

Rule change request on updating the electricity B2B framework (implementing a shared market protocol)

[Note: this has been drafted as if it were submitted on 1 December 2015. For example, the competition in metering final rule determination would have been published.]

1 Name and address of rule change request proponent

(insert)

2 Description of the proposed rule

This rule change request seeks to update the arrangements in the National Electricity Rules (NER) related to business to business (B2B) procedures and the Information Exchange Committee (IEC).

The AEMC's rule change on expanding competition in metering and related services (competition in metering) is expected to result in the market led deployment of advanced meters. Among other things, the competition in metering rule change will introduce new parties into the market for metering services. For example, a new metering coordinator role is being introduced and new energy service companies are expected to enter the market for services provided by advanced meters. The competition in metering rule change introduces these parties into parts of the existing B2B framework, but does not consider the general suitability of the existing B2B and IEC arrangements going forward.

The objective of this rule change request is to provide for communications regarding the different types of services that will be available from advanced meters and the greater range of businesses that may wish to communicate with each other to access these services.

The new B2B arrangements would provide a default form and method of communication between parties seeking access to services provided by advanced meters, while still providing some flexibility for parties to agree to an alternative method of communication. This is expected to lower barriers to entry for new parties entering the market for services available through advanced meters, while not inhibiting innovation in the method of communication between these parties.

The competition in metering final rule determination was published on 26 November 2015. As the competition in metering final rule determination had not been published when this rule change request was prepared, this rule change request and the attached proposed rule have been drafted on the basis of the competition in metering draft rule determination, which was published in April 2015.

This was done in the interests of implementation timeframes. It is preferable to begin this rule change process on updating the electricity B2B framework as soon as practicable. Waiting for the competition in metering final rule determination to be

published before beginning to prepare this rule change proposal and a proposed rule would add significantly to implementation timeframes.

Council of Australian Governments (COAG) Energy Council officials note that a rule change process on updating the electricity B2B framework would need to consider any changes to the NER since the competition in metering draft determination.

To avoid confusion, it is worth reiterating the different references to NER arrangements used in this rule change request. References to the 'current' arrangements refer to the drafting of the NER prior to the competition in metering rule change. That is, the current arrangements under rule 7.2A of the NER. The 'proposed' arrangements are based on the rule provided in the competition in metering draft rule determination, in which the current rule 7.2A has been re-numbered as rule 7.17.

As an overview, it is proposed that the NER be amended to:

- revise aspects of the governance arrangements for B2B procedures, including expanding the membership of the IEC;
- expand and update the content requirements for B2B procedures to provide for new B2B communications that support services enabled by advanced meters;
- create a new accredited party role for parties wishing to use the B2B e-hub; and
- update the cost recovery mechanism for the new B2B arrangements.

Section 4 of this rule change request sets out the proposed arrangements in further detail. In addition, a proposed rule, based on the draft rule published as part of the competition in metering draft determination, is attached.

3 Background

In December 2012, COAG and the COAG Energy Council agreed to a broad energy market reform package to support investment and market outcomes in the long term interests of consumers.

3.1 Energy market reform

This rule change request on updating the electricity B2B framework is an important part of the suite of market reforms to the National Electricity Market (NEM) that are underway following the Power of Choice review.¹ These reforms are aimed at improving opportunities for consumers to make more informed decisions about the way they use energy services.

One of the ways consumer choice is being improved is by addressing the market processes and incentives required for distributors, retailers and other parties to offer demand side participation and respond to consumer choice. Following the Power of Choice review, the COAG Energy Council requested the AEMC provide advice on a framework for open access and common communication standards (open access

¹ AEMC 2012, Power of choice review - giving consumers options in the way they use electricity, Final Report, 30 November 2012.

advice)² that would support competition in demand side management services available to consumers.

The open access advice recommended that a shared market protocol be adopted, to facilitate efficient communications between businesses offering services to consumers. Introducing a shared market protocol framework was expected to promote competition in the market for services enabled by advanced meters by reducing barriers to entry for new energy service companies while not inhibiting innovation in the method of communications.

However, as there were interdependencies with the competition in metering rule change process, a related reform from the Power of Choice review, the AEMC could not provide advice on how a shared market protocol could be implemented at that time. The COAG Energy Council agreed that supplementary advice on implementing a shared market protocol would be provided at a later date. The AEMC provided that supplementary advice in October 2015.³

This rule change request is consistent with the recommendations put forward by the AEMC. [*Or, provide details of any deviations*]

3.2 AEMO's advice on a shared market protocol

COAG Energy Council requested AEMO to prepare advice on the technical requirements for a shared market protocol to inform the development of this rule change request.⁴

Stage 1 of AEMO's advice was provided on 11 March 2015 and included possible designs for the IT platform, including IT requirements, costs and timelines for implementing each design.⁵ AEMO canvassed three options – basic, intermediate and advanced models – and recommended the introduction of an ‘intermediate’ model at this time.

