

A few  
words.

23 July 2015

Mr Richard Owens  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW1235

Lodged via email: [richard.owens@aemc.gov.au](mailto:richard.owens@aemc.gov.au)

Ref: EMO0029

Dear Mr Owens,

## **RE: Draft Advice – Implementation of the Shared Market Protocol**

AGL Energy Ltd (**AGL**) welcomes the opportunity to provide comments in response to the Australian Energy Market Commission's (**AEMC**) Draft Advice on the Implementation of the Shared Market Protocol (**the draft SMP advice**).

As one of Australia's largest integrated energy companies, we are strong advocates for a transformed National Energy Market (NEM) that supports metering competition and drives greater innovation and customer choice. We note that the AEMC's open access review determined that the SMP should be adopted as the default method of communication for smart services, but that parties should have the ability to agree alternative methods via commercial negotiations.

Generally speaking, we broadly support the draft SMP advice, particularly the expansion of the B2B e-hub and retaining industry ownership of the B2B procedures. AGL also agrees that the creation of a new accredited party role, the "B2B Participant", is important to identify all parties wishing to use the B2B e-hub.

In our view, implementation of AEMO's basic IT platform option<sup>1</sup> is the most sensible, cost effective and efficient approach to take, until further services are identified by the market that require increased system capability.

Where this further capability was required, and based on a favourable cost benefit analysis, AGL would support the implementation of AEMO's intermediate IT platform option.

### **SMP Governance and Cost Recovery**

AGL strongly supports an industry-led governance model which provides a representative industry body (i.e. a renewed Information Exchange Committee (IEC)) with responsibility

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<sup>1</sup> Which would enable delivery of near instant messages, while maintaining compatibility with existing B2B functionality.

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for developing and maintaining the B2B procedures. However AGL considers that the model proposed by the AEMC is restrictive, will limit participation from those implementing commercial decisions (thereby reducing innovation) and does not provide the right market signals.

Specifically, we do not believe that the AEMC should determine the number of representatives in each membership class or the overall size of the membership. To do so, using the proposal outlined in the draft SMP advice for Retailers as the example, would limit the voice of this particular group to one IEC member. This would mean that the Retail member, under a renewed IEC, would speak on behalf of all other Retailers.

Given Retailers are instrumental to the metering competition rule and are likely to lead a market-led rollout of smart meters, the draft SMP advice implies that all Retailer business models are similar. However, this is not the case, each commercial deployment will be different and under a contestable environment, AGL would not support nor be comfortable with another Retailer speaking on our behalf.

Instead, AGL would prefer a more flexible governance model which evolves over time to account for shifts in market operations, changes in membership classes and the commercial operations of market parties. This would allow participants with a genuine commercial interest in the development and delivery of the B2B procedures, to nominate for and participate in IEC matters. As the draft SMP advice rightly points out "...industry members will bear the costs and receive the benefits of the B2B procedures and are likely to make the most effective and efficient decisions....."<sup>2</sup>. In AGL's view, this statement holds even greater weight where the membership to the renewed IEC consists of those with a commercial business case, and therefore an incentive to progress effective decisions. This will ultimately lead to greater innovation in services, improved service delivery, business efficiency and a reduction in costs to the customer.

To implement such an arrangement, AGL suggest that the existing IEC body should be directed to develop a set of IEC Governance Principles which would act as guidance in the selection of the renewed new IEC membership and the operation of the group. The existing IEC body should also be tasked with the development of a set of IEC Membership Election Principles which would set out the basic election rules and the Australian Energy Market Operator (AEMO) should act as transitional secretariat.

Once the renewed IEC and supporting documentation had been set up, the IEC on behalf of industry should be allowed to determine the best arrangements for all ongoing secretariat functions. This should include consideration to retain AEMO as secretariat.

Finally, AGL also considers that all market parties who seek to use the B2B e-hub should contribute financially towards the development, management and administration of the communication service in accordance with the fee structure developed by AEMO under Rule 2.11 of the National Electricity Rules. This revised fee structure should be applied to recover only efficient costs and be set up such that fees are paid by B2B Participants proportionate to their relevant market activity. AEMO should consult widely on the development of this revised fee structure, which should be explicit and transparent to avoid any ambiguity.

