Metropolis

www.metropolis.net.au

140B Dawson Street, Brunswick VIC 3056
P (03) 9024 7400 F (03) 9354 2347

ABN 53 116 717 321

12th February 2015

Ms Meredith Mayes
Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

AEMC Consultation
Implementation advice on the shared market protocol
Ref: EMO0029

Dear Ms Mayes,

Metropolis Metering Services Pty Ltd (Metropolis) is an AEMO accredited Metering Provider and Metering Data Provider with thousands of Type 4 smart meters installed across homes in South Australia, Victoria, New South Wales and Queensland.

Servicing electricity retailers, Metropolis is uniquely placed to comment on the provision of service requests and is pleased to offer our perspective on the *shared market protocol* consultation paper.

Responses to specific questions are contained in Attachment A.

Sincerely,

Marco Bogaers
Chief Executive Officer

Box 3.1 Governance

Metropolis prefers AEMO's position for the operation and administration of the *shared market protocol* to ensure all participants in an expanding market are able to participate in the governance process in an unbiased manner.

Historically the electricity industry in Australia was a clearly defined group of large participants: Networks and Retailers. The EIC was implemented with this as an underlying assumption. EIC membership is drawn primarily from the largest participants, who are most capable of supporting this function. The decisions, and decision making process, reflect the commercial and technical realities associated with these large incumbents.

In order to develop a competitively neutral environment, all parties must have a fair ability to participate in the governance process. Under an AEMO managed system, all participants in the market can and will participate in forums, if they believe it will provide value. This allows smaller participants to selectively participate in forums, minimising regulatory cost while allowing full participation in key initiatives.

Metropolis contends that, with the rapidly increasing number of small participants and ESCOs, an EIC governance system would restrict the ability of all stakeholders to participate in the governance process.

The static nature of EIC membership requires the participants to be engaged with this process, even for changes that do not impact their business. While this is viable for large organisations, where regulatory activities are a relatively small percentage of overall costs, it is more difficult for smaller organisations. As such, even if the EIC is modified to expand membership, it will be difficult for smaller organisations to participate. Additionally, new market entrants will not be able to participate without arranging for a seat on the EIC - even if the changes under consideration are directly related to the new participant (eg, new MDPs wishing to enter the market and participate in these *shared market protocol* changes).

It is widely recognised that regulatory changes occur slowly in the energy industry. In areas related to long term assets and monopoly services, where the costs and risks are not borne by the decision makers, this is prudent management. However in an era of innovation, customer service and mass public engagement, it is critical to be able to respond rapidly with appropriate services and capabilities. The regulatory regime must ideally support this, and at a minimum not restrict it.

Neither the EIC nor AEMO governance systems are sufficient to respond in the time frame required for service innovation. Irrespective of the governance regime selected, it is critical that the framework has an appropriate allowance for services to be developed, trialled and either implemented or rejected. Practically, this means services must be able to be developed without reliance on the governance process, and with confidence that innovators will not bear additional costs due to governance changes.

Box 3.2 Objective and Principles for governance

The National Electricity Objective (NEO) is sufficient but there must be additional principles to assist in guiding the governance process. These principles must be similar to the principles that are underpinning the rest of the change, notably:

- Competitive neutrality – that is, anti-competitive changes must not occur, even if short term benefits are perceived as the long term implications are immeasurable;
- Service innovation must be promoted to ensure long-term market sustainability- including the advancement of technology as well as ongoing improvement of services to both industry participants and consumers;
- Consumer protection, and the perception of consumer protection, must be integral to any governance process, and
- Regulation that is proportional to the markets and consumers requirements – in a market-driven delivery of advanced services, regulation must be a last resort, to correct where the market forces are insufficient. This principle equally applies to the *shared market protocol*.

AEMO has identified that one of the challenges with the current market arrangements is that the change process (rules, procedures & systems) takes too long (AEMO, Retail Market Roadmap, 8 December 2014). The change process is frequently further extended by participant procedure and system development, which allows for the "lowest common denominator", and can extend the process by years.

Metropolis considers that an additional principle be proposed:

- The time frame for changes must be based on "reasonable expectations" of the time required to deliver. That is, if a participant has poor internal processes that result in an extended amount of time needed to support regulatory change, the rest of the market must not be penalised. Additionally, this reduces the impact of attempting to abuse regulatory processes for commercial advantage.

Box 4.1 Minimum Specification

The *shared market protocol* must provide for the services that are listed in the minimum specifications.

