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Vector Limited

101 Carlton Gore Road
PO Box 99882, Newmarket
Auckland 1149, New Zealand
www.vector.co.nz

Corporate Telephone
+64-9-978 7788

Corporate Facsimile
+64-9-978 7799

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Project Number: ERC0197

Submission on the AEMC's Consultation Paper on Updating the Electricity B2B Framework

Introduction

1. This is Vector Limited's ("Vector")¹ submission on the Australian Energy Market Commission's ("AEMC") *Consultation Paper – National Electricity Amendment (Updating the electricity B2B framework) Rule 2015*, dated 17 December 2015.
2. Vector's metering business (Advanced Metering Services – AMS) is actively engaging with customers in Australia's advanced metering market. On 11 January 2016, we received accreditation from the Australian Energy Market Operator ("AEMO") to operate as a Metering Provider ("MP") and Metering Data Provider ("MDP") in the National Electricity Market ("NEM"). Market conditions permitting, we expect to start installing advanced meters in NSW in early 2016.
3. In our view, any proposed changes to the B2B governance and procedures, as part of the transition to a Shared Market Protocol, should not be a pre-requisite for the commencement of the *Competition in Metering Rule Change* on 1 December 2017. This would ensure that the delivery of consumer benefits from greater market competition and innovation, and the deployment of advanced meters, will not be delayed.
4. We support the AEMC's decision allowing parties to use alternative communication methods, recognising that "the market can determine the most efficient way of communicating between businesses".² This reinforces the market-led approach of the ongoing reforms in the NEM, and is consistent with the light-handed arrangements for the provision of competitive metering services.

¹ For more information on Vector, see www.vector.co.nz and <http://vectorams.com.au/>.

² Consultation Paper, page 16

Responses to specific questions

5. We set out below our responses to the specific questions in the Consultation Paper.

Box 5.1 The proposed B2B arrangements

1. Given the changes to the NER from the competition in metering and embedded networks final rules and the new services that can be offered using advanced meters, is there a need to update the current B2B framework?

6. Yes, the current B2B framework needs to be updated, in light of the introduction of competition in metering and related services for the mass market.
7. Type 1-4 meters are currently excluded from the B2B Standard Operating Procedures (but can be used where there is bilateral agreement). If these procedures are not updated, requestors and providers of type 1-4 metering services will not have access to a standardised communications protocol.
8. A standardised communications protocol for service requests would enable retailers to perform transactions with all metering parties (contract permitting) without the need to support multiple interfaces, i.e. their costs would be lower than otherwise. This would promote the entry of new retailers and retail market competition.
9. We recommend that the customer details request transaction and Site Access Notifications be made available to MPs under the standardised communications protocol, at a minimum. Field visits, currently performed by DNSPs, will increasingly be performed by independent or ring-fenced MPs and MDPs. To ensure safe and unhindered access to metering installations (where required), these parties may need to contact customers to arrange access for handling meter faults and must have visibility of known site access and hazard details.
10. We welcome the AEMC's decision allowing parties to use alternative communications platforms. As stated in our February 2015 submission on the proposed Shared Market Protocol:

It may be more efficient or cost-effective for parties to offer some of their services through other systems on a commercial basis, and market participants should not be precluded from exercising this option. Mandating the provision of non-standard services through the shared market protocol is likely to inhibit innovation, which could, for example, delay or inhibit competitive differentiation and pricing that benefit consumers.³

³<http://vectorams.com.au/documents/597574/598208/FINAL+Vector+Submission+AEMC+Implementation+Advice+on+Shared+Market+Protocol.pdf/901e7f71-8fd8-4362-9a47-7a1e19a31e22>, page 4

Box 5.1 The proposed B2B arrangements

2. What are the most appropriate arrangements for IEC/Retail Industry Panel membership, including the arrangements for election/appointment of members and requisite qualifications of members?

11. We prefer the IEC membership structure proposed by Red and Lumo, which has two representatives from industry member categories, including two metering representatives.
12. We do not agree with the proposed renaming of the expanded IEC to the "Retail Industry Panel"; it does not reflect this body's wider membership. We prefer the current name of "Information Exchange Committee" or another name that is representative of the (wider) electricity industry.

