IEC should be responsible for determining whether discretionary representatives are necessary.	Under the draft rule AEMO will be responsible for appointing discretionary members. The Commission's rationale is set out in section 3.3.4.
CEA (p. 1)	The IEC should include greater industry representation.	Under the draft rule the IEC includes greater industry representation than the current arrangements. The IEC will include up to eight industry members, plus a consumer member and an AEMO member.
Ergon (p. 4); Energex (p. 5); AusNet (p. 5)	The IEC chairperson should be independent. AEMO is not independent from IEC decisions and as chairperson may be able to influence decisions. Alternatively, the AEMO chairperson should have a non-voting role.	The rationale for the AEMO member being the IEC chairperson is set out in section 3.2.4. All IEC members may be involved in decision making by voting. See section 3.4.4.
United Energy (p. A4)	The AEMO member should be of senior executive level (reports to the CEO), such as the Executive General Manager Markets.	Under the draft rule the AEMO member will be from the AEMO board of directors. See section 3.2.4.

Stakeholder	Issue	AEMC Response
Metropolis (p. 4)	The framework should ensure that smaller parties are represented in the metering and retailer member positions on the IEC.	While the draft rule does not specifically require representation of smaller participants, the purpose of the discretionary member positions is to provide for wider business experience on the IEC. See section 3.2.4.
ECA (p. 2)	The consumer member should be nominated by ECA and then appointed by AEMO. ECA could provide a nominee with the requisite skills and abilities, which could be an existing staff member, an experienced industry volunteer or a consultant. If AEMO did not agree with the nomination ECA could provide another nominee.	Under the draft rule AEMO will appoint a consumer member in consultation with Energy Consumers Australia. See section 3.2.4.
Simply Energy (p. 2)	IEC members should be elected by industry instead of being appointed by AEMO, given the IEC is a decision making body and not advisory.	The IEC under the draft rule includes a combination of memberships elected by industry and appointed by AEMO. The rationale is set out in section 3.2.4.
Origin (p. 2)	Relevant industry bodies (such as the Competitive Energy Association or ENA) should manage nominations in the longer term.	This is not included in the draft rule. The IEC election procedures will set out the process for industry to nominate and elect the IEC members.
United Energy (p. A5)	Qualifications for IEC members should include independence, senior governance experience, executive and board networks and facilitation skills. Technical understanding is not a material selection criteria for these positions.	The requisite qualifications for IEC members are set out in section 3.3.4.
Metropolis (p. 3)	DNSPs should not be eligible to vote for metering members, as their interests are represented through the DNSP member. Alternatively, the two metering members should include 'regulated' and 'unregulated' representatives.	There are no restrictions on DNSPs in their capacity as initial metering coordinators voting for the metering member (see section 3.3.4). However, the purpose of the discretionary IEC membership positions is to provide for the IEC membership to have a diverse range of expertise, where required. See section 3.2.4.

Stakeholder	Issue	AEMC Response
ECA (p. 2)	There should not be an obligation that IEC members must canvas the opinion of the sector they represent.	This requirement is currently in the IEC operating manual. The draft rule does not incorporate this requirement into the NER. As discussed in Chapter 6, the IEC operating manual will be developed by AEMO in the first instance and then may be amended in accordance with the NER.
ECA (p. 2)	Any nominee should be endorsed by the CEO of the organisation that has nominated that party. This will ensure they are supported by the organisation and support strategic issues.	The detail with regard to nomination requirements will be included in the IEC election procedures. As discussed in Chapter 6, the IEC election procedures will be developed by AEMO in the first instance and then may be amended in accordance with the NER.
Energy Australia (p. 2); United Energy (p. 2); AusNet (p. 6-7)	<p>The IEC should have more ability to set its own budget. This could be done by:</p> <ul style="list-style-type: none"> <li>• amending the definition of B2B costs include costs incurred by AEMO at the direction of the IEC chairperson, subject to those costs being within the agreed budget and recoverable; or</li> <li>• providing that AEMO 'cannot unreasonably change the submitted IEC budget'.</li> </ul>	The draft rule does not alter the current requirements related to the IEC submitting, and AEMO approving, an IEC budget. Amending the budget requirements may impact AEMO's ability to manage its own finances and recoup those costs through participant fees. It is appropriate that AEMO has oversight of this expenditure.
Energy Australia (p. 2)	The IEC should be able to engage service providers other than AEMO to ensure delivery of the planned work program.	The IEC is not currently required to use AEMO as the secretariat. This continues under the draft rule.
United Energy (p. A6)	The IEC secretariat should maintain a list of all member businesses in each category to facilitate consultation, nomination and election.	It is not necessary to include a requirement of this nature in the NER. It may be included in the IEC election procedures or operating manual if considered necessary.
United Energy (p. A6)	Each IEC member should have to nominate an alternative to facilitate meetings.	It is not necessary to include a requirement of this nature in the NER. It may be included in the IEC election procedures or operating manual if considered necessary.

