



AEMC IMPLEMENTATION ADVICE ON THE SHARED MARKET PROTOCOL

ENA submission on AEMC Draft Advice: 23 July 2015

CONTENTS

Executive Summary	1
Recommendations	1
Introduction	2
Key Issues	2
Governance	3
Service Delivery	5
Implementation.....	7

EXECUTIVE SUMMARY

ENA welcomes the opportunity to make a submission on the Australian Energy Market Commission's (AEMC) draft advice on the Shared Market Protocol (SMP).

ENA understands the drivers for change within the AEMC consideration of governance, especially the need to incorporate broader representation of new parties likely to be affected by transformational processes underway. However, ENA feels that urgent attention should be given to the practical need to expedite changes within the current climate.

For this reason, ENA is proposing a transition path to implementation of changes to the IEC, recognising the need to expedite change now and acknowledge future needs.

ENA considers that developing the IEC election procedures and operating manual should be overseen by the IEC. Full consultation processes should be undertaken, reflecting the fundamental changes underway.

The capacity of the SMP to deliver a broad range of services, sufficient to support current needs and enable future innovation for industry market participants, is critical to its viability and effectiveness.

ENA fully endorses the view by AEMO that the SMP should support delivery of broad services, including network services identified as 'secondary services' by AEMO, and support capacity to deliver future innovative service products as they are developed, matured and adopted by market participants. However, the AEMC proposed implementation advice provides little support for this in the short to medium term.

ENA endorses the AEMC's draft recommendation that the B2B e-hub must be capable of meeting the performance requirements set out in the B2B procedures.

ENA also supports establishment of the new role of B2B participant 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.

ENA considers that establishment of an expanded, transitional IEC to oversee changes may assist in expediting the introduction of new procedures and processes. However, ENA considers that it is critical that the new SMP and B2B processes are in place coincident with commencement of expanded competition in metering services.

RECOMMENDATIONS

Governance

Revision of the IEC membership should be undertaken in two phases, for transition and after commencement.

IEC for transition

The current structure of the IEC should be maintained during the transition to metering contestability and introduction of the SMP with the addition of:

- » **One third party B2B participant representative;**
- » **One consumer representative** (nominated by Energy Consumers Australia);
- » **One service provider representative** (nominated and agreed by current service providers);
- » **One AEMO representative**

IEC after commencement

ENA supports the following constitution of IEC

- » **two independent members** (nominated and elected by registered DNSPs, retailers and metering coordinators, and accredited metering providers, metering data providers and third party B2B participants. They are independent of DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and AEMO),
- » **two DNSP representatives,**
- » **two retailer representatives,**
- » **one metering coordinator/metering provider/metering data provider representative** (nominated and elected by registered metering coordinators and accredited metering providers and metering data providers);
- » **one third party B2B participant representative** (nominated and elected by persons that are accredited by AEMO to use the B2B e-hub (a B2B participant) but are not otherwise a DNSP, retailer, metering coordinator, metering provider or metering data provider);
- » **one consumer representative** (appointed by AEMO in consultation with Energy Consumers Australia),
- » **One AEMO representative**

ENA recommends that development of the IEC election procedures and operating manual should be undertaken by an expanded 'transitional' IEC, with a comprehensive consultation process.

Service delivery

The SMP should be developed and maintained to support the full range of services identified by AEMO in its minimum service specification, which includes:

- » **Primary services:** Services provided as part of a competitive rollout of advanced meters.
- » **Secondary services:** Services provided as part of a non-competitive rollout.
- » **Value-added services:** Other advanced metering services (such as 'last gasp').
- » **Infrastructure services:** Services related to the physical metering equipment and collection.

The SMP should also enable development of innovative future services to be developed by enabling direct communications between parties and enhancement of the B2B e-hub as and when new, innovative services reach maturity and broader utilisation.

Implementation

The new B2B framework needs to be in place and the updated B2B e-hub operational on the date that the competition in metering rule change commences.

INTRODUCTION

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over \$100 billion in energy network infrastructure.

ENA welcomes the opportunity to make a submission on the Australian Energy Market Commission's (AEMC) draft advice on the Shared Market Protocol (SMP).

ENA and its members have been very actively engaged throughout consideration and consultation on expanding competition in metering and related services and the associated processes that have been undertaken in concert with the metering review.