The intermediate model would replace the existing B2B IT platform to enable delivery of near instant messages. It would be compatible with existing B2B functionality (such as file transfer protocol (FTP)) through converters. It would support new services through the availability of free format messages (peer to peer). It would also be capable of transactions; a more sophisticated, automated processing of requests that could make service delivery more efficient and less complicated for parties. For example, a service that requires a large number of messages to be sent between different parties could be reduced to several transactions. AEMO estimated that the intermediate model may cost \$8 to \$13 million for it to develop.

² AEMC 2014, Framework for open access and common communication standards, Report, 31 March 2014.

³ AEMC 2015, Implementation advice on the shared market protocol, final advice, 8 October 2015.

⁴ The terms of reference is available on the COAG Energy Council website.

⁵ AEMO 2015, Shared market protocol: part one - advice to the COAG Energy Council, 11 March 2015. Available on the COAG Energy Council website.

AEMO considered that this was the best option given the value to parties of near instant messages and transaction delivery. It is also lower cost and faster to implement than the advanced option.

Stage 2 of AEMO's advice was provided on 14 May 2015. It included how new metering services could be supported over time and opportunities to leverage the shared market protocol to provide additional services into the energy market.⁶

COAG Energy Council officials note that the proposed rule does not specify particular functionality for the B2B e-hub. As discussed in section 4 of this rule change request, it is proposed that the IEC decide the requirements for the B2B e-hub through development of the B2B procedures, which the B2B e-hub must be capable of supporting.

4 Statement of issues

Under the current B2B framework, businesses seeking access to services from a customer's meter communicate with each other in accordance with the requirements set out in the B2B procedures. The B2B procedures are maintained by the IEC, an independent industry group that is supported by AEMO.

As discussed in section 2 above, the competition in metering rule change process will support the market led roll out of advanced meters to small customers within the NEM. Metering contestability is expected to expand the range of parties participating in the market for services enabled by advanced meters, such as metering coordinators and third party service providers, as well as expanding the range of services available from advanced meters.

The nature of services is also expected to change. For example, it is envisaged that communications for many services will need to be capable of 'near instant' responses. This would enable, among other things, retailers to obtain a meter read during a customer telephone inquiry or a DNSP to obtain a meter inquiry to determine the source of a power outage.

The B2B framework in the NER should be updated to ensure the arrangements remain appropriate. Providing a suitable framework that supports access to advanced meters is a key component to establishing a competitive market for services enabled by advanced metering technology.

In addition, the AEMC's governance of retail market procedures rule determination noted that it may be suitable to revisit the governance arrangements for B2B procedures once the outcomes of the competition in metering rule change were more certain.⁷

COAG Energy Council officials note that other options have been examined and considered not as suitable as the proposed rule. The AEMC's open access advice considered introducing a 'common market protocol', which would be mandatory for all parties to use. After consultation it was decided that a 'shared market protocol' was preferable. This would allow parties to agree to use an alternative protocol and would

⁶ AEMO 2015, Shared market protocol: part two - advice to the COAG Energy Council, 14 May 2015. Available on the COAG Energy Council website.

⁷ AEMC 2014, Governance of retail market procedures, rule determination, 31 July 2014, p.8.

enable innovation in the method of communication. This would enable the most efficient communication protocol to be adopted over time.

The following sections of this rule change request provide an overview of the current B2B arrangements and outline the main changes proposed to the NER and describe how the proposed changes address the issues. We note that in addition to the key changes described below, further changes would be required throughout the NER, in particular to part 7.2A. The attached proposed rule sets out all of the proposed changes.

4.1 Issues with the current B2B framework

This section sets out the current B2B arrangements in rule 7.2A of the NER and identifies potential issues with those arrangements with regard to the types of services that will be available from advanced meters and the range of parties that will be interested in those services.

4.1.1 Governance of B2B procedures

Unlike other procedures provided for in Chapter 7 of the NER that are established and maintained by AEMO, B2B procedures are maintained by the IEC. The IEC consists of three DNSP members, three local retailer/market customer members and two independent members.⁸ This will no longer represent the range of stakeholders that will be interested in B2B communications, such as metering coordinators and third party service providers. These parties would not have a representative on the IEC. DNSPs and retailers would be responsible for making decisions about B2B procedures that would affect other parties in the market.