Stakeholder	Issue	AEMC Response
<b>Procedures</b>		
United Energy (p. A13)	If B2B procedures do not apply to large customers or CT/VT customers, the IEC should establish this in the application section of the B2B procedure.	This is an issue for the IEC to consider.
United Energy (p. 2); AusNet (p. 14)	The definition of B2B communications should be amended to enable the IEC to include jurisdictional network billing in B2B procedures. Jurisdictional network billing has been legally interpreted as not relating to 'an end user or supply to an end user'.	This suggestion is out of scope for this rule change.
ENA (p. 3); Ausgrid (p. 4)	Load control and other commonly used services should be included in B2B procedures. Otherwise, these services will not be offered as DNSPs will have to negotiate multiple bespoke arrangements with metering coordinators.	As discussed in section 4.2.4, the IEC will be responsible for deciding the content of B2B procedures beyond the minimum requirements.
Ausgrid (p. 7)	B2B procedures should include functionality to prioritise and coordinate services, for example in an emergency situation.	This is a matter for the IEC to decide. The minimum content requirements for B2B procedures are set out in section 4.2.4.
Vector (p. 2)	Metering providers and metering data providers will need access to 'customer details request transaction' and 'site access notification', at a minimum, as they will increasingly perform site visits instead of the DNSP.	This is a matter for the IEC to decide. The minimum content requirements for B2B procedures are set out in section 4.2.4.
<b>B2B e-hub</b>		
Metropolis (p. 3)	The current B2B e-hub technology is obsolete.	The IEC may provide minimum performance requirements for the B2B

Stakeholder	Issue	AEMC Response
	Transaction based technology would not be able to provided streaming and other unidentified technologies.	e-hub in B2B procedures.
<b>Accreditation</b>		
United Energy (p. A9)	Accreditation will not eliminate the risks associated with providing advanced services, as parties may choose to use an alternative to the B2B e-hub and avoid accreditation.	Certain parties will be required to comply with B2B procedures whether or not they are using the B2B e-hub (see section 5.3.4). With regard to third parties that choose not to become an accredited B2B e-hub participant, they may contract with metering coordinators to access services through the meter (see section 5.4.4).
Ausgrid (p. 7)	Network services and network data need to be accommodated in any revised accreditation process to mitigate against the risk of inadvertent network stability and security impacts (if B2B procedures are not defined enough)	This is a matter for AEMO to consider in developing a B2B e-hub participant accreditation process.
Ausgrid (p. 7)	Metering coordinators should be required to comply with relevant jurisdictional requirements, such as the NSW accredited service provider scheme.	Any applicable jurisdictional requirements would already apply to metering coordinators. There is no need to restate this in the B2B framework in the NER.
EDMI (p. 3)	The scope of or need for accreditation requirements may be influenced by the type of interactions between new parties.	Under the draft rule, AEMO has a broad discretion to determine suitable accreditation requirements for participants. See section 5.4.4.
EDMI (p. 4)	There should be a difference between access to B2B test systems and B2B production systems. There could be different accreditation for access to a test system; options for one time or limited time access to test and production systems at a low or no fee; and allowing for 'sub-registration' to address where a service provider operates a	This will be determined by AEMO in its development of the B2B e-hub and accreditation requirements.



