

23rd July 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney NSW 1255

DRAFT ADVICE

Implementation advice on the Shared Market Protocol (EMO0029)

Dear Mr Pierce,

Metropolis Metering Services Pty Ltd (Metropolis) is an AEMO accredited Metering Provider and Metering Data Provider with a significant volume of contestable advanced meters installed across homes and businesses in all states and territories in the NEM.

Metropolis welcomes this opportunity to provide a response to the draft advice for *Implementation advice on the Shared Market Protocol*. As an existing accredited, competitive metering services provider, Metropolis has a keen interest in expanding the benefits of advanced metering throughout the Australia. As a leading innovator in metering services Metropolis applauds efforts to support service delivery and take up.

Sincerely,

Charles Coulson
Regulatory Manager

1.1 A shared market protocol

It should be noted that advanced meters are currently available to small customers. Vic has effectively a 100% penetration of advanced residential meters, and does not support significantly more services, nor common B2B protocol for advanced services. As such, the availability of advanced metering is not the cause for increasing the number of services, as stated. An accurate current state is important to understand the impact of changes to the future state.

Metropolis does agree that the number of services will increase dramatically with *Competition in Metering*, however the reason is the increase in penetration of competitive advanced metering. If competitive meter providers do not provide additional services, they will become uncompetitive, and fail. This commercial driver does not exist for monopoly metering providers. This differentiation is of particular importance, as it demonstrates clearly that an industry standard communication approach, while it may be preferred, is not necessary for the roll out of advanced meters.

Additional services that are currently available from contestable metering provide superior insight into market responses. Competitive providers (metropolis included) have developed advanced service offerings for other parties (Retailers and third party providers), however the low penetration of advanced meters has limited commercial uptake.

4.2 Impacts on parties

Metering Coordinators, Meter Providers and Meter Data Providers do not benefit from the B2B. It is inappropriate that they are charged "B2B participant fees". This is acknowledged in the draft advice, however it is still indicated that these fees would be charged.

While the stated intention of this change is to reduce the barriers to competition and increase innovation, forcing service providers to offer a standard service restricts innovation (by producing an "outside option" that limits the value of similar innovative services), and where a strictly superior innovative service is offered it increases the cost, as both the standard and innovative service must be supported.

5 Governance arrangements

Metropolis's view is that the IEC governance model is not appropriate, and that AEMO would be better placed to develop an impartial set of processes to apply to the market. The IEC is inherently conflicted, as the members are made up of competitive participants, who's interests are fundamentally to gain advantage over other parties in the market, including in many cases the parties they are nominally representing. This conflict includes the monopoly parties, who seek to gain cheaper (or free!) services from MCs, and to retain their monopoly metering businesses against the encroachment of competitive providers.

However, if the IEC is retained, Metropolis approve of the expansion to include the broader market. Metropolis is concerned, however, that many parties have multiple roles within the

market, which could be used to abuse the voting process. One example is that DNSPs own MPs, MDP and will also own MCs. This could potentially result in the 13 DNPS's having:

- 13 regulated MCs (required for the go-live of the rules),
- 13 regulated MPs,
- 13 regulated MDPs
- 5 (estimate) competitive MPs
- 5 (estimate) competitive MDPs

Under the existing Rules, this would give the DNSPs 49 votes for the MC/MP/MDP representative. It is quite possible the DNSP subsidiaries may vote as a bloc, considering they are the only participant group who are not competing with each other. Compare this with the independent providers: if there are 10 independent providers (which is a high estimate, especially early in the market), each being MC, MP and MDP, that's still only 30 votes.

Metropolis suggests that, in order to ensure a representative committee, the Rules exclude subsidiary companies from voting.

Cost Recovery

It is noted in the advice that smaller participants may have difficulty participating in the IEC, due to funding or resource constraints. However there is no clarity on the solution proposed. Metropolis notes that there is a precedent for ensuring participation from parties who would not usually volunteer: the independent members' costs are covered. If this were to be expanded to smaller participants, then the cost/benefit for smaller participants would be significantly improved.

6.3.2 B2B objective and principles

Metropolis supports the B2B principles, however it should be noted that the inherent conflict of interest between these principles and being an employee of a competitive business do not appear to have been fully considered and addressed.

6.3.3 Procedural requirements for decision making

Metropolis strongly supports the increased requirements around notification to relevant parties of IEC consultation and reports.

Metropolis notes that there is limited change to the process for the IEC making decisions. Historically the IEC change process has been opaque. For example, despite a requirement on the IEC to publish reports, it is very difficult to locate anything beyond the routine monthly meetings and the annual report.

The IEC is active significantly beyond responding to B2B change requests submitted by participants. This activity includes input into AEMC Rule Change consultations and

AEMO procedure changes. Metropolis recommends additional requirements related to disclosure of all IEC activities. In addition, there is very limited oversight of the IEC: It has the authority to make decisions which are binding on all participants yet it is unable to be challenged.

Metropolis recommend an independent oversight process be implemented, where the IEC decision making process can be suitably scrutinised. Currently AEMOs limited veto power explicitly excludes the ability to veto due to the different weightings on the B2B principles.

7 IT platform

Metropolis is concerned that the B2B e-hub that has been suggested by AEMO is already obsolete. The architecture described assumes that all requests for service will be transactional in nature. This is a poor model in the current world.

For example, real time streaming data updates are not possible via the proposed transaction-based SMP, however this streaming service is already available. IE, A user can download an app to their phone that will contact the meter and show 1-second, real time updates. This service could easily be used to provide historic data - making the "request meter data" redundant.

