

23 July 2015

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

Dear Mr Pierce,

NSW DNSPs Response to the Implementation Advice on Shared Market Protocol (ERCO0029).

The NSW Distribution Network Service Providers, Ausgrid, Endeavour Energy and Essential Energy (the NSW DNSPs) welcome the opportunity to provide a submission on the Australian Energy Market Commission (AEMC) Implementation Advice on Shared Market Protocol (SMP). We support expanding and updating the B2B procedures and redeveloping the B2B e-hub to support new communications with advanced meter services.

The National Electricity Objective (NEO) is maximised by shared market protocol arrangements that have procedures and information sharing that mean that DNSPs and other market participants are able to meet their legal obligations in relation to reliability and safety at the lowest cost. We broadly support the recommendations put forward by the AEMC, but note some small improvements that would better fulfil the safety, reliability and efficiency aspects of the NEO.

We note that the consultation paper is seeking comment on the governance, procedures and development of the B2B e-hub to enable the SMP that should be included in the National Electricity Rules (NER) as part of the draft rule change request. Our stated position in previous submissions is that fully developed governance and procedures with associated consultation is required alongside the development of an expanded and upgraded B2B e-hub to enable an efficient and competitive market for advanced metering and related services.

In particular, we support an updated Information Exchange Committee (IEC) with appropriate governance to ensure balanced and efficient development of the expanded and upgraded B2B procedures and e-hub. The NSW DNSPs also support the development of B2B procedures that support both primary and secondary services for advanced metering. Accordingly, the NSW DNSPs have concerns that if B2B procedures are not developed and in place for primary, secondary and advanced services then development between relevant parties will drive inefficiencies and unnecessary complexity into the market interactions. As a result, the NSW DNSPs consider that there is a need for B2B procedures to be developed for all services, especially those that involve multiple participants.

The NSW DNSPs support the reconfiguration of the IEC; however, we do not support the inclusion of two discretionary members that are decided upon by AEMO in consultation with the independent members of IEC. The IEC governance arrangements also assume that DNSP and Retailer views are consistent amongst their peers. This is not the case and it is appropriate to have multiple representatives of each group of participants to represent key differences in operational and jurisdictional practice. Representatives for DNSPs could include a Victorian DNSP (with full advanced metering coverage) plus at least another non-Victorian DNSP that is likely to remain in the Type 5/6 environment for a significant period of time. Retailers could also be represented by a Tier 1 retailer and an additional Tier 2 retailer that is less likely to have a related party as a Metering Coordinator.

Alternatively, the current IEC could be supplemented with a Metering Coordinator, a third party B2B participant representative and a customer representative to allow for a smoother transition from current arrangements to the desired AEMC governance model.

While supportive of the above, we would like the AEMC and AEMO to consider the following potential issues with the implementation advice as drafted. Further detail is provided in Attachment A.

We believe that there are efficiencies from coordinating the timing of the B2B e-hub expansion / upgrade and the expansion in metering competition rule change. While not essential to have the B2B e-hub upgrade finalised for the rule change implementation date, further delays beyond this date will increase the use of alternative approaches, introduce further complexity and potential delays to the take-up of customer products, advanced services and competitive roll-outs of advanced metering to support these products.

Efficiencies available from implementing this proposed rule in co-ordination with the expanding competition in metering and related services rule change will enhance competition in the competitive market as smaller participants may not have sufficient resources to ensure separately agreed and defined interfaces for provision and receipt of services. The expansion in metering competition should allow for a fair and equitable start to the market while minimising investment from participants, so that the end consumers do not have to support an initially inefficient market with limited competition.

In addition, as noted by the ENA in its submission to the AEMC on its metering rule change implementation plan, some market participants will need up to 18 months for process changes and systems implementation following the finalisation of the SMP and associated procedures. This should be reflected in both the SMP and metering rule changes in addition to the need for AEMO accreditation to utilise the expanded and upgraded B2B e-hub.

Responses to the questions that were provided seeking stakeholder views have been detailed for the NSW DNSPs in Attachment B. The NSW DNSPs support realistic opportunities to manage implementation time frames through the commencement of parallel activities, however we would caution the AEMC against allowing non sequential decision making and cursory consultation for such a complex and crucial implementation for the National Electricity Market (NEM).

If you have any further queries or would like to arrange a meeting to discuss our submission please contact Mr Murray Chandler, Group Manager Network Technology & Innovation at Networks NSW on (02) 9269 7210 or murray.chandler@ausgrid.com.au

Yours sincerely,



John Hardwick
Group Executive Network Strategy
Ausgrid, Endeavour and Essential Energy

Attachment A – NSW DNSPs’ Comments on Potential Issues for the Rule Proposal

Governance Arrangements

In terms of governance of the SMP, the NSW DNSPs favour a participant led model with a re-constituted Information Exchange Committee (IEC) with new membership and governance arrangements enacted in the NER. In particular, the objective and powers of the re-constituted IEC and basis for selection of the committee should be clearly set out in the NER as indicated in the implementation advice. A participant led model will be driven to achieve efficient customer outcomes since it is in their best commercial interests to do so.