There are also concerns raised by stakeholders around whether:

- an industry group could make decisions in the long term interests of consumers and new entrants; and
- whether the governance arrangements are flexible enough to keep up with a potentially rapidly changing market.⁹

The nomination and appointment process for, and requisite qualifications of, members of the IEC are currently set out in the B2B Information Exchange Committee election procedures.¹⁰ Requirements with respect to the election and appointment (as the case may be) of the IEC chairperson and secretary and the conduct of IEC meetings are currently set out in the Information Exchange Committee operating manual.¹¹ The content of the IEC election procedures and operating manual can be changed with the support of industry voters.¹² It may be appropriate that some of these requirements be

⁸ Clause 7.2A.2 of the NER.

⁹ These concerns were raised in submissions to the AEMC review on implementing a shared market protocol.

¹⁰ Available on the AEMO website.

¹¹ Available on the AEMO website.

¹² Clause 7.2A.2 (d) and (f) of the NER.

incorporated into the NER, to provide certainty of the process and other requirements for IEC members.

4.1.2 B2B procedures and IEC decision making

The B2B procedures include requirements for the content, format, delivery and timing for B2B communications.¹³ The requirements in the NER should be reviewed to ensure they are able to support services enabled by advanced meters.

A new B2B procedure or a change to the existing B2B procedures can only be proposed by AEMO, a local retailer, a market customer or a DNSP. The IEC is responsible for consulting on any such proposal and making recommendations on the proposal to AEMO.¹⁴ The IEC can conclude not to recommend the proposed new B2B procedure or change to the existing B2B procedures. Alternatively, the IEC may make a recommendation for a new procedure or change to the existing procedures, which may differ from the proposal.¹⁵

In coming to a conclusion on whether or not to make a recommendation, the IEC must seek to achieve the B2B objective having regard to the B2B principles.¹⁶ The B2B objective and B2B principles relate to cost impacts and benefits for DNSPs, market customers and local retailers. It may be necessary to expand the decision making criteria going forward to reflect the different types of services that will be available and the wider range of parties that will be interested in those services. While it is still relevant to consider the costs and benefits for incumbent participants, there are wider interests that should also be considered, such as the interests of consumers and new entrants to the market.

A decision by the IEC to recommend a new B2B procedure or change to existing B2B procedures requires the support of six or more members of the IEC.¹⁷ If the number of IEC members is expanded, these requirements may also need to be updated.

AEMO must approve the recommendation of the IEC unless it concludes that:¹⁸

- the IEC has failed to have regard to the B2B objective or the B2B principles;
- the IEC has not followed the rules consultation procedures;¹⁹ or
- the recommendation would conflict with Market Settlement and Transfer Solutions (MSATS) procedures.

13 Clause 7.2A.4 of the NER.

14 Clause 7.2A.3 of the NER.

15 Clause 7.2A.3(i) of the NER.

16 Clause 7.2A.3(j) of the NER. The B2B objective and principles are set out in full in section 5.3.2.

17 Clause 7.2A.2(m).

18 Clause 7.2A.3(k) of the NER.

19 The IEC must follow the rules consultation procedures (as supplemented by clause 7.2A.3 of the NER) in relation to a proposal for a new B2B procedure or change to the existing B2B procedures. See clause 7.2A.3(e).

4.1.3 IT platform

Under the current B2B arrangements, communications between local retailers, market customers and DNSPs regarding the supply of electricity to end users occur through the B2B e-hub, an electronic information exchange platform provided and operated by AEMO.²⁰ The existing B2B e-hub is not capable of supporting the 'near instant' messages that would be necessary to support many advanced metering services. The B2B arrangements may need to be updated to provide for this requirement.

4.1.4 Accreditation

The NER does not include any requirements around using the B2B e-hub. Parties register themselves with AEMO in order to obtain an AEMO participant ID, which allows them to sign in to AEMO's energy market systems. They are not required to demonstrate that they have compatible back end systems for interacting with the B2B e-hub.

Currently, all of the parties using the B2B e-hub are either registered participants or accredited with AEMO under the NER. As they are defined under the NER, they can be identified and have obligations imposed upon them with regard to using the B2B e-hub and complying with B2B procedures. Going forward, it may be necessary or desirable to also impose such obligations on third party service providers, who would not otherwise be registered participants or accredited parties.

4.1.5 Obligations

Under the current B2B arrangements, local retailers, market customers, DNSPs, AEMO, metering providers and metering data providers must comply with the B2B procedures.²¹ This may not represent the full range of participants that have an interest in B2B communications going forward, and should be reviewed.