Stakeholder	Issue	AEMC Response
	managed service for an existing registered participant.	
<b>Implementation</b>		
United Energy (p. A10); Energex (p. 8); Ausgrid (p. 3); Ausnet (p. 7)	The B2B framework should be updated for the commencement of competition in metering final rule on 1 December 2017.	The substantive provisions of the draft rule commence on 1 December 2017.
Energy Australia (p. 4); ENA (p. 2); Energex (p. 8); AusNet (p. 12)	The commencement of competition in metering should be delayed to allow more time for implementation of new B2B arrangements. Restricting timeframes could lead to resourcing issues, sub-optimal outcomes and higher costs for industry.	The commencement of the competition in metering final rule will not be delayed to accommodate implementation of a new B2B framework. It is preferable, but not vital, that these reforms commence on the same date. See section 6.4.
Vector (pp. 4-5); EDMl (p. 5)	Commencement of a new B2B framework could occur after the commencement of the competition in metering final rule. It is not vital that the reforms are aligned and there may be benefits from delaying the new B2B framework, such as learning from early service providers.	While it is not vital that the B2B framework is updated for the commencement of the competition in metering final rule, it is preferable that these market reforms commence at the same time. This is expected to maximise benefits and efficiencies for small electricity customers. See section 6.4.
ERM (p. 4); Energy Australia (p. 5); United Energy (p. A10); Energex (p. 8)	Industry is likely to need 12 to 18 months to develop internal processes and systems following the publication of final B2B procedures.	Noted. The proposed implementation timeframes are set out in section 6.5.
ERM (p. 4); EDMl (p. 5)	Implementation timeframes will be affected by certain decisions related to the B2B e-hub, such as whether it is backwards compatible.	Noted. The proposed implementation timeframes are set out in section 6.5.
Simply Energy (p. 3); Origin (p. 4); AusNet (p. 7)	AEMO should begin work on the new IEC election procedures and operating manual	In practice, AEMO is likely to choose to do so, but the draft rule can

Stakeholder	Issue	AEMC Response
10)	following the publication of a draft rule determination.	not provide for any requirements prior to the final rule determination.
Energy Australia (p. 3)	There should be independent oversight of the process for AEMO developing the first IEC election procedures and operating manual, such as by the AEMC.	It is not necessary for the AEMC to oversight the development of the IEC election procedures and operating manual. The draft rule requires AEMO to develop the IEC election procedures and operating manual to take into account the draft rule. This provides guidance to AEMO on the required content. See section 6.5.
United Energy (p. A5)	The current IEC should be responsible for developing the new IEC election procedures and operating manual.	<p>While there are current provisions in the NER to amend the IEC election procedures and operating manual, this relates only to DNSPs, local retailers and market customers. It is not appropriate for this group of participants to develop the IEC election procedures and operating manual for the new IEC as they do not represent the range of new parties involved.</p> <p>It is more appropriate for AEMO to develop the first IEC election procedure and operating manual. If necessary, this may be amended in the future in accordance with the new provisions in the NER. See section 6.5.</p>
Red and Lumo (p. 6)	The existing IEC should begin work on the new B2B procedures immediately. This work would be handed over to the new IEC once elected, to finalise the B2B procedure.	The draft rule can not provide for any requirements prior to the final rule determination.
Ergon ( p. 4); United Energy (p. A3); ENA (p. 1); Ausgrid (p. 2)	The existing IEC should develop new B2B procedures under the new B2B framework. The IEC would hold open meetings and workshops to take everyone's views into account. The new IEC would take over in early 2017 once the B2B procedures are finalised	<p>The current IEC includes DNSPs, local retailers and market customers. It is not appropriate for the current IEC to be responsible for decisions under the new B2B framework.</p> <p>The draft rule provides for a new IEC to be in place by 1 September 2016. See section 6.5.</p>