KEY ISSUES

The key issues for the ENA are as follow:

- » Governance: ensuring that the IEC has is appropriately structured to deliver effective development and support of the SMP;
- » Service delivery: ensuring the SMP has capacity to support a broad range of services, including network services, and ensuring that service and performance levels to support delivery of services meeting the requirements of market participants are appropriately addressed within rules and procedures.
- » Implementation: ensuring that the SMP is finalised in line with the metering contestability implementation.

These key issues are expanded in the submission below.

GOVERNANCE

The structure and purpose of the governance body to oversight delivery of the SMP will be critical to realisation of full value in delivery of services enabled by metering and other technology innovations in the long term interests of customers.

The ENA endorses the approach of the AEMC in supporting governance of the SMP by the IEC and requiring the IEC, in exercising its responsibilities, to have regard to the National Electricity Objective (NEO) and the B2B principles, the latter of which are proposed to be revised to account for extended responsibilities of the IEC.

The current IEC has three DNSP representatives, three retailer/market customer representatives and two independent representatives.

Whilst the AEMC has supported the preferred approach of the ENA in our earlier submission and recommends that the Shared Market Protocol and related systems and procedures be oversighted by the IEC (rather than governance by AEMO), the AEMC is proposing substantial reconstitution of the IEC. ENA considers that the structure of the IEC requires further consideration, especially in the current context.

In addition, ENA also considers that IEC should have greater recognition as a key initiator and tool to implement change.

These points are expended below.

Structure of the IEC

As proposed by the AEMC, the revised IEC would have ten members:

- » **two independent members** (nominated and elected by registered DNSPs, retailers and metering coordinators, and accredited metering providers, metering data providers and third party B2B participants. They are independent of DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and AEMO),
- » **one DNSP representative,**
- » **one retailer representative,**
- » **one metering coordinator/metering provider/metering data provider representative** (nominated and elected by registered metering coordinators and accredited metering providers and metering data providers);

- » **one third party B2B participant representative** (nominated and elected by persons that are accredited by AEMO to use the B2B e-hub (a B2B participant) but are not otherwise a DNSP, retailer, metering coordinator, metering provider or metering data provider).
- » **one consumer representative** (appointed by AEMO in consultation with Energy Consumers Australia),
- » **two discretionary members** (appointed by AEMO in consultation with the independent members. In appointing the discretionary members, AEMO must give effect to the intention that the IEC be broadly representative, both geographically and by reference to participating jurisdictions, with respect to parties that have an interest in B2B procedures. The discretionary members must be independent of AEMO). and
- » **one AEMO representative**¹.

Further, AEMC is proposing that decision making within the IEC would be as follows:

- » Change to the IEC election procedures or operating manual would require support of at least 75 per cent of the registered participants or accredited parties on IEC in each of at least three of the four following groups: DNSPs, retailers, MC/MP/MDP, B2B participants that are not DNSPs, retailers, MC/MP/MDPs.
- » Change to existing B2B procedures or approval of an IEC work program would require support of seven or more members;
- » Any other IEC decision would require the support of six or more members.²

The proposed quorum would be six out of ten members, one of which must be an independent member. In the currently constituted IEC, a quorum requires two DNSPs, two retailer/market customers and one independent.

ENA assessment

ENA understands the drivers for change within the AEMC consideration of this issue, especially the need to incorporate broader representation of new parties likely to be affected by transformational processes underway. However, ENA feels that urgent attention should be given to the practical need to expedite changes within the current climate.

¹ AEMC, op. cit. p.50-51

² Ibid, pp. 26, 27

The tasks undertaken by the IEC, both in its current role and in its future proposed role, are highly technical in nature and require a significant level of industry knowledge, technical experience and time commitment to inform the requisite analysis and decision-making.

For this reason, ENA is proposing a transition path to implementation of changes to the IEC, recognising the need to expedite change now and acknowledge future needs.

IEC structure after transformation

ENA supports extension of IEC membership to include a third party B2B participant member and a consumer member to ensure that these critically impacted voices are heard in the IEC.

ENA also supports maintenance of two independent members, nominated and elected by registered DNSPs, retailers, metering coordinators, and accredited metering providers, metering data providers and third party B2B participants.

However, ENA considers that reduction of the key industry DNSP and retailer representatives to one member each on the IEC under current pressing circumstances will result in a significant reduction in the essential detailed technical, process and financial information available to the IEC in making critical decisions.