Local retailers, market customers and DNSPs must use the B2B e-hub for B2B communications,²² except where they have agreed to communicate a B2B communication on a basis other than as set out in the B2B procedures.²³

As discussed above, the open access advice recommended a communications model that provided some interoperability, while allowing parties to agree to an alternative to support innovation. Again, the current arrangements no longer represent the range of parties that have an interest in B2B communications and would need to be updated. The

²⁰ Clause 7.2A.1 of the NER.

²¹ Clause 7.2A.4(i) of the NER.

²² B2B communications are defined in Chapter 10 of the NER as 'communications between local retailers, market customers and DNSPs relating to an end-user or supply to an end user provided for in the B2B procedures'.

²³ See clauses 7.2A.1 and 7.2A.4(k) of the NER. Where such parties have agreed between themselves to communicate a B2B communication on a basis other than as set out in the B2B procedures, the parties need not comply with the B2B procedures to the extent that the terms and conditions agreed between them are inconsistent with the B2B procedures.

current arrangements should also be assessed to determine whether they adequately support interoperability and lower barriers to entry for new parties to the market.

4.1.6 Cost recovery

The costs related to developing B2B procedures, establishing and operating the IEC, and providing and operating the B2B e-hub are currently paid by AEMO and recouped as participant fees.²⁴ These fees are currently paid by retailers.

There would be a new set of users of the B2B e-hub that warrants revisiting the current fee payment structure for ongoing cost recovery. Given the wider set of users, it may be more appropriate to consider a user pays model of cost recovery. Ideally, the framework for cost recovery would be flexible and appropriate enough for AEMO to apply fees to the most suitable parties.

There may be significant upfront costs to constitute the new IEC, develop new B2B procedures and redevelop the B2B e-hub. It is important that AEMO has certainty that it will be able to fully recover its costs.

4.2 Proposed governance arrangements

The proposed new arrangements include:

- IEC membership would comprise: an AEMO member (an AEMO director, who would act as the IEC chairperson); two independent members; one DNSP member; one retailer member; one metering member (representing metering coordinators, metering providers and metering data providers); one third party B2B participant member (see 4.5.1 below); one consumer member; and up to two discretionary members.
- Requirements around the election and appointment of IEC members would be incorporated into the NER.
- The DNSP member, retailer member, metering member and third party B2B participant member would be nominated and elected by the category of registered participant and/or accredited party the relevant member is representing.
- The independent members would be nominated and elected by DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.
- The consumer member would be appointed by AEMO in consultation with Energy Consumers Australia. The discretionary members would be appointed by AEMO in consultation with the independent IEC members.
- Requisite qualifications of IEC members would also be incorporated into the NER.

²⁴ Clause 7.2A.6(a) of the NER. Requirements related to participant fees are set out in rule 2.11 of the NER.

- Restrictions around nomination of and voting on IEC members for related entities would be introduced.
- The quorum for a meeting would be increased to five (out of seven or eight) IEC members or six (out of nine or ten) IEC members.
- A decision of the IEC to recommend a new B2B procedure, a change to existing B2B procedures or the approval of an IEC works program²⁵ would require the support of at least 70 per cent of IEC members. Any other decision of the IEC would require the support of at least 60 per cent of members.
- As a transitional provision, AEMO would develop the first IEC election procedures and operating manual to provide for the new IEC framework. Following this, changes to the IEC election procedures and operating manual would be subject to voting by industry.

The new IEC membership would be a broadly representative group to reflect those parties that will have an interest in B2B communications following the commencement of competition in metering.

The existing local retailer/market customer member would be replaced by a retailer member as this better reflects the parties that would be impacted by B2B procedures.

Metering coordinators, metering providers and metering data providers would have one collective member on the IEC as they will be integral to the provision of metering services.

The third party B2B participant member would represent the interests of the other parties providing new services that are enabled by advanced meters that are not otherwise represented on the IEC. This could include a wide range of companies providing innovative services that are not yet envisaged, or it could include participants that are not otherwise captured. For example, should embedded network managers be created as a new category of participant under the AEMC's embedded networks rule change process, they would fall into this category of IEC member.²⁶

The consumer representative would represent the interests of small customers of electricity. Small customers are likely to become more interested in B2B procedures as some may wish to benefit from services enabled by advanced meters, such as data services or load control services. Any cost impact of decisions by the IEC is very likely to impact consumer electricity prices or the cost of services provided by third parties.

The inclusion of discretionary members allows some flexibility to the IEC membership to evolve to changing market conditions. AEMO would have the discretion to appoint up to two discretionary members to represent a class of persons that AEMO considers has an interest in B2B procedures and those interests are not adequately represented on

²⁵ The work program prepared by the IEC in respect of the development, implementation and operation of the B2B procedures and other matters which are incidental to effective and efficient B2B communications.

