

23 July 2015

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged electronically: www.aemc.gov.au

Reference: EMO0029

Dear Mr Pierce,

RE: Draft Advice – Implementation advice on the shared market protocol

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments in response to the Australian Energy Market Commission's (AEMC) draft implementation advice on the shared market protocol (the Draft Advice).

The ERAA represents the organisations providing electricity and gas to over 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the National Electricity Market (NEM) and are the first point of contact for end use customers of both electricity and gas.

The primary aim of the implementation of a shared market protocol framework is to promote competition in the market for advanced metering services by reducing barriers to entry for new energy service companies while not inhibiting innovation in the method of communications. The Draft Advice concludes that the existing IT platform used (the business to business (B2B) e-hub) could be enhanced to accommodate 'near instant' communication capability without significant change to the existing B2B framework in the National Electricity Rules (NER).

Governance

The ERAA supports the industry-led approach of the Information Exchange Committee (IEC) having responsibility for developing and maintaining the B2B e-hub procedures. However, the ERAA does not support and has numerous significant concerns with the proposed renewed IEC membership structure outlined in the Draft Advice.

The ERAA recommends that retailer representation on the IEC should not be reduced under a renewed IEC. Retailer business models vary considerably, and these differences are likely to increase as the market develops. It is not considered reasonable that the range of likely retailer views can be adequately considered through a single retail representative on the IEC. As an industry sector which will be critical in the deployment of smart meters, it is important that the opportunity exists for a range of retailer views to be considered, to ensure successful reform.

Please refer to our individual member submissions for more detailed views on their preferred IEC membership structures and governance arrangements. The ERAA welcomes the opportunity to further consult with the AEMC on alternative membership and governance arrangements should they be considered necessary.



Obligations on participants

Accreditation

The AEMC proposes to introduce a new accredited role, B2B participant, to identify all users, including those that do not currently use the B2B e-hub, such as third party energy service providers. The ERAA agrees it is important for all parties seeking to use and access the B2B e-hub to be either registered or accredited by the Australian Energy Market Operator (AEMO) (also see Transitional issues below).

Cost recovery

There are significant costs associated with amending the existing B2B procedures and the e-hub functionality. Currently, retailers are responsible for the full cost of these through participant fees. This is because the retailer is responsible for recovering both the distributors' and metering service providers' costs from the customer. However, with the expansion of the B2B e-hub to include third party energy service providers, who are likely to bill customers directly for their services, it is no longer appropriate for retailers to remain solely responsible for these costs.

In line with the open access principles set out by the AEMC, a transparent user-pays methodology should be implemented to recover the costs associated with the development, management and administration of the infrastructure.

The ERAA is willing to work with the existing IEC and AEMO to establish the details of this approach. As a suggestion, one possible option may be that AEMO applies the costs to all users (i.e. market parties) based on an assessment of their market activity, but recovers the costs only from retailers and energy service providers as the most efficient mechanism. Although we are not necessarily wedded to this approach at this early stage, it is certainly something we would consider exploring further.

Transitional issues

IEC decision making

Careful consideration of the timeframe for the revised B2B Procedures and the establishment of the B2B e-hub by the AEMC is vital. The current IEC is a decision making committee, with wider consultation on proposed procedure changes occurring through working groups that are administered by AEMO. Therefore, with an inclusive procedure development process, the existing IEC can opt to change the B2B procedures to support meter contestability and the shared market protocol under its existing head of power. The AEMC should consider a transition that will provide for decisions made under the existing IEC to be applicable to the new arrangements, should a staggered rule commencement be unachievable.

Accreditation

It is proposed by the AEMC that all users should need to apply for accreditation from AEMO to use the B2B e-hub. However, no details on this accreditation process have been included in the Draft Advice. In our view, existing B2B e-hub users should not be required to seek accreditation (renewed or new) to undertake existing services through the B2B e-hub. We note that existing users are already either registered participants, or have been granted accreditation by AEMO and suggest that this is taken into consideration by AEMO when developing the new process.

The Draft Advice also indicates that it may be appropriate for AEMO to check that parties have appropriate IT and system security to interface with and use the B2B e-hub, particularly in relation to advanced metering services. We believe a more efficient approach would be for AEMO to identify those services where such an assessment would be justified, and perform that assessment for any party seeking to access those services through the B2B e-hub. This would avoid imposing additional testing and assessment costs on AEMO and current B2B e-hub users.

The ERAA recommends that, as a transitional provision, the NER stipulates that existing users of those B2B e-hub services available at the time of rule commencement, are deemed to be accredited as a B2B user in relation to those services. Any new party seeking to use only those existing services should undergo an accreditation process proportional to that experienced by existing users (details to be determined by AEMO). Any party seeking to access advanced services which AEMO deems to require a more stringent assessment of a party's capabilities would be required to undertake further steps prior to being authorised to access those services. This approach should ensure competitive neutrality, appropriate authorisation for services and efficient accreditation costs.

Revised B2B principles

The ERAA believes there is opportunity to refine the revised B2B principles outlined in the Draft Advice. The B2B principles should be clear, concise and transparent; as such the ERAA recommends the following amendments to the revised principles¹:

- The fifth and sixth revised principles should be combined and simplified:
A cost benefit analysis and consideration of the national electricity objective (NEO) must be undertaken in relation to any proposed amendments to existing B2B procedures and the e-hub which must be taken into account. A post implementation cost and benefits assessment of the changes should also take place to ensure that benefits are realised.
- The final revised principle should be amended to read:
Regard should be had to the implementation costs and timeframe to any amendment to existing B2B procedures which is to be agreed by industry and AEMO.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,



Alex Fraser
Interim CEO
Energy Retailers Association of Australia

¹ Australian Energy Market Commission, *Draft Advice – Implementation advice on the shared market protocol*, 25 June 2015, p 33.