Implementation of Shared Market Protocol

EDMI Response to AEMC Draft Advice

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1   Introduction

EDMI welcomes the Australian Energy Market Commission's (AEMC) Draft Advice on the implementation of a shared market protocol.

EDMI continues to appreciate the work and supports the policy direction of the AEMC related to the Power of Choice review, Minimum Services Specification, Shared Market Protocol and other efforts to bring greater choice to the electricity market and encourage innovation.

EDMI believes that services built on advanced smart metering and indeed the advanced smart metering itself should be contestable. Any service provision to a customer needs to be based on providing value to the customer, and needs to allow for the service provider to innovate and invest to extend and develop these and other services.

EDMI agrees with AEMC's efforts to open the market to new players, but more specifically is absolute in its support of the commission's aim to achieve this outcome without restricting new services innovation.

2   Three Key Principles

Before addressing each of the specific issues raised in the advice paper, EDMI submits that there are three key areas that AEMC should address in delivering the shared market protocol

2.1   The future is in the cloud

As AEMC and many market participants acknowledge, the existing B2B e-hub is not sufficient to manage the volume and speed of messaging required in a Power of Choice market. However, in recognizing this, some parties may not also recognize that a simple expansion of the current platform will run up against the same barriers.

EDMI submits that, in order to deliver true Power of Choice services to consumer – in order to deliver the near-real-time access to data for the level of service delivery that customers will demand – the expanded B2B hub must be based in the cloud.

Only a cloud solution will deliver the required level of business continuity with the necessary level of scalability, while keeping costs in check.

2.2   Shared Market Messaging

EDMI's original submission outlined our proposal that the Shared Market Protocol should be more about the content of the message, rather than the method of its communication. The message, the transport layer, the protocol and the platform are all different concepts and there are important distinctions to consider.

EDMI believes that, just as it is more accurate to use the term "Shared" rather than "Common", it is also more accurate to use the term "messaging" rather than protocol. Defining shared market messages, but allowing users to make use of any standard protocol and/or transport layer reduces compliance costs and increases the capacity for systems innovation. Possibly most importantly, it also allows for the system to adapt to new security requirements quickly and efficiently. And it does this without reducing the capacity of the shared market system to deliver an accessible and open shared data communications model.

EDMI's experience internationally of the introduction of protocols, where the framing has been defined, is that it either results in a protocol that is hard to define and can be limited by different interpretations (DLMS), or which is complete and standard, but rigid and very expensive (UK SMETS).

Conversely, there are a number of different, standard transport layers available and an appropriately specified solution will be able to adapt to a range of these, so long as the message content is defined.

EDMI continue to believe that, rather than a "Shared Market Protocol", we should be discussing "Shared Market Messaging".

2.3   Scope control

EDMI strongly supports the opening statement from AEMC on the shared market protocol, particularly:

> *"A shared market protocol is expected to promote competition in the market for advanced metering services by reducing barriers to entry for new energy service providers while not inhibiting innovative methods of communication."*

As such, EDMI encourages the AEMC in its endeavours to develop the shared market protocol as a complementary service, aimed at reducing barriers to entry, rather than describing (by default) how the market should communicate. Market participants are already developing their own communications forms and protocols in successful partnerships to deliver superior consumer services and there is no need to a mandated service to seek to replace these agreements.

EDMI submits that, in considering the development of a shared market protocol, special care should be given to maintaining AEMC's current proposed scope.

3   Governance (Box 5.1)

AEMC has proposed that the Information Exchange Committee (IEC) continues to be responsible for developing and maintaining the B2B procedures, but that membership of this group be expanded.

In our response to the original AEMC discussion paper, EDMI indicated a preference for a consultative model of governance, with the Operator taking a strong role in directing the maintenance and development of B2B procedures.

EDMI noted: "EDMI submits that the AEMO consultative approach to governance will deliver better outcomes in the emerging market. It allows a more flexible approach to discussions from the start and is more able to be accommodating of new ideas, services and members. At a time when rule changes and market developments are focused on introducing competitive players and promoting innovation, any proposed governance model should have the capacity to adapt quickly."

After further discussion and industry forums, EDMI accepts that there are a number of restraints and limitations related to an AEMO governance model that were not originally considered. However EDMI submits that the principles behind our original submission should still be considered carefully.

First, EDMI submits that, just as the B2B IT platform will require changes, so too will the committee processes. As such, the expansion of the IEC should be accompanied by a comprehensive refresh of the committee processes to ensure that the group remains able to respond with agility to changes in the market. This approach will assist the committee to move towards managing a new system and processes, without being restrained by processes more appropriate to the existing system.

Second, EDMI supports the proposal that AEMO should appoint various members to the IEC and submits that the AEMO member should take a guiding, if not chairing role, in discussions to ensure that broader market reform is priorities. In addition, until such time as the AEMC deem it necessary, EDMI submit that the AEMO member be granted not a "veto", but rather a "supervote". This temporary arrangement would allow AEMO to propose as well as halt various measures, the Operator to take a strong role in the initial work, and the committee to better-adapt to emergent market players, market services and market conditions.

