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Lodged (by email): <http://www.aemc.gov.au/Contact-Us/Lodge-a-submission>

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Updating the electricity B2B framework – Draft Determination

The Australian Energy Council (the Energy Council) welcomes the opportunity to make a submission to the Australian Energy Market Commission's (the Commission) Draft Determination on updating the electricity B2B framework.

The Energy Council is the industry body representing 22 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The Energy Council supports the Commission's proposal to amend the electricity B2B framework. The amendment better reflects the range of parties likely to be impacted by the framework as the market responds to recent rule changes on competition in metering and related services, and embedded networks. There are some aspects of the content of this draft rule that can be improved, and the Energy Council believes will better contribute to the NEO. Specifically, we believe the rule should be amended to ensure fair representation and decision-making powers across the range of B2B parties and sub-categories within a particular party category, ensuring the framework can evolve with market needs.

Information Exchange Committee (IEC) Membership

The Energy Council supported the Red/Lumo Energy proposal for IEC membership in the previous submission to the Commission, and in particular, supported the allocation of two places for each of the distributor, retailer and metering business categories. The Commission opted for an alternative model in its Draft Determination and instead recommended only one retailer representative to the Committee.

Having reviewed the Commission's draft considerations, we propose an alternative structure which we believe provides an appropriate balance of the relevant interests. These three proposed models are compared in the following table, and discussed further below.

| Red/Lumo Energy structure | The Commission's alternative structure | Energy Council alternative structure |
|--------------------------------|----------------------------------------|--------------------------------------|
| AEMO member (chairperson) | AEMO member (chairperson) | AEMO member (chairperson) |
| 2 retailer members | 1 retailer member | 2 retailer members |
| 2 DNSP members | 1 DNSP member | 2 DNSP members |
| 2 metering members | 1 metering member | 2 metering members |
| Up to 4 discretionary members | Up to 1 third party B2B participant | 1 third party B2B participant |
| | 1 consumer member | 1 consumer member |
| | 2 - 4 discretionary members | 2 discretionary members |
| Total: Up to 11 members | Total: Up to 10 members | Total: Up to 11 members |

The Commission argues that providing two representatives per category provides “no guarantee that the experience (such as business type) and interests of the elected members would be diversified”¹. Further, the Commission contends that sub-category representatives could be appointed as discretionary members to achieve this diversity, while allowing the flexibility to potentially seek alternative representation through discretionary membership.

The Energy Council remains of the view that specifically reserving two representatives per category is preferable to relying on discretionary positions to be allocated to represent different business interests. In our view this guarantees the opportunity for diverse sub-category businesses to be represented on the IEC. Without this opportunity, sub-category businesses would have no choice but to rely on a member from another business model, which may have difficulty representing all interests, given the breadth of business models.

While the Commission suggests that the discretionary category membership can be utilised to achieve the diversity objective of a particular category, the Energy Council is concerned that the appointment of discretionary members is made by the AEMO, while the retailer specific appointment is made by the retailer membership category. It is the Energy Council’s view that the industry, as users of the B2B platform will be better placed to identify the most appropriate representative to ensure there is appropriate diversity on the IEC. AEMO is the market operator rather than a B2B participant and AEMO’s skill set is in delivering the framework/platform. Industry participants are better placed to identify who would best represent them, based on business structure, size and footprint.

As the peak industry body, the Energy Council is well placed to nominate an additional retailer position on the IEC Board in order to ensure that the breadth and depth of interests in the retail electricity sector are represented.

The Energy Council considers there is benefit in specifying one consumer member on the IEC, to ensure an independent and inclusive perspective of consumer interests. It seems appropriate for AEMO to appoint the consumer member in consultation with Energy Consumers Australia.

The Energy Council’s alternative proposal also allows up to two discretionary members. We consider this allows another third party B2B participant to be represented to match the positions allocated to other industry categories, should this be considered appropriate as the market evolves.

Transitional arrangements

The Energy Council is largely supportive of the transitional arrangements by the Commission, although has some concerns with certain arrangements. We believe that AEMO should consult with and take the election procedures and operating manual to a vote of the new B2B Parties.

Additionally the Energy Council believes that AEMO’s obligation to publish the B2B Procedures should be drafted to be “within one month of the IEC recommendation” to place appropriate notice requirements on AEMO. The arrangements should also provide the IEC with discretion to shorten the rules consultation process, where practicable, to expedite critical B2B Procedures.

Obligations of IEC members

Draft rule 7.17.8(c) states that an IEC member may take into account the interests of the persons it has been elected to represent in performing its IEC duties. To ensure that IEC discussions and recommendations are adequately informed by the views of the broader industry, we suggest the Commission to amend this to state that an IEC member must use their reasonable endeavours take those interests into account.

Implementation Arrangements

The Energy Council believes that delivery of the B2B framework by 1 May 2017 at the latest would allow sufficient time for participants to be ready for the start of metering competition on 1 December 2017.

This notice period is required in order for industry to be fully ready as all market participants need to implement their systems, processes, staff training and commercial arrangements in this interval. Delivery of the B2B framework by 1 May 2017 will require:

- Prioritisation of the critical procedures by industry required for day one to support a market led rollout;
- Making the earliest possible start on the B2B Procedures work; and
- Limitation of any concurrent NEM change process.

Any questions about our submission should be addressed to Panos Priftakis, Policy Adviser by email to panos.priftakis@energycouncil.com.au or by telephone on (03) 9205 3115.

Yours sincerely,



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ⁱ Australian Energy Market Commission, 2016, "Draft rule determination: National Electricity Amendment (Updating the electricity B2B framework) Rule 2016", April 7 April 2016