The breadth of representation enabled by the current IEC structure enables the IEC to be informed across the range of networks (urban, rural, remote; with advanced metering and without advanced metering; with significant embedded generation penetration, etc) and across the range of retail operations (for example, first tier; second tier and potentially inclusive of new retail industry models into the future) while enabling essential continuity and engagement across the industry.

ENA considers that the proposed two 'discretionary' members should not be appointed by AEMO, but should be allocated and appointed by (respectively) DNSPs and retailers, providing a minimum of two representatives for each of these groups. This process should ensure that DNSPs are able to be represented by both a Victorian network operating advanced meters and a network from another jurisdiction without a mandated advanced meter rollout. Similarly, retailers could be represented by both a first tier and second tier company.

IEC structure during transition

Bearing in mind the current uncertainty around how the new framework will work and the scope of changes required to the B2B procedures, as well as the fact that

timeframes are critical across a range of challenging, technically complex tasks, ENA considers that continuity of IEC membership is vital in the immediate future.

The IEC will need to be appropriately skilled, resourced and supported to achieve the required outcomes to meet an implementation deadline of or around December 2017.

ENA suggests that the current IEC members should be retained as a transitional arrangement, with expedited addition of a B2B participant representative; a consumer representative nominated by Energy Consumers Australia; and a transparent and open access for a service provider representative (noting that Metering Coordinators will not be established until late within the implementation process at earliest) to develop the new B2B procedures.

This process could be undertaken on an informal basis with the agreement and cooperation of all parties.

The formal call for elections to meet the requirements of new election procedures, etc. should be undertaken after commencement of the metering contestability and SMP processes to establish the IEC for after transition.

ENA Recommendation

Revision of the IEC membership should be undertaken in two phases, for transition and after commencement.

IEC for transition

The current structure of the IEC should be maintained during the transition to metering contestability and introduction of the SMP with the addition of:

- » **One third party B2B participant representative;**
- » **One consumer representative** (nominated by Energy Consumers Australia);
- » **One service provider representative** (nominated and agreed by current service providers);
- » **One AEMO representative**

IEC after commencement

ENA supports the following constitution of IEC

- » **two independent members** (nominated and elected by registered DNSPs, retailers and metering coordinators, and accredited metering providers, metering data providers and third party B2B participants. They are independent of DNSPs, retailers, metering coordinators, metering providers, metering data providers, third party B2B participants and AEMO),
- » **two DNSP representatives,**
- » **two retailer representatives,**

- » **one metering coordinator/metering provider/metering data provider representative** (nominated and elected by registered metering coordinators and accredited metering providers and metering data providers);
- » **one third party B2B participant representative** (nominated and elected by persons that are accredited by AEMO to use the B2B e-hub (a B2B participant) but are not otherwise a DNSP, retailer, metering coordinator, metering provider or metering data provider);
- » **one consumer representative** (appointed by AEMO in consultation with Energy Consumers Australia),
- » **One AEMO representative**

Operation of the IEC

The role of the IEC will become increasingly important, not least because of the requirement proposed by the AEMC that the NER ensure that B2B procedures prescribe the content of, the process for, and the information to be provided to support, communications between B2B participants relating to advanced metering services³.

Having established the preference for oversight of these procedures to continue by an industry body, it is disappointing to the ENA that AEMC transfers the responsibility of transition to implement the future IEC back to AEMO and further suggests that consultation processes may be restricted.

ENA considers that the change to the structure of the IEC into the future is a major change, which should be oversighted by industry.

ENA considers that developing the IEC election procedures and operating manual should be oversighted by the IEC. Full consultation processes should be undertaken, reflecting the fundamental changes underway and enabling new parties to fully engage and understand the issues, responsibilities and tasks in hand.

This would be possible within constrained timeframes by utilisation of the option outlined above to establish a 'transitional' IEC to undertake this task.

The expanded transitional IEC would have representation and time to fulfil this requirement. ENA believes that there is an adequate level of industry oversight of the IEC's operations to ensure all parties are appropriately engaged and consulted.

ENA Recommendation

ENA recommends that development of the IEC election procedures and operating manual should be undertaken by an expanded 'transitional' IEC, with a comprehensive consultation process.

SERVICE DELIVERY

The capacity of the SMP to deliver a broad range of services, sufficient to support current needs and enable future innovation for industry market participants, is critical to its viability and effectiveness.