We also support that the parties that will have access to the SMP should be required under the NER to be accredited by the Australian Energy Market Operator (AEMO) to protect against risks of unauthorised access and breaches of customer privacy. In addition, network services and network data need to be accommodated in any revised accreditation process. This will help mitigate against the risk of inadvertent network stability and security impacts, that might ensue if metering commands such as load control signals are not well defined by a B2B procedure and then acted upon. We also suggest that the NER should also state that the Metering Coordinator (MC) must also comply with the relevant jurisdictional requirements. For example, in NSW this would mean adhering to the NSW Service and Installation Rules, being accredited as an Accredited Service Provider (ASP) and with each DNSP, as required by the NSW Government’s ASP scheme.

We submit that the makeup of the committee should be a reflection of the parties that will interact with the SMP (including Retailers, DNSPs, MCs, consumers and AEMO). The membership and voting arrangements need to be clearly structured so that no one industry participant can dominate the decision making and all relevant parties should have an opportunity to agree the voting arrangements in advance of implementation. In this regard the introduction of independent members is supported by the NSW DNSPs; however, the introduction of two discretionary members as appointed by AEMO in consultation with the independent members is not supported as this could provide an imbalance in membership by a single member.

The strength of this approach is that all relevant parties are part of the decision making process and no single organisation, including AEMO, can deliberately or inadvertently enforce their interests above those of all users of the SMP. The NSW DNSPs support a governing arrangement within the IEC where a change to existing B2B procedures or approval of an IEC work program would require support of seven or more members.

The two independents should always be present (i.e. it is their function of the governance committee). Retailer, DNSP and MC/MDP/MP should always be represented via nominated person or authorised delegate. The AEMO position should also be present. This would provide a quorum if the two discretionary positions were removed. Alternatively if the two discretionary positions were utilised as an additional retailer and DNSP then a quorum would require 7 members. The two retailer memberships should be split amongst a tier 1 and non-tier 1 retailer while the DNSPs would take representation from a Victorian DNSP and another non-Victorian DNSP.

Additionally the revised IEC should continue to allow non-voting observers who have been previously authorised by the chairperson to attend the committee meetings, facilitate quicker feedback and also aid in circulating of information to interested parties.

The presence of consumer representatives in the re-constituted IEC will bring consumer protection and consumer concerns into the heart of the decision making process. As a result,

the participant led approach also better achieves the principle of consumer protection identified by the AEMC.

It will also be important that the arrangements that determine the membership of the committee cannot be altered without careful consideration being given to related aspects of the governance arrangements. This could be promoted by inclusion of these arrangements in the NER where a change would need to be tested against and achieve the NEO.

B2B e-hub Obligations on Parties

We understand that the policy intent of the AEMC's Implementation Advice is to develop and implement an appropriate B2B framework that supports advanced metering services.

In terms of the SMP itself, its purpose is to establish a system that allows parties to communicate with each other regarding services that will be offered by advanced metering infrastructure. The NSW DNSPs have concerns that if options are adopted that seek to fast track implementation at the expense of availability of advanced metering services, the objectives of the expansion in metering competition rule change will not be achieved. This approach also has the potential to further reduce the competitive nature of the market as described previously.

The main requirements for DNSPs are that the network business has the ability to send and receive data from multiple MCs, Retailers and other market participants; that data is transferred according to agreed processes and timeframes; and control of some smart meter functionality continues to be made available to the DNSPs via consistent systems and processes, or via multiple interfaces to MCs, Retailers and other market participants. This will include the prioritisation for services within the SMP, including load control signals when operated by both the network and the MC and avoiding situations where a Retailer can interact directly with an MC for services that control load without notification or agreement of the DNSP. Prioritisation and co-ordination is particularly important in emergency situations, such as where the network is heavily loaded. This may be encouraged where parties are allowed to communicate directly with each other outside the B2B framework and in the absence of a B2B procedure with an obligation to involve all impacted participants. For instance, the rule change and B2B framework implementation must consider all parties involved in a transaction and allow those parties to meet their obligations.

We also submit that there is a need for the current B2B e-hub functionality to be maintained beyond the implementation of the expanded and upgraded e-hub. This is to accommodate current market participants that have no plans to operate in the smart metering environment, but will continue providing basic type 5 or 6 metering services (including meter reads and sample testing). Accordingly, it would make sense to allow these participants to continue to operate in the B2B e-hub without significant investment in systems and processes. The solution would be for AEMO to develop a translation from the B2B e-hub to the SMP interface to service these market participants. It would be unfair and inefficient to place additional costs on current market participants who may not offer or consume these new services in the B2B framework.