²⁶ If embedded network managers become accredited as a B2B e-hub participant to use the B2B e-hub, they would be a third party B2B participant provided they are not also a B2B e-hub participant in another category (such as a metering coordinator). Accreditation is discussed at section 4.5.

the IEC. These positions could be used to bring particular desirable expertise and representation into the IEC as necessary.

As chairperson, the AEMO member would be able to provide some strategic guidance to the IEC. However, the IEC would remain subject to voting on decisions, with 70 per cent of IEC members needing to agree to recommend a change to B2B procedures.

The introduction of restrictions for nomination and voting of related entities would address concerns that related entities may exercise voting power to secure the IEC membership position for that category of stakeholders.²⁷

It is not proposed that the requirements regarding AEMO's oversight of IEC decisions be amended (the limited veto grounds).

4.3 Proposed arrangements for B2B procedures

The proposed new arrangements would include:

- B2B procedures must, in addition to the existing content requirements set out in clause 7.2A.4 of the NER, provide for B2B communications to support each of the services set out in the minimum services specification.
- B2B procedures may include performance requirements for the B2B e-hub.
- B2B procedures must allow for parties to communicate outside the B2B e-hub.
- When making decisions about B2B procedures, the IEC must have regard to the NEO and new B2B factors, and give effect to the revised B2B principles. The new B2B factors would include:
 - The reasonable costs of compliance by AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants with the B2B procedures compared to the likely benefits from B2B communications.
 - The likely impacts on innovation in, and barriers to entry to, the market for services facilitated by advanced meters resulting from making the new B2B procedure or changing the existing B2B procedures.
 - The implementation timeframe necessary for AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants to implement relevant changes to be compliant with any new B2B procedure or change to existing B2B procedures.
- The revised B2B principles are:
 - B2B procedures should provide a uniform approach to B2B communications in participating jurisdictions.
 - B2B procedures should detail operational and procedural matters and technical requirements that result in efficient, effective and reliable B2B communications.

²⁷ For example, AGL has five businesses registered as market customers (retailers).

- B2B procedures should avoid unreasonable discrimination between DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants.
- B2B procedures should protect the confidentiality of commercially sensitive information.
- Before the IEC consults on a proposal to make a new B2B procedure or change the existing B2B procedures, it must seek AEMO's advice on the necessary upgrades to the B2B e-hub to deliver the procedure change and the likely costs involved. This information would be included in the consultation documents.

The services that will be offered through the B2B e-hub may rely more heavily on 'near instant' delivery times, meaning that the performance of the hub may be vital for some services. It is necessary to expand the content requirements of B2B procedures to include performance requirements for the B2B e-hub.²⁸

Allowing parties to communicate outside the hub is necessary to support the requirement that parties may agree to use an alternative to the B2B e-hub.

The IEC would be required to have regard to the NEO and B2B factors and give effect to the B2B principles when making decisions about B2B procedures, to the extent that the B2B factors and B2B principles are consistent with the NEO.

While the current B2B objective would no longer apply, the consideration of cost impacts would become a B2B factor. The IEC would also be required to consider the impacts of decisions on consumers (through the NEO) and new entrants (through the B2B factor that considers innovation and barriers to entry).

The new B2B factors would direct the IEC to have regard to some specific matters that to the extent these are consistent with the NEO. The IEC would be able to weigh the B2B factors and B2B principles against each other to achieve the best overall outcome.

The requirement for the IEC to consult with AEMO on potential implementation costs prior to consultation on a proposed B2B procedure enables stakeholder feedback on those costs.

4.4 IT platform

The proposed new arrangements would include:

- The B2B e-hub must support B2B communications listed in the B2B procedures. This would include communications for services in the minimum services specification.
- The B2B e-hub must meet performance requirements specified in the B2B procedures.

The technical performance of the B2B e-hub may influence whether particular advanced metering services are offered through the B2B e-hub. This may also influence the potential benefits available to consumers from these meters. Allowing the B2B

²⁸ Such as the speed at which the B2B e-hub is required to process communications.

procedures to specify performance requirements for the B2B e-hub allows the IEC to set minimum requirements for AEMO's development of the B2B e-hub.

4.5 Accreditation

The proposed new arrangements would include:

- A new accredited party role (B2B e-hub participant) would be established and any party wishing to use the B2B e-hub would need to be accredited by AEMO as a B2B e-hub participant.
- AEMO must establish an accreditation process for B2B e-hub participants.