A high level outline of AGL's proposed governance arrangement is included in Appendix A.

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<sup>2</sup> AEMC Draft SMP Advice – page 13

## **SMP Implementation**

Although AGL considers that the SMP is an important component of the Power of Choice reforms, we note that the metering competition rule and the industry wide issues that it will address<sup>3</sup> are market critical and should not be delayed any further than the current rule effective date of 1 December 2015 (Metering Competition Effective Date).

Industry and AEMO should work cohesively together to develop the system and procedural changes required to deliver this important reform no later than the Metering Competition Effective Date. AGL also considers that the frequency of meetings of the IEC and its related bodies should be increased to at least two meetings per month to speed up the delivery of the key outputs in the implementation timetable.

Where it is possible to align the SMP deliverables with the metering competition rule without any additional delays, AGL would consider supporting such a move. However, in our view, it is not necessary for the SMP to be up and running on the Metering Competition Effective Date. This is because the ability for market participants to use alternative communication methods will enable parties to continue to engage on business and market system processes until the SMP is formally established.

If however, the implementation timetable for the SMP and the metering competition rule (and any other related rules) could only be achieved by further delaying the Metering Competition Effective Date, AGL would strongly object to this work programme. In our view this will heavily impact on a market-led approach to enabling smart services and customer choice and is unacceptable.

We strongly urge the AEMC to consider the implications of the various implementation options and avoid any further delays to metering competition.

Should you have any questions in relation to this submission or our proposed governance model, please contact Dan Mascarenhas on (03) 8633 7874 or [DMascare@agl.com.au](mailto:DMascare@agl.com.au).

Yours sincerely,



Stephanie Bashir  
**Manager, Metering Policy and Development**

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<sup>3</sup> Such as:

- clarification on the roles, responsibilities, interactions and liabilities of market parties;
- creation of the competitive Metering Coordinator role;
- setting out arrangements for customer access to data, and
- the development of a national distribution network ring-fencing guideline etc.

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## Appendix A

### **Renewed IEC Governance Model (AGL Proposed)**

#### *IEC Governance Principles*

The:

- IEC manages the B2B and additional metering functions for B2B Participants and should represent those participants.
- classes of members and the appointment of representatives to the renewed IEC should reflect the active/commercial nature of participants in the industry.
- number of representatives for each class should be proportionate to the size of the group they represent.
- IEC chair, in consultation with the members and AEMO, is responsible for reviewing the membership at appropriate intervals, to be no greater than annually, or when requested buy a new class of participant.
- IEC, as a statutory body, should have a defined budget for its operations, funded via AEMO participant fees.

#### *Transitional Principles*

- Existing IEC to manage the expansion and membership elections process with existing secretariat function provided by AEMO. Subsequent management of secretariat functions will be determined by industry.
- Existing IEC to develop and agree 'IEC membership election principles' and size of renewed IEC membership.

#### *Fee Structure*

- All "B2B Participants" shall contribute to the cost of development, management and administration of the B2B e-hub (including IEC secretariat) in accordance with the fee structure developed by AEMO under Rule 2.11 of NER. The definition of "B2B Participant" has the meaning outlined in the AEMC draft SMP Review.
- The principles to be used by AEMO for fees should reflect efficient cost recovery and be proportionate to relevant market activity.

#### *IEC Membership Election Principles*

1. There must be at least two independent members of the IEC and one must be the chairperson. The other independent should act as the chair in the absence of the chair.
2. Representatives of a member class should be nominated by a member of that class.

3. Members in a class should vote in their class representatives.
4. Observers shall be allowed at each IEC meeting, with the approval of the chair. All B2B participants will be sent a copy of the agenda papers by the secretariat.
5. AEMO shall hold one ex-officio, advisory, non-voting position on the IEC.
6. the secretariat function shall be managed by AEMO as a transitional measure. All subsequent secretariat functions shall be decided by industry.
7. industry membership and the size of the group must be reviewed every 12 months (to ensure it continues to meet industry requirements), and where agreed by the existing IEC, an election process may be run.

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