

12 February 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235



Dear Mr Pierce

Consultation paper: Implementation advice on the shared market protocol (EMO0029)

Energex Limited (Energex) appreciates the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on the consultation paper relating to implementation advice on the shared market protocol (consultation paper).

The AEMC has been requested to provide advice to the COAG Energy Council on implementing a shared market protocol that will facilitate communication between parties seeking access to the services provided by advanced meters. The AEMC has sought stakeholder comment on the issues that will be considered in developing its advice, including governance arrangements for developing and maintaining a shared market protocol, how the shared market protocol will be defined in the National Electricity Rules, the roles and responsibilities of parties with respect to the shared market protocol and transitional arrangements. Energex notes that this advice is supplementary to the advice already provided to the COAG Energy Council by the AEMC on a framework for open access and common communications standards and that it will complement the current rule change process on expanding competition in metering and related services.

Energex's comments in response to the AEMC's consultation paper are provided in **Attachment A**. As a member of the Energy Networks Association (ENA), Energex has also contributed to and is supportive of the views contained in the ENA's submission.

Energex notes that stakeholders have been requested to provide comment on this consultation paper before the Australian Energy Market Operator's (AEMO's) advice on the technical aspects of the shared market protocol has been submitted and prior to finalisation of the key components of the competitive metering framework. Energex therefore considers that any final decisions with respect to implementation of the proposed protocol be deferred until all relevant matters are known and carefully considered.

In particular, at this stage, it is unclear to Energex the extent to which regulated network businesses (as opposed to ring-fenced metering coordinator businesses) will require access to a shared market protocol once the competitive metering framework has been established and advanced metering has been deployed to all customers. Energex would therefore welcome further clarity on the roles and responsibilities of all parties with

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respect to the proposed framework, particularly as those roles and responsibilities relate to decisions regarding the future of the existing B2B e-hub and establishment of the proposed shared market protocol.

Should you have any queries regarding this submission, please contact Charmain Martin, Senior Regulatory Analyst, on (07) 3664 4105.

Yours sincerely

A handwritten signature in black ink that reads "Rheaver". The signature is written in a cursive style with a large, prominent initial 'R'.

Rachel Leaver
Acting Group Manager Regulation and Pricing

Consultation Questions	Energex Response
Governance	
<p>What are the advantages and disadvantages of the different governance models?</p>	<p>Energex notes the advantages and disadvantages of the two governance models outlined in the AEMC’s consultation paper.</p> <p>Energex also notes the AEMC’s decision in July 2014 not to make a rule with respect to the governance of retail market procedures rule change based on the view that industry has greater interests and incentives to make efficient decisions relating to development and administration of B2B procedures and that changing the existing industry-led approach would not contribute to the achievement of the National Electricity Objective (NEO).</p> <p>Regardless of whether the shared market protocol (SMP) is an expansion of or separate to the existing B2B arrangements, Energex does not consider that there is sufficient justification for a different governance approach. In Energex’s view, an industry body, such as the existing Information Exchange Committee (IEC) or a variation thereof, would be best placed to make the most efficient decisions relating to the SMP.</p> <p>While it is acknowledged that concerns regarding membership and voting rights could be addressed by allocating decision-making to the Australian Energy Market Operator (AEMO), Energex is of the view that industry participants, who are the direct users of the SMP and will bear the costs associated with developing, implementing and maintaining the SMP, are better able to appreciate the commercial and operational impacts of their decisions. Consequently, Energex believes that an industry-led governance model would result in more efficient outcomes with respect to the SMP and better contribute to the achievement of the NEO because the decision-making process will, by necessity, include the cost impacts on the market.</p> <p>Energex’s preference is therefore for an appropriately funded, industry-led governance model, such as a modified version of the current IEC, to be responsible for developing and administering the SMP and for AEMO to continue to provide administrative services in line with existing (B2B) arrangements.</p>



Consultation Questions	Energex Response
<p>Could the challenges around membership and voting for an industry led model be addressed? If so, how?</p>	<p>To ensure that decision-making is representative of all parties using the SMP, membership of the current industry-led body could be expanded and a method for weighting votes determined to ensure fair representation and achievement of objectives. However, a balanced approach would need to be taken to any modification of the current IEC to ensure its ongoing efficiency and workability.</p> <p>It should be noted that following the AEMC’s final determination on the governance of retail markets rule change request, changes were made to the accessibility of the IEC which have already resulted in greater participation in decision-making by existing stakeholders and an increase in transparency and accountability.</p>
<p>Are there any other issues or factors relevant to considering an appropriate governance model?</p>	<p>Other factors that may need to be taken into consideration in developing an appropriate governance model are appropriate funding, legal liability for decisions, systems and procedures as well as arrangements for dispute resolution.</p> <p>Further, if it is determined that AEMO is to be the governing body for the SMP, consideration will need to be given to an appropriate means for assuring accountability and transparency in decision-making within the governance framework, particularly as those decisions will have cost and resourcing implications for industry participants and customers.</p>
<p>Are there any other governance models that could be appropriate for the shared market protocol?</p>	<p>Energex considers that the two governance models put forward by the AEMC are the most appropriate options.</p>
<p>Objectives and principles</p>	
<p>Should implementation of a shared market protocol include the development of an objective or principles for governance?</p>	<p>Energex is of the view that it would be appropriate to expand on the current IEC objective and principles to incorporate the SMP. Objectives and principles are fundamental to making appropriate choices and providing guidance to any governance arrangement.</p>
<p>If yes, what objectives or principles should be included?</p>	<p>Consideration should also be given to the services to be provided by the SMP as well as to more closely linking the SMP objectives and principles to the NEO, with particular emphasis on data access and security issues.</p>