Stakeholder	Issue	AEMC Response
ECA (p. 3)	To maintain corporate knowledge, new member categories should be elected immediately and added to the existing IEC. Then at a later date the retailer, DNSP and independent members would be replaced.	The draft rule provides for a new IEC to be in place by 1 September 2016. It is expected that corporate knowledge will be maintained through certain interested parties continuing to engage in the B2B procedure making process through formal consultation and participation in working groups. See section 6.5.
ERM (p. 4); United (p. A13); ENA (p. A3); Energex (p. 9); AusNet (p. 20); Metropolis (p. 5).	Consultation requirements should not be reduced.	<p>The draft rule requires the new IEC to follow the rules consultation procedure process in developing B2B procedures in accordance with the draft rule. See section 6.5.</p> <p>The draft rule requires AEMO to consult with DNSPs, retailers, local retailers, metering providers and metering data providers in developing the IEC election procedures and operating manual. See section 6.5. Metering coordinators, embedded network managers and third party B2B participants will not exist yet and can not be consulted.</p>
ENA (p. 4); Energex (p. 9); AusNet (p. 11)	A 'readiness review' should be carried out in mid-2017 to identify and manage barriers to implementation.	This would be a matter for the IEC to decide.

## B Summary of other issues raised in proposed rules

Where relevant, issues raised in the proposed rules have been addressed throughout the draft rule determination. Table B.1 summarises and addresses the proposed amendments to the NER in each of the rule change requests that were not explicitly addressed in the body of the draft rule determination.

**Table B.1 Other amendments raised by the rule proponents**

Section of proposed rule	Amendment	AEMC response
<b>Red and Lumo proposed rule</b>		
7.17.3(a)	Delete the requirement that B2B procedures 'may be constituted by one or more separate documents', which is currently found in clause 7.2A.4(g) of the NER.	No change. This text is necessary to allow for flexibility. The B2B procedures are already provided as separate documents.
7.17.3(a)(3)	Add 'may provide for any other B2B Communications as agreed by B2B e-Hub Participants that are additional to B2B Communications set out in 7.17.3(a)(1)'.	No change. The added text is unnecessary and duplicative with 7.17.3(a)(2).
7.17.3(a)(7)	Add 'any matter consequential or related to any of the above' as a content requirement for B2B procedures.	No change. The added text is unnecessary.
7.17.3(b)	Replace 'must specify':  1. the required B2B Data inputs and B2B Data outputs;  2. the required business process flows and related	No change. The existing wording is considered to provide greater clarity on the content requirements for procedures than the proposed rule. As such, the amendment is not considered necessary.

Section of proposed rule	Amendment	AEMC response
	<p>timing requirements;</p> <p>3. the required content and format;</p> <p>4. the required delivery method.'</p> <p>with: 'must specify the protocol which governs the manner, form and timing in which information is exchanged, notices or documents delivered, requests made and completed'.</p>	
Throughout proposed rule	Removal of term B2B data, replace where necessary with B2B communications.	No change. B2B communications are communications of a particular nature. B2B data is the actual information being communicated. Changing 'B2B data' to 'B2B communications' may potentially broaden the scope of the clause beyond the actual information being communicated through the B2B e-hub and give rise to some uncertainty as to what information is confidential.
Throughout proposed rule	Replace 'member' with 'representative'.	No change. The amendment is unnecessary.
7.17.14	Add 'For the purposes of this Part H only, representative means a person appointed to the Retail Industry Panel in that membership category as set out in the Retail Industry Panel Election Procedures'.	No change. This is not necessary given the Commission's decision to not change 'member' to 'representative'.
B2B factor (c)	The Red and Lumo proposal does not require the B2B factor on innovation and barriers to entry to be considered in the context of services that are 'facilitated by advanced meters'.	It is appropriate that a B2B factor on innovation and barriers to entry is considered in the context of advanced metering services. While some services will not be provided through the meter (ie 'infrastructure' services such as retailer switching or replacing a meter), B2B factor (c) would simply not be given any weight when considering B2B procedures related to those services.