Accreditation would create a means by which third parties using the B2B e-hub become a defined category of persons under the NER. This assists in providing a framework under which obligations related to B2B arrangements may be imposed on those parties, such as compliance with the B2B procedures and the payment of fees. It provides a means by which these parties can be identified and contacted by AEMO and be assigned IEC nomination and voting rights.

Accreditation also allows AEMO to check that parties have appropriate IT and security to interface with and use the B2B e-hub, should this be considered necessary. This may be more important going forward as advanced metering services may present higher risks around data, security and confidentiality in the future.

In developing the accreditation process, AEMO would have discretion to apply different processes to different categories of applicant, or exempt certain parties from aspects of the accreditation process. This recognises that parties may interact with the B2B e-hub in different ways²⁹ and AEMO can minimise compliance costs by applying differentiated but suitable criteria.

4.6 Obligations to comply with B2B procedures and use the e-hub

The proposed new arrangements would include:

- AEMO, DNSPs, retailers, metering coordinators, metering providers, metering data providers and B2B participants are required to comply with B2B procedures.
- DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants must use the B2B e-hub for B2B communications, unless they have agreed between themselves to use an alternative method of communication.

This expands the range of parties that are subject to these requirements, while maintaining the current requirement in the NER related to using the B2B e-hub.

This approach supports interoperability and minimises barriers to entry for new participants to the market for services enabled by advanced meters. It also potentially reduces operating costs for DNSPs and retailers. If there was no requirement to use the

²⁹ For example, some parties may wish to send 'near instant' messages related to advanced metering services, while others may continue to send messages through the existing FTP functionality.

B2B e-hub, parties may need to develop multiple systems to interact with multiple service providers. The recommendation allows parties to agree to alternative methods of communication to facilitate innovation in the market. It is important that parties have the flexibility to negotiate to use alternatives to the B2B e-hub to support new services to customers. However, it is expected that most existing parties will wish to use the B2B e-hub for interoperability reasons.

While parties may agree between themselves to use an alternative method of communication (outside the B2B e-hub), the B2B procedures would continue to apply. It may be vital that some services include particular information in the message or that a particular process be followed. For example, disconnection and reconnection services could have serious impacts on life support customers and risks can be managed by following an agreed protocol when providing those services. Also, B2B procedures may include roles and responsibilities for metering providers and metering data providers.³⁰ These parties should still be subject to obligations provided in the B2B procedures.

4.7 Cost recovery

The proposed new arrangements would include:

- Operating costs associated with any service provided by AEMO to facilitate B2B communications (including providing and operating the B2B e-hub) and the costs of developing B2B procedures and establishing and operating the IEC are paid by AEMO and recouped as participant fees.
- Third party B2B participants would be deemed to be registered participants for the purposes of rule 2.11 of the NER (participant fees). As a consequence, the fee structure for participant fees developed by AEMO may include DNSPs, retailers, metering coordinators or third party B2B participants.

Cost recovery through participant fees provides certainty that AEMO can recover its B2B costs over time. Introducing a cost recovery model that is solely user pays would not provide certainty that AEMO would be able to recover its expenditure. There is a risk that parties could choose to use an alternative to the B2B e-hub and would no longer pay B2B participant fees, before AEMO is able to recover its upfront investment costs.

AEMO would develop a structure for the participant fees taking into account any changes to the B2B arrangements in accordance with rule 2.11 of the NER. There is significant discretion for AEMO to determine suitable fee structures for registered participants.

This option recognises that it may be appropriate to recover some B2B costs from parties that choose not to use the B2B e-hub, as these parties would benefit from other IEC activities and the development of B2B procedures.

Metering providers and metering data providers are not registered participants and would not be charged participant fees. As with the current arrangements, this is appropriate as they provide services to other parties using the B2B e-hub.

³⁰ Clause 7.2A.4(h) of the NER.

4.8 Other

B2B arrangements are provided for in other parts of the NER and would need to be updated. For example, the dispute resolution provisions in clause 8.2A.2 of the NER would need to be updated in light of the proposed arrangements.

4.9 Transitional

This section outlines some of the transitional steps that would need to be carried out to implement the proposed rule. It also provides some suggested dates for implementation, should it be decided that the B2B arrangements could be updated at the same time as the commencement of the competition in metering rule (1 December 2017). *[If the rule change request is not submitted by 1 December 2015, these dates would need to be amended or deleted].*

- AEMO to develop new IEC election procedures and operating manual to provide for the new IEC framework. (1 August 2016)
- AEMO to run an IEC election process to form the new IEC. (1 October 2016)
- New IEC to develop amended B2B procedures in accordance with the new B2B framework. (1 April 2017)
- AEMO to update the B2B e-hub to comply with new B2B procedures. The implementation date for this would be decided by the new IEC through the B2B procedure development process.
- AEMO to develop an accreditation process for B2B e-hub participants. (1 April 2017)
- AEMO would need to amend its participant fee structure to incorporate the recovery of B2B costs.