B2B e-hub Expansion / Upgrade Funding

We understand that the policy intent of the AEMC's Implementation Advice is that participants and users of the B2B framework fund the expansion and upgrade of the B2B procedures and e-hub. We would caution the AEMC from providing an incentive for consumers of the advanced metering services to establish relationships and data interactions outside of the central B2B framework enabling the avoidance of potential funding obligations and furthering an imbalance in a newly competitive market.

Funding, where required, should be provided by the participants that are requiring the services whether serviced directly through the B2B e-hub or provided through alternative means with direct relationships between participants. It must also be noted that funding for such a significant change has not been requested or allowed for in the NSW DNSPs recent AER determination and will not reach the 'pass through' threshold required to recover costs from customers.

The NSW DNSPs along with the ENA supports establishment of the new role of B2B participants to place suitable obligations on players currently not market participants and required to be accredited, comply with B2B and other relevant procedures and policies and pay participant fees. This is necessary also to manage security risk factors associated with increased electronic service delivery and risks to both systems and information.

Attachment B – NSW DNSPs’ Responses to Request for Stakeholder Views

AEMC is seeking stakeholder views on these implementation and timing issues with the following specific questions:

1. *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?*

It is not absolutely necessary to be in place at the date of the rule change, as execution of advanced metering service provision could be delayed until the new B2B framework was made operational. However, a delay in having the B2B framework in place while having new obligations and roles in place would encourage the establishment of interparty agreements for the provision of new services. These would necessarily operate outside of the B2B framework and would then begin to exclude the smaller market participants from being able to deliver efficient services to multiple parties and undermine the competitive market.

Conversely, the commencement of a coordinated rule change and delivery of new B2B procedures and a new system would enable an initially efficient and competitive market. This would avoid the additional complexity involved in establishing separate interparty agreements for delivery of services where all involved parties must have processes and systems suitable to appropriately and efficiently discharge their new obligations.

2. *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?*

The NSW DNSPs emphasise the need for a very well structured implementation plan to manage the required changes in an efficient and appropriate way, if the delivery of the new procedures and B2B e-hub were to be completed and coordinated with the expansion in metering competition rule change.

It is likely that the B2B e-hub users and other market participants will likely require a further 3 months beyond the system implementation time frame for delivery of the B2B e-hub (as detailed in the Implementation Advice), to establish appropriate data and test both processes and systems within the new framework and rules.

In addition, existing and new participants will be required to be accredited by AEMO to utilise the new system, requiring further resources and time from AEMO and the participants to ensure compliance is achieved prior to final ‘go-live’ and usage of the operational B2B framework and systems.

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

It is the view of the NSW DNSPs that the establishment of the new IEC election procedures and operating manual should be developed in parallel to the preparation for the final rule change release. This new IEC would still be subject to further change after final rule change is validated.

The NSW DNSPs support a full formal AEMO consultation process. This is critical considering the magnitude, complexity and number of interested parties involved or impacted by the changes being considered.

The option to focus development on existing and minimum specification B2B procedures only at this time is not supported by the NSW DNSPs. This would undermine the objectives of the expansion in metering rule change by allowing service providers to restrict their offering and benefits and further complicate the intercompany agreements that would be required for secondary and advanced services and limit the ability for small service providers from offering efficient services.

The National Electricity Objective (NEO) establishes objectives that include efficient investment in the networks and operations, including security and reliability of supply. Accordingly, we submit that primary and secondary smart meter functionality, which includes functionality that would otherwise be utilised for efficient network operation and greater security for customers (including life support customers), would adversely impact on these objectives if left without procedures and subject to independent negotiation, agreement and interaction only.

The NSW DNSPs also acknowledge that there is potential to commence e-hub development prior to B2B procedure finalisation, however it is worthy of note that concurrent developments add complexity, rework and cost. To enable this option a very well managed implementation plan would be essential.

4. Are there any other options for reducing implementation timeframes?

It is feasible in the view of the NSW DNSPs that the B2B and MSATS Reference Group (BMRG) begin formulation and development of existing and minimum specification B2B procedures prior to formal establishment of the reconfigured IEC. These B2B procedures would then be utilised as a starting position for refinement and adjustment as required once the IEC's required membership becomes fully operational. This would enable the effort associated with the procedure development to run in parallel to other formalities and still avoid locking in procedures before formal governance is finalised.

Additionally, the further strengthening of dispute resolution procedures for the IEC will be critical to ensure that further delays in developing and implementing the new procedures are avoided.