Consultation Questions	Energex Response
<p>If the governing body is AEMO, should there be any objectives or principles in addition to the NEO?</p>	<p>As noted above, Energex does not support AEMO decision-making for the SMP. However, if AEMO was to be the governing body, there would need to be additional principles included regarding:</p> <ul style="list-style-type: none"> • proactively leading the upgrading and enhancement of the SMP to meet evolving requirements; • undertaking robust cost benefit analyses and having regard to industry participants’ costs in determining whether benefits sufficiently outweigh costs; • ensuring transparency in decision-making and demonstrating how decisions align with achievement of the NEO; and • complying with appropriate dispute escalation and resolution procedures.
<p>Minimum specification</p>	
<p>Should the shared market protocol be required to provide for (as a minimum) the services that are listed in the minimum specification?</p>	<p>The SMP should provide for the primary (mandatory) requirements and the capability to be modified for secondary and value-added services.</p>
<p>Should the shared market protocol also include other common services that are not mandatory under the minimum specification?</p>	<p>The SMP should have the capability and flexibility for future enhancements (as determined by the decision-making body). If there is no flexibility, service providers and service receivers will work outside the SMP and it will ultimately become redundant.</p>
<p>Roles and responsibilities</p>	
<p>Is it appropriate that the metering coordinator be required to offer its services through the shared market protocol, unless otherwise agreed?</p>	<p>A requirement for the metering coordinator to offer its services through the SMP will ensure consistency and cost-effectiveness and will provide a level playing field for metering coordinators.</p>



Consultation Questions	Energex Response
<p>Are there any risks in allowing third parties to access a shared market protocol platform? If so, would it be necessary to develop a separate authorisation process for users of the shared market protocol? Is AEMO the appropriate body to develop these requirements?</p>	<p>With third parties accessing the SMP there may be risks associated with data entry errors resulting in additional work by other parties to rectify or unintended outcomes such as inappropriate disconnection or load switching.</p> <p>In Energex’s view, there should therefore be a separate authorisation process for third parties to access the SMP as well as appropriate training before using the SMP. The metering coordinator should be responsible for verifying that the third party has the right to access the SMP.</p> <p>Energex considers that the authorisation process for users should be developed by the industry-led governance body and implemented by AEMO.</p>
<p>Transition from B2B to the shared market protocol</p>	
<p>Is there a need for the current B2B e-hub to be maintained beyond the implementation of the shared market protocol? What factors would need to be considered when making this assessment?</p>	<p>Energex is of the view that any decision with respect to the need for the B2B e-hub to be maintained beyond the implementation of the SMP should be left to the IEC to determine in consultation with impacted parties once all relevant details of the proposed metering framework are known.</p>
<p>Could all the services that are currently provided through the current B2B e-hub be provided via the shared market protocol?</p>	<p>A full assessment of the services currently provided through the existing B2B e-hub and those proposed to be provided via the SMP should be undertaken to determine if the SMP will be a suitable interface for all services. Such an assessment may also inform decision-making on the requirement for the B2B e-hub to be maintained following implementation of the SMP.</p>
<p>Would there be an advantage in having a transition period during which both the B2B e-hub and the shared market protocol operate? How long should such a period be? Would the costs of operating both systems for this period be justified?</p>	<p>Energex is of the view that any decisions with respect to transitioning from the existing B2B e-hub to the SMP should be made by the industry-led governing body when more information is available. Any transition will need to be well-planned and coordinated effectively to limit operating costs and impacts on participant resources, to ensure there is minimal disruption to market functions and inconvenience to customers, and to avoid creation of unintentional barriers to entry for new participants.</p>



Consultation Questions	Energex Response
Are there any significant implications should the shared market protocol not be operational on the same day that any changes from the expanding competition in metering and related services rule	The key implication of this scenario would be that interim processes would need to be built and implemented. Such an outcome would be inefficient, highly manual, time-consuming and potentially costly. Consequently, Energex does not consider that it would be prudent for the new framework to commence until the SMP is in place.