5 NEO assessment

The rule making test in section 88 of the National Electricity Law (NEL) requires that the AEMC may only make a rule if it is satisfied that the rule will or is likely to contribute to the achievement of the national electricity objective (NEO). The NEO, set out in s. 7 of the NEL, is to:

“promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to:

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.”

The proposed rule is intended to support the efficient uptake of products and services by small customers. It complements the competition in metering rule change process, which seeks to facilitate the market led roll out of advanced metering infrastructure. This advanced metering infrastructure would enable service providers to offer, and

consumers to take up, a wider range of products and services that are enabled by advanced meters. Updating the B2B framework facilitates this by introducing a standard form of communication that parties can use to access the services available through advanced metering infrastructure.

The proposed rule would be likely to contribute to the NEO in the following ways.

Efficient investment in services available through advanced metering infrastructure

The recommendations are designed to improve interoperability for parties communicating about the services available through advanced metering infrastructure. Having a shared form and method of communication means that parties would not be required to have multiple systems to interact with each other. This is likely to lower barriers to entry and facilitate new participants entering the market for services enabled by advanced meters. It may also lead to greater efficiencies for existing retailers and DNSPs that may also be required to communicate with multiple parties in the market.

Promoting efficient interactions between parties is likely to reduce their operating costs. These cost savings may be passed onto end users, including small customers, who may ultimately pay for the services provided in respect of their connection point.

Minimising barriers to entry for new participants provides an environment that is conducive to competition. Improving competition in the market for services that can be provided by advanced metering infrastructure may lead to a wider variety of services being available to consumers and other parties. Service providers would be encouraged to innovate and invest in new products and services that can be tailored to the needs of their customers. If competition leads to differentiation in price and quality, customers may have access to services that better meet their individual needs, such as better quality services (for example, comprehensive energy management systems) or lower cost services (for example, simple access to energy usage data).

While the proposed rule provides a standard mechanism for communicating, it is worth noting that it does not provide a right for parties to access the services that are the subject of the communications. The proposed rule would make transactions more efficient to the extent that parties have commercially entered into those transactions

The proposed rule also supports investment and innovation in new products and services by allowing parties to agree to use an alternative method of communicating with each other. This allows the market to determine the most efficient way of communicating about a particular service. As mentioned above, supporting innovation may lead to a wider range of products and services being offered and will allow parties to select products and services that best suit their needs. Using an alternative, more efficient form of communication should also be expected to flow through to the prices being paid by end users.

IEC - governance arrangements

Industry members (and ultimately, their customers) will bear the costs and receive the benefits of decisions about B2B procedures and are therefore likely to make the most effective and efficient decisions regarding the content of B2B procedures. Promoting

efficient decision making and investment in communications would be expected to place a downward pressure on costs that are ultimately paid by end users.

Reducing the costs of maintaining quality, reliability and security of the supply of electricity

While it would be possible for parties to provide advanced metering services without updating the B2B arrangements, having a shared method of communication is likely to be less complicated and costly than dealing with parties across multiple platforms. If participants choose to offer services, having a shared platform is expected to result in the increased uptake of services that can be provided by advanced metering infrastructure.

The potential increased uptake of services by DNSPs related to network functions is expected to assist them to monitor reliability, security and quality of electricity supply. For example, access to supply status and voltage monitoring may enable DNSPs to respond more promptly to power outages or poor quality supply. In addition, access to services such as direct load control, remote disconnection and remote reconnection by DNSPs may enable them to manage the use of the network more efficiently and make more efficient decisions on network investment for the benefit of consumers. Deferring unnecessary investment in networks would save costs for consumers.

6 AEMO's declared network functions

The proposed rule will not affect AEMO's declared network functions.

7 Expected costs, benefits and impacts of the proposed rule

The proposed rule is expected to have the following impacts on parties.

End use customers

- Introducing a shared market protocol framework may facilitate an increased range of services being offered to consumers, allowing greater choice in products and services that are tailored to suit their needs. For example, services may be offered to inform consumers of their electricity usage or manage their electricity usage, which may assist consumers to save on electricity costs.
- There may be increased competition for services in the short term, and increased innovation in the long term. This may lead to lower cost services being available.
- Small customers would be represented on the IEC through the appointment of a consumer member.