ENA has consistently raised the view that optimal delivery of services in the long term interests of customers in line with the National Electricity Objective (NEO) requires systems to be capable of cost effective and efficient delivery of network services. In addition, the SMP needs to have capacity for expansion into innovative services as these become widely adopted.

ENA remains critically concerned that the development of the contestability in metering rule change and the shared market protocol to deliver advanced meter services are being pushed to completion without adequate support to enable a wide range of services.

The AEMC advice on the SMP acknowledges the benefit to customers from delivery of network functions, noting within their consideration of the assessment framework:

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 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. Deferring unnecessary investment in networks would save costs for consumers.⁴

³ Ibid, p. 31

⁴ Ibid, p.13

However, in their advice paper AEMC subsequently recommends that the SMP delivery should only cover the minimum services specification.

*The Commission's draft recommendation is that a new requirement be introduced in the NER to ensure that **B2B procedures prescribe the content of, the process for, and the information to be provided to support, communications between B2B participants relating to each of the services set out in the minimum services specification** (as proposed in the competition in metering draft determination).*

These services should be supported as a minimum as they are the services most likely to be accessed by parties. ...⁵ [emphasis added]

The minimum services specification as currently described does not support delivery of network services, but is focused upon delivery of key services required for enhanced delivery of retail service to customers. By contrast, earlier advice from AEMO indicated that they expect the shared market protocol to support delivery of the minimum services specification plus advanced metering services (which includes network services) and potential value added metering services.

AEMO advice to the COAG Energy Council included: *As suggested in AEMO's advice on the Minimum Functional Specifications the types of services that could be requested via the SMP included.*

- **Primary services:** *Services provided as part of a competitive rollout of advanced meters.*
- **Secondary services:** *Services provided as part of a non-competitive rollout.*
- **Value-added services:** *Other advanced metering services.*
- **Infrastructure services:** *Services related to the physical metering equipment and collection.*

*The initial set of services that could be requested via the SMP include primary, secondary and infrastructure services provided by Service Providers and infrastructure services provided the Network Service Providers.*⁶

⁵ Ibid, p.31

⁶ AEMO *Shared Market Protocol Advice to COAG Energy Council*, 11 March 2015, pp. 6-7 and further detail at Appendix C

ENA assessment

ENA has consistently sought to ensure access and delivery of cost effective network services enabled by advanced meters and related technologies that have long term value to customers.

ENA fully endorses the view by AEMO that the SMP should support delivery of broad services, including network services identified as 'secondary services' by AEMO, and support capacity to deliver future innovative service products as they are developed, matured and adopted by market participants.

The AEMC proposed implementation advice provides little support for this position.

Notwithstanding the AEMC reference to the potential benefit of access to network services cited previously, there is very limited support within the proposed AEMC advice to ensure that network services can be delivered by the shared market protocol.

The AEMC advice only cites potential future expansion to include these services, such as referenced below:

- » the ability of the reconstituted IEC to be able to consider inclusion of a wider range of services in B2B procedures that market participants would be required to comply with, potentially including some network services⁷. As noted previously, the distribution businesses will have minimal ability to influence decisions of the new IEC as it is proposed to be structured by AEMC, so this lever is unlikely to result in significant facilitation of network service availability via the shared market protocol without significant alteration of the AMC's proposed IEC structure;
- » the recommendation that, if a Metering Coordinator chooses to offer a service that is supported by the B2B e-hub, it must use the B2B e-hub for communications related to that service, unless agreed otherwise⁸; and
- » noting that 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..."⁹

ENA considers that delivery of such services and benefits needs to be enabled from the initial development and introduction of the SMP.

⁷ AEMC, op. cit. pp.31, 42

⁸ Ibid, p. 42

⁹ Ibid, pp. 42-43

Further, ENA considers that the development of the B2B procedures need to take account of the service and performance levels for both primary and secondary services under the AEMO definitions of the minimum service specification to ensure that these services in fact can be provided at the appropriate speed and level of reliability to deliver the related benefits to customers.

ENA endorses the AEMC's draft recommendation that the B2B e-hub must be capable of meeting the performance requirements set out in the B2B procedures.

ENA also supports establishment of the new role of B2B participant 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. ENA considers that this is necessary also to manage security risk factors associated with increased electronic service delivery and risks to both systems and information. ENA notes that the category of B2B participant is proposed to cover all parties, not just new B2B participants.