Section of proposed rule	Amendment	AEMC response
B2B factor (d)	The Red and Lumo proposal for a B2B factor on implementation timeframes considers the impacts on 'B2B e-hub participants.'	The draft rule includes a B2B factor on implementation timeframes, but with reference to the impact on 'B2B parties'.  'B2B e-hub participants' is a narrower group than 'B2B parties'. B2B parties not using the B2B e-hub will still be required to comply with B2B procedures. They would be affected by changes to B2B procedures and should be considered in the decision making process.
<b>COAG Energy Council proposed rule</b>		
7.17.1(f)	Add that parties using an alternative to the B2B e-hub would still have to make the B2B communication 'by electronic means' and in accordance with B2B procedures.	No change. It is not necessary to restrict B2B communications in this way.
7.17.2(a)	Add that 'AEMO may accredit persons to be B2B e-Hub participants in accordance with this Rule'.	No change. The amendment is unnecessary and provisions for registration of registered participants and accreditation of metering providers and metering data providers have been framed in a similar way.
7.17.2(d)	Amend the eligibility for accreditation such that parties must demonstrate they can comply with 'B2B procedures', instead of 'rules and the procedures authorised under the rules'.	No change. B2B e-hub participants should demonstrate that they can comply with applicable requirements in the NER in addition to the requirements in B2B procedures.
7.17.3(a)(2)	Does not include a requirement that B2B procedures may provide for other B2B communications 'determined in accordance with the rules'.	It is preferable to include this requirement to clarify that the IEC must follow the process set out in the draft rule when deciding on the content of B2B procedures.
7.17.3(a)(4)	Add 'and may specify requirements in accordance with which such B2B Communications must be made'.	No change. The proposed text may lead to restrictions on the ability of parties to agree to an alternative to the B2B e-hub. This is contrary to the policy set out in section 5.2.4.

Section of proposed rule	Amendment	AEMC response
7.17.3(a)(5)	Add 'may prescribe the manner in which B2B Parties can agree to communicate B2B Communications on a basis other than through the B2B e-Hub'.	No change. The proposed text may lead to restrictions on the ability of parties to agree to an alternative to the B2B e-hub. This is contrary to the policy set out in section 5.2.4.
Throughout the proposed rule	'B2B change date' replaced with 'B2B commencement date'.	No change. The amendment is not necessary.
7.17.4(a)	Clarification that the section includes new B2B procedures or a change to B2B procedures.	No change. The amendment is not necessary.
7.17.4(b)	Clarification from: 'The change date must be not less than 10 business days after the related B2B decision is published'; to  'The B2B commencement date must be not less than 10 business days after publication of the B2B Decision to approve an Information Exchange Committee Recommendation to make a new B2B Procedures or to make a change to the B2B Procedures'.	No change. The amendment is not necessary.
7.17.4(c)	Delete 'A change to the B2B Procedures may also include provisions relating to a date for the end of a process related to a B2B Communication. That date may be after the date of commencement of the change and may be left to the discretion of the Information Exchange Committee. If the date is set by the Information Exchange Committee, the Information Exchange Committee must provide AEMO with that date and AEMO must publish that date'.	No change. This clause provides flexibility to the IEC to include an end date for a process related to a specific B2B communication.