Box 5.1 The proposed B2B arrangements

3. What are the appropriate arrangements for the making of B2B procedures, including the decision-making process, decision-making criteria and the split of roles between AEMO and the IEC/Retail Industry Panel?

13. We recommend that any new B2B procedures be subject to stakeholder consultation. However, it could be more productive for a subset of members and/or industry experts (for example, the expanded IEC) to update the procedures and release them for consultation.

Box 5.1 The proposed B2B arrangements

4. Are the proposed obligations on parties appropriate, including the accreditation requirements and Red and Lumo's proposed certification requirements?

14. We have no issue with the proposed accreditation requirements, provided these are low-cost and not onerous on potential B2B users, so as not to discourage market entry.
15. We seek clarification how accreditation would work for Metering Coordinators, which must have the ability to perform a service, but are under no obligation to provide it.
16. Further, if a party already offers a service through alternative means and its contract states that is how the service should be provided, does that party have to be accredited to perform the service via the B2B platform?
17. Where accreditation requirements are already in place, we do not believe certification requirements are necessary. Certification requirements impose additional costs and could discourage market entry, particularly for smaller parties.

Box 5.1 The proposed B2B arrangements

5. *What would be the benefits of, or issues with, requiring third parties to become registered participants to use the B2B e-hub?*

18. AEMO should ensure that registration requirements for B2B e-hub users will not be onerous. This will assist the market entry of new retailers and other parties, facilitating competition.

Box 5.2 Changes to B2B arrangements under recent rule changes

1. *Given the proposed rules are based on the competition in metering draft rule, what changes should be made to the proposed rules as a result of the competition in metering and embedded networks final rules?*

19. [See our response to Question 1, Box 5.1 above.]

Box 5.3 Implementation

1. *If a rule is made, is a 1 December 2017 implementation date for the new B2B procedures and upgraded B2B e-hub achievable? If not, why not and what is an alternative date?*

2. *Which implementation tasks above may be at risk of not being met in the given timeframes and why? Would any of the timeframes need to be adjusted? Can any of these tasks be completed sooner, eg developing the election procedures and operating manual, or do some of them require more time? How would any changes impact other timeframes and the target deadline of 1 December 2017?*

3. *Are there any implementation steps missing?*

20. This would depend on the nature of the changes, i.e. whether it is a rework of existing procedures or the implementation of a new communications protocol.

21. If an opt-in model for service offerings via the upgraded B2B e-hub were permitted, then this may allow for implementation on the proposed date.

22. We acknowledge that some updates/changes may be able to be implemented ahead of others.

23. We reiterate our view that any delay in the implementation of the new B2B procedures, or aspects of these procedures, should not hold up the provision of competitive metering services from 1 December 2017. Advanced metering can be rolled out using existing industry processes, with appropriate agreements in place.

24. We prefer that the implementation of the new B2B procedures and any new communications protocol not be rushed through. It should be well planned and use up-to-date modern technology which provides future proofed solutions.

Box 5.3 Implementation

4. *How much time would participants expect to need to update their systems to comply with the new B2B procedures and use the upgraded B2B e-hub? When can participants commence this work, for example can work commence following publication of draft B2B procedures?*

25. It would depend on whether the updated B2B framework is an 'opt-in' or 'opt-out' system. If it is an opt-in system, parties can readily switch to the updated framework and commence using it.

26. We need a degree of certainty prior to updating our systems to comply with the new B2B procedures. There is a risk in implementing any updates before the new procedures are finalised; this could result in higher costs from any rework required at a later time.

Box 5.3 Implementation

5. *Should any of the steps have reduced requirements to speed up implementation, such as an exemption from having to follow the rules consultation procedures? Which steps could be run concurrently with other steps? Are there any further options that could be considered to minimise implementation timeframes?*

27. We recognise that meeting the proposed implementation timeframes of the new B2B procedures is likely to be challenging. Again, any delay in these timeframes should not be a pre-requisite for the commencement of competitive metering arrangements on 1 December 2017.

Concluding comments

28. We are happy to discuss with AEMC officials any aspect of this submission. Please contact me if you have any questions or require further information at +644 803 9051 or Luz.Rose@vector.co.nz.

29. No part of this submission is confidential and we are happy for it to be made publicly available.

Yours sincerely

For and on behalf of Vector Limited



Luz Rose

Senior Regulatory Specialist