ENA Recommendation

The SMP should be developed and maintained to support the full range of services identified by AEMO in its minimum service specification, which includes:

- » **Primary services:** Services provided as part of a competitive rollout of advanced meters.
- » **Secondary services:** Services provided as part of a non-competitive rollout.
- » **Value-added services:** Other advanced metering services (such as 'last gasp').
- » **Infrastructure services:** Services related to the physical metering equipment and collection.

The SMP should also enable development of innovative future services by enabling direct communications between parties and enhancement of the B2B e-hub as and when new, innovative services reach maturity and broader utilisation.

IMPLEMENTATION

The AEMC advice paper identifies implementation requirements, implementation timeframes and some suggested options to minimise the timeframes.

AEMC notes that if their draft advice were to be implemented through a rule change process, AEMO, the IEC and industry would need to undertake a number of interim steps to develop procedures and the redeveloped B2B e-hub and identify the following tasks:

- » Amended B2B procedures would need to be developed. The following tasks would need to occur sequentially:
 - AEMO would develop the IEC election procedures and operating manual to provide for the new IEC framework;
 - AEMO would run an IEC election process to form the new IEC, including AEMO's appointment of the consumer representative and discretionary members; and
 - the newly formed IEC would develop amended B2B procedures in accordance with the new framework;
- » the B2B e-hub would be upgraded:
 - the new B2B e-hub must comply with the requirements set out in B2B procedures;
- » AEMO would pay for the upfront costs of setting up the IEC, preparing B2B procedures and developing the B2B e-hub;
- » AEMO would develop a fee structure to recover B2B e-hub related costs, in consultation with B2B participants;
- » AEMO would develop an accreditation process for B2B participants;
- » industry members would need to obtain accreditation as a B2B participant prior to using the new B2B e-hub¹⁰.

AEMC then identifies some options to minimise the timeframes for implementation and seeks feedback on their proposals. These are considered below.

¹⁰ Ibid, p.47-49

ENA Assessment

AEMC options to minimise timeframes for implementation include:

- » AEMO could commence work on developing the IEC election procedures and operating manual prior to the publication of a final rule change determination on the shared market protocol.

ENA view: agree in principle, but we note that amendment to the detail in the drafts may be required with the final rule change determination. In addition, ENA considers that this should be a task for the 'transitional' IEC.

- » The time required to develop the IEC election procedures and operating manual would be minimised if AEMO were only required to consult with particular parties, carry out a short public consultation, or only carry out informal consultation. Timeframes may be longer if AEMO were required to carry out consultation in accordance with the rules consultation procedures.

ENA view: ENA supports development of IEC election procedures and operating manual by a transitional IEC and advocates full formal consultation on the IEC election procedures and operating manual as this is a major change.

- » The development of B2B procedures could be minimised by requiring the IEC to limit the first set of B2B procedures to existing services provided through the B2B e-hub and the services in the minimum services specification. Other services could be added at a later date.

ENA view: not supported. As noted within this submission, ENA considers that delivery of a broad range of services, including primary and secondary services as defined by AEMO, together with requisite performance and service levels for delivery, is critical to the successful operation of the SMP.

- » The delivery date for an updated B2B e-hub could be brought forward through AEMO commencing work on developing the new B2B e-hub before the B2B procedures are finalised.

ENA view: ENA supports further consideration of this option.

In the view of the ENA, it is essential 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.

However, ENA considers that in order to further reduce timeframes for implementation the IEC could prioritise consideration of technical aspects relating to the form of communications, for example, how files are transferred (pushed or pulled), what time are communications to be made (near or real time or overnight batch processing, etc.)

Early development of the form of communications would enable earlier development of the IT systems that are needed to support the data file transfer, particularly resolving interface to, or upgrade of, internal existing legacy business systems.

Decisions regarding the form of communications can be finalised before decisions on content and syntax, which will be resolved in the development of the protocols themselves.

Workshops to develop the form of communications could commence before the final AEMC decision and final shared market protocol and enhanced B2B procedures.

ENA Recommendation

The new B2B framework needs to be in place and the updated B2B e-hub operational on the date that the competition in metering rule change commences.

Implementation timeframes could be reduced by commencing early review of technical aspects relating to the form of communications.