How these services are implemented is specifically not addressed in this section. See "Box 6.1 Maintaining the current B2B capability" for comment on implementation.

Metropolis has no preference as to the inclusion of non-mandatory services. Where Metropolis offers a service, and there is an existing, suitable interface, it will be used. However if the interface is not appropriate, or an improved level of service can be provided by using a different interface, the *shared market protocol* will not be used. As the service is not mandatory, offering the service via the *shared market protocol* is also not mandatory in these cases.

However, Metropolis does have a strong preference for the *shared market protocol* to include "customisable services", where a service provider can define a service and offer it, using the *shared market protocol* as a framework. This supports rapid innovation and standardisation, including by: 1) allowing the service to be offered without waiting for the regulatory process; 2) allowing service providers to build innovative offerings once, instead of a custom build followed by a *shared market protocol* build; 3) allows services to be trialled and rejected without any regulatory impact.

Box 5.1 Roles and Responsibilities

The *shared market protocol* must not be mandatory.

An assumption built into the concept of the *shared market protocol* is that it is the best solution, and that this will not change over the course of many years. If the *shared market protocol* is actually the best solution, commercial forces will drive its adoption. But commercial forces will also drive adoption of alternative protocols and interchange mechanisms where these suit a particular service.

It must always be considered that as technologies evolve – and they evolve rapidly – participants may wish to adopt alternatives.

Precedent already exists in the meter data file formats (NEM12 and NEM13) adopted by the industry. Market participants and Metering Data Providers may unilaterally agree to use other data delivery formats and mechanisms as long as service obligations are met.

It is notable that AEMO itself requires submission of metering data in formats other than NEM12 & NEM13.

For competitive service providers, meeting the needs of the customer is a fundamental requirement of staying in business. Participants must be free to adopt improved protocols. This is specifically of interest to service providers, who must not be required to maintain an obsolete protocol.

Risks associated with third party access to the *shared market protocol* are significant.

Abuse could allow privacy breaches (meter data) and unsafe actions (connection/disconnection of power) to occur. Depending on the scope of the *shared market protocol* to support bulk requests, this could have wide spread impacts.

Metropolis supports the adoption of a registration process for third party (ESCOs), managed by AEMO, in a similar manner to other market roles.

Box 6.1 Maintaining the current B2B capability

There must be no situation where it is mandatory for a participant to maintain multiple systems for the same service.

There are many variants on if and how to maintain the current e-B2B hub once the new *shared market protocol* platform goes live. Three cutover scenarios are discussed:

Leave B2B running for a period of time "to ease the transition to the new system"

Leave B2B running for services that are not offered through the new *shared market protocol* platform

Migrate all services off B2B.

Scenario 1: For the MC's and MPs, running services from the current B2B e-hub in parallel with the new *shared market protocol* platform means operating BOTH systems. If service providers do not run both, then requesters are forced to use whichever system is offered. Neither scenario is appropriate.

Metropolis very strongly opposes mandating that service provides offer both services. The benefits are one-sided, shifting the risk and costs of the change from one party (requesters) to another (providers).

Allowing MC's and MPs to select which to offer for the interim period doesn't seem to provide any benefit.

Scenario 2: The only functional difference that has been identified between e-B2B and the new *shared market protocol* platform is that the *shared market protocol* platform has real-time capability. Not all services gain benefits from this real-time capability, such as the bulk delivery of daily meter data. As such it may be appropriate for the *shared market protocol* platform to only provide services which benefit from the real-time capability.

Minimising the migration of services from e-B2B to the *shared market protocol* platform is likely to provide the lowest time and cost implementation approach. Metropolis supports this approach.

Scenario 3: The existing e-B2B system includes services unrelated to meter data or metering, such as updates to Customer/Site Details. The benefit of migrating all services off B2B to the new *shared market protocol* is the saving in maintenance of multiple systems. The full scope of decommissioning the existing e-B2B systems appears to be well beyond the intentions of the Power of Choice reforms, and would require significant additional work. Assuming there is no intention to change non-metering services, the driver behind this approach is limited.

Metropolis do not support this approach.

In general, if the *shared market protocol* platform is not delivered at the same time as other competition in metering changes, there is no problem for the existing services which are offered via e-B2B.

However, there is a risk that new services will be developed and offered outside of the *shared market protocol*. The more time between the competition in metering changes and the implementation of the new *shared market protocol* platform, the greater the risk, increasing the likelihood of duplication of capability and increasing the total cost of implementing the *shared market protocol*.