Finally, EDMI submits that, where possible, the committee should include members with significant information network experience and expertise, specifically expertise in the delivery of large-scale communications networks. EDMI recommends that, of the two independent members and two discretionary members, at least three should bring specific knowledge on new and emergent networking technologies to the group.

In addition to the principles behind our original submission: new processes for a new market; strong initial direction from the Operator; and the importance of expertise in new (relevant)

technologies, EDMI also submits that the definition of "independent" consider the benefit of allowing for exceptions in the case of individuals who have the respect of the industry due to their significant experience or expertise, but who are otherwise disqualified from holding such a position due to an existing or past contract. EDMI submits that there will be a number of individuals (existing and in the future) who would be ideal for such independent positions, but for the contracts they entered into to reach such a position of respect. Allowing such people to fill the independent role maintains the capacity of AEMO to nominate representatives from new and emerging services in the other two positions.

4 Procedures (Box 6.1)

B2B procedures must support existing content requirements and the minimum services specification, and may include support for communications relating to other services.

EDMI support the AEMC draft advice in this area as a positive approach to allowing for the development of new technologies. In particular, EDMI support the move to allow parties to communicate outside the B2B e-hub if they agree to do so and, at a fundamental level, the position of the B2B e-hub as a market-supporting – rather than market-driving – mechanism.

5 IT Platform

The B2B e-hub must facilitate B2B communications that are listed in the B2B procedures, which would include communications related to each of the services set out in the minimum services specification. It must also meet the performance standards specified in the B2B procedures.

5.1 Clarification on previous submission

EDMI notes that there may have been some difference in interpretation of our original submission. In the draft advice, AEMC notes that "EDMI recommended the introduction of 'shared market messaging', in which only the format and content of communications between parties is defined and parties are free to use any platform."

The difference appears to have arisen from a different use of the term "platform". EDMI confirms that, given more information about the intent of the draft advice, we agree with the AEMC's use of the term and have utilised it accordingly in this response.

To clarify, while it is true that EDMI does support the use of different systems in addition to the B2B e-hub (or any other centralised hub) to communication information, our submission in relation to "shared market messaging" was intended to suggest that industry communications should be defined by their content and not by the transport layer.

5.2 Defining the IT platform

While EDMI supports the AEMC position that the NER need not prescribe how the IT platform should be implement, EDMI submits that it may be necessary to review certain existing procedures and policy positions to allow for a solution that delivers in the years to come.

EDMI submits that only a cloud-based solution can deliver not only all of the current requirements, but also those which may arise in the future, while keeping costs under control. Power of Choice not only delivers new services, but it also raises new issues of business continuity and system scalability that EDMI considers can best be met through the utilisation of cloud-based computing.

6 Obligations on parties

Groups wanting to access the B2B must be accredited by AEMO as a B2B participant, required to pay fees for using the B2B e-hub, as determined by AEMO.

EDMI supports the AEMO position on this matter, however does recommend that consideration be given to new market participants who need to develop and test new B2B-related services.

EDMI submits that AEMO and IEC consider the facilities made available for research, development and testing and how access may be granted to service providers who are looking to provide a new service, but who are not otherwise market participants. Such facilities would deliver benefits to existing accredited parties. And, by allowing for a cost-effective method of access and lowing the barrier to entry, AEMO would encourage the development and implementation of new services.

7 Transition and implementation

Is it necessary for the new B2B framework to be in place and the updated B2B e-hub to be operational on the date that the competition in metering rule change commences? What are the implications if this does not occur?

EDMI submits that the new B2B framework need not be in place, nor the updated B2B e-hub operational on the date that the competition in metering rule change commences. Indeed, EDMI submits that the final implementation of the framework and deployment of the e-hub is likely to be significantly improved through the process of learning that will take place in the six months following the metering rule change.

If the framework is not in place and the e-hub is not deployed, market participants will have moved in accordance with their own internal and external influences. As a result, the most proactive and motivated participants will drive the development of the market systems – an ideal outcome from market-based reform.

In addition, by delivering a framework and deploying the e-hub approximately six month after the date of the rule change, AEMO would allow for a smoother implementation of reform by spreading changes, manageably, over a longer period.

EDMI submits that AEMO plan to deliver a B2B framework and deploy a B2B e-hub approximately six months after the rule change, so as to:

- allow for early learnings to inform final development;
- encourage market participants to drive systems development; and
- manage market changes over a longer period.

How long would it take to implement the new B2B framework? Are the estimates above realistic? How much additional time is needed for businesses to prepare for the new arrangements?

Should any of the options to minimise implementation timeframes listed above be pursued? Should any not be pursued?

Are there any other options for reducing implementation timeframes?

EDMI submits that many of the parties able to best-answer these questions would consider such information "commercial in confidence". As the Australian market leader in the delivery of solutions already optimised for Power of Choice, EDMI are happy to share our estimations in separate discussions.