If the B2B e-hub is implemented as proposed, streaming services would have to bypass it (as already happens).

Metropolis is not clear on what benefits the AEMO hub will provide, above a baseline of direct communication between B2B participants. During AEMO workshops, a number of clear benefits were identified, but they do not appear in this advice beyond a comment that they may be possible. A couple of key ones are:

- Authorisation and authentication of participants. If Metropolis, as a service provider, can be assured that the party requesting a service is the party they say they are, then this is a valuable service.
- Enrichment of requests. If a Retailer (RP/MC) requests Metropolis perform a meter installation at a NMI, and AEMO can enrich the request by including the existing meter details, then the e-hub is more than a mail-box service.

7.3 Commission's assessment

The statement that "A shared platform... does not inhibit innovation..." is misleading. A shared platform is an outside option, which reduces the value of similar innovative services - and thus it inhibits innovation. In addition, service providers are required to build both the B2B and any similar, improved innovative services. This doubling of IT development and maintenance is a clear cost on service providers that restricts innovation.

Metropolis accepts that the Commission's assessment may be that the benefits gained

outweigh the inhibition of innovation, but this logic needs to be accurately articulated.

8 Obligations on parties

Metropolis oppose the B2B being mandatory, as it means multiple solutions need to be built by service providers if they have a superior service.

In addition to the additional cost, having a service as mandatory effectively eliminates any commercial negotiating power of service providers, making the very same costs unrecoverable.

8.2.2 Commission's assessment

Metropolis, as an accredited MP and MDP is already audited by AEMO, on average, once every 5 months. This includes IT systems and capability and compliance with B2B and MSATS obligations. Requiring an additional accreditation as a B2B e-hub user is not meaningful, and would add a significant overhead for both AEMO and Metropolis. Metropolis accept that LNSPs and FRMPs are not currently audited for compliance, and any 3rd parties wishing to use B2B are likely to be totally unfamiliar with the system.

Given the difference in status of service providers and other participants, Metropolis recommend that a different approach is required. For example, accreditation and auditing requirements be combined for organisations with multiple accredited party roles.

8.3 Obligation to use the B2B e-hub and comply with B2B procedures

Metropolis strongly objects to the mandatory use of B2B. As described above, this approach limits innovation, and forces the use of specific technology on the industry. It also creates barriers to entry for new service providers, as services must be provided, even if there is not a commercially viable market for them.

The commission notes that MC's may elect to not offer a service, but that MP and MDPs must be able of offer it. In addition, there is a significant difference between a service requester and a service provider: A service requester can choose to not develop the capability and never request the service. A service provider must develop the capability, in case it is requested, even if the service is not commercially viable.

The result is that all parties throughout the chain have the option to not build B2B capability, by simply not offering or requesting advanced services, with the exception of service providers. Interestingly, in the proposed model service providers gain very little from a B2B platform, but are most significantly impacted.

8.4 Cost Recovery

Metropolis is concerned that as a MP and MDP we would be forced to become a B2B participant, and that we would then be required to pay in order to provide mandated

services. The existing cost recovery regime explicitly identifies that Service Providers have an obligation, not a right in regards to B2B services. As such, paying fees is highly inappropriate.

Metropolis recommend that an additional principle be included in determining B2B participant fees:

- B2B participant fees should reflect the extent to which the category of B2B participants benefits from use of the B2B hub.

Explicitly, this prevents AEMO from extorting excessive fees from the only parties which do not have any capability to avoid using the B2B hub.

9.4 Implementation timeframes

Questions:

- The new B2B framework and updated B2B e-hub do not need to be in place prior to *Competition in Metering*. While it is likely that the new B2B would be beneficial to the market overall, 25% of the roll-out is already done: Victoria has rolled out 2 million advanced meters. This is compelling evidence that B2B is not mandatory.
- Metropolis accepts the time frame proposed, however notes that industry build is not included. While Metropolis is confident our internal processes, knowledge and development capability allow us to build (pretty much) any B2B enhancements required in 6 months, our experience is that the rest of the industry requires significantly more time.

Metropolis also note that, depending on timing, there may be a lot of other work going on. It is critical that SMP does not negatively impact the enabling Power of Choice project: *Competition in Metering*.

- Metropolis strongly oppose reducing the consultation required for AEMO to develop the IEC election procedures and operating manual. These are core to the IEC transparency, which is core to it being an appropriately representative industry body.

Metropolis is unclear on the intention behind requiring the IEC to limit the first set of B2B procedures to "existing services... and... the minimum services specification." Metropolis would expect that the IEC would work to the time frame that is required, and prioritise these activities. Making this a requirement seems redundant.

Metropolis supports AEMO commencing work on developing the IEC election procedures and operating manual prior to the publication of a final rule change. It is unlikely the fundamental purpose of these documents will change significantly, so it is highly likely the work will be valuable.

Metropolis support AEMO commencing work on the new B2B e-hub prior to the completion of the B2B procedures, assuming the IEC can provide significant guidance on the requirements.

- Consideration could be given to a two-stage implementation:
 - Stage 1 defining message contents;
 - Stage 2 implementation of the upgraded B2B e-hub.

If stage 1 was complete prior to implementation of *Competition in Metering*, then participants could use a custom communication method, with a standard message content. This would allow B2B to partially support industry processes, while also allowing AEMO an extended time to build the advanced communication platform.

In addition, participants would be able to develop processes and message construction that could be directly re-used with the advanced B2B hub.

END