DNSPs and retailers

- DNSPs and retailers must become an accredited B2B e-hub participant if they wish to use the B2B e-hub.
- DNSPs and retailers must comply with B2B procedures. They must also use the B2B e-hub for B2B communications that are provided for in B2B procedures, unless agreed otherwise with the party to whom they are communicating.

- DNSPs and retailers may be required to pay B2B costs through participant fees as determined by AEMO.
- Having access to an enhanced shared communications platform may lead to greater operational efficiencies.

Market customers that are not retailers

- Currently, local retailers and market customers are represented on the IEC. This membership category would be changed to retailers (see section 4.3.1 of this advice). As a result, market customers that are not retailers will no longer have a representative member on the IEC and will not participate in nomination and voting for IEC representatives, unless they choose to become an accredited B2B e-hub participant.
- Market customers that are not retailers will no longer be required to comply with B2B procedures or use the B2B e-hub for B2B communications.
- Market customers that are not retailers but have otherwise decided they wish to use the B2B e-hub (as an accredited B2B e-hub participant) are required to comply with B2B procedures and, in that capacity, may be required to pay participant fees as determined by AEMO (as a deemed registered participant). They may also nominate and participate in the election of the third party B2B participant IEC member and the independent IEC members.

Metering coordinators, metering providers and metering data providers

- Metering coordinators, metering providers and metering data providers will have a representative member on the IEC and can participate in nomination and election of the metering IEC member and the independent IEC members.
- Metering coordinators, metering providers and metering data providers must become accredited B2B e-hub participants to use the B2B e-hub.
- Metering coordinators, metering providers and metering data providers must comply with B2B procedures. They must also use the B2B e-hub for B2B communications that are provided for in B2B procedures, unless agreed otherwise.
- Metering coordinators may be required to pay B2B costs through participant fees as determined by AEMO.
- Having access to a shared communications platform may lead to greater operational efficiencies and provide for efficient entry of new service providers.

Third party energy service companies

- Third party B2B participants may have a representative member on the IEC and can participate in nomination and election of the third party B2B participant IEC member and the independent IEC members.
- Third party energy service companies must become an accredited B2B e-hub participant to use the B2B e-hub.

- Third party energy service companies must comply with B2B procedures. They must also use the B2B e-hub for B2B communications that are provided for in B2B procedures, unless agreed otherwise.
- Third party B2B participants may be required to contribute to B2B costs by paying participant fees as determined by AEMO.
- Having access to a shared communications platform may lead to greater operational efficiencies and lower barriers to entry for these new parties.

AEMO

- AEMO would be required to appoint a director as a member of the IEC. That member will be the chairperson of the IEC.
- AEMO would be required to:
 - develop the first IEC election procedures and operating manual;
 - carry out an election process for the new IEC, including the appointment of the consumer member and up to two discretionary members;
 - provide and operate the B2B e-hub;
 - establish and apply an accreditation process for B2B participants; and
 - update the fee structure for registered participants to account for B2B costs.
- AEMO would be required to incur upfront and ongoing costs related to providing and operating the B2B e-hub and establishing and operating the IEC. These costs may be subsequently recouped through participant fees.

IEC

- The IEC would be re-formed in accordance with the proposed rule.
- The new IEC would be responsible for developing and maintaining the B2B procedures.
- The new IEC would be required to have regard to the NEO and new B2B factors and give effect to the B2B principles when making decisions about B2B procedures.

8 Summary of consultation

A significant amount of consultation on communication issues and the B2B framework has been carried out to inform the development of this rule change request. The views put forward by stakeholders are relatively recent, with the most recent advice on implementing the shared market protocol being provided by the AEMC in October 2015.

The AEMC's advice on implementing a shared market protocol involved two rounds of consultation and a stakeholder workshop. A consultation paper was released from December 2015 to February 2015 and 19 submissions were received. The stakeholder workshop was held in April 2015 and approximately 40 stakeholders attended. The

draft advice was released from June 2015 to July 2015 and 21 stakeholder submissions were received.

AEMO's advice on a shared market protocol was developed in consultation with a working group of approximately 30 industry representatives. The working group met from September 2014 to December 2014 to discuss issues related to the development of AEMO's advice.

The AEMC's advice on a framework for open access and common communication standards was developed in close consultation with an advisory stakeholder working group of approximately 20 industry representatives. Six meetings were held from October 2013 to March 2014. A draft report was released for consultation from December 2013 to January 2014 and 26 submissions were received. A supplementary paper was released for consultation from February 2014 to March 2014 and 16 submissions were received. In addition, a public forum was held in April 2014.