Section of proposed rule	Amendment	AEMC response
7.17.4(d)-(g)	Amendments to clarify the process for making changes to B2B procedures.	The draft rule includes some minor drafting changes to clarify the process for making changes to B2B procedures. But these are different to the changes proposed by the COAG Energy Council. See clauses 7.17.4(d)-(g) of the draft rule.
7.17.4(l)-(m)	Amendments to clarify the processes that the IEC must follow in addition to the rules consultation procedures.	The draft rule includes some changes to clarify the process for consultation and developing draft and final reports. But these are different to the changes proposed by the COAG Energy Council. See clauses 7.17.4(l)-(m) of the draft rule.
7.17.10(e)-(i)	Replace 'appoint' with 'nominate and elect'.	The draft rule includes some of the changes suggested by the COAG Energy Council where appropriate.
8.2A.2(i)	Removal of 'an IEC recommendation' such that parties must be affected by the B2B decision to access dispute resolution.	No change. The amendment is not appropriate as it would reduce the scope of access to dispute resolution arrangements. See section 4.4.4.
B2B procedure change pack	Amend definition such that it should include an assessment of the B2B proposal against the B2B factors and principles.	No change. It is not necessary or appropriate for the IEC to provide this assessment during the initial consultation stage. This assessment will be provided for consultation on publication of the draft report. See section 4.2.4.
IEC recommendation	New definition added.	No change. The amendment is not necessary given that the IEC must only make an IEC recommendation if it recommends the making of a B2B procedure. See section 4.4.4.
Member	New definition added.	The draft rule includes the change, but with slightly different wording to that proposed by the COAG Energy Council.



## **C Legal requirements under the NEL**

This appendix sets out the relevant legal requirements under the NEL for the AEMC to make this draft rule determination.

### **C.1 Draft rule determination**

In accordance with s. 99 of the NEL, the Commission has made this draft rule determination in relation to the rules proposed by COAG Energy Council, and Red Energy and Lumo Energy.

The Commission's reasons for making this draft rule determination are set out in section 2.3.

A copy of the draft rule, which is a more preferable draft rule, is attached to and published with this draft rule determination. Its key features are described in section 2.3.

### **C.2 Power to make the rule**

The Commission is satisfied that the draft rule falls within the subject matter about which it may make rules. The draft rule falls within s. 34 of the NEL as it relates to s. 34(1)(a)(iii) - activities of persons (including registered participants) participating in the NEM or involved in the operation of the national electricity system. Further, the draft rule falls within the matters set out in schedule 1 to the NEL as it relates to item 32 - procedures and related systems for the electronic exchange or transfer of information that relates to consumers of electricity, the provision of metering services and connection to the national electricity system, and requiring compliance with such procedures and use of such related systems.

### **C.3 Power to make a more preferable draft rule**

Under s. 91A of the NEL, the Commission may make a rule that is different (including materially different) from a proposed rule if the Commission is satisfied that, having regard to the issue or issues that were raised by the proposed rule (to which the more preferable rule relates), the more preferable rule will, or is likely to, better contribute to the achievement of the NEO.

As discussed in Chapter 2, the Commission has determined to make a more preferable draft rule. The reasons for the Commission's decision are set out in section 2.3.

### **C.4 Commission's considerations**

In assessing the rule change request the Commission considered:

- the Commission's powers under the NEL to make the rule;

- the rule change requests;
- submissions received during first round consultation; and
- the Commission's analysis as to the ways in which the proposed rule will or is likely to, contribute to the NEO. This analysis included an assessment against the criteria outlined in section 2.2 of this draft rule determination.

There is no relevant Ministerial Council on Energy (MCE) Statement of Policy Principles.<sup>305</sup>

The Commission may only make a rule that has effect with respect to an adoptive jurisdiction if satisfied that the proposed rule is compatible with the proper performance of Australian Energy Market Operator (AEMO)'s declared network functions.<sup>306</sup> The more preferable draft rule is compatible with AEMO's declared network functions because it is unrelated to them and therefore it does not affect the performance of these functions.

## **C.5 Civil penalties**

The draft rule does not amend any clauses that are currently classified as civil penalty provisions under the NEL. The Commission does not propose to recommend to the COAG Energy Council that any of the proposed amendments made by the draft rule be classified as civil penalty provisions.

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<sup>305</sup> Under s. 33 of the NEL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for Energy. On 1 July 2011 the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. The amalgamated Council is now called the COAG Energy Council.

<sup>306</sup> See s. 91(8) of the NEL.