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**Submission on the Implementation Advice
on the Shared Market Protocol**

Introduction

1. Vector Limited ("Vector")¹ welcomes the opportunity to make this submission on the Australian Energy Market Commission's ("AEMC") consultation paper, *Implementation advice on the shared market protocol*, dated 18 December 2014.
2. No part of this submission is confidential and Vector is happy for it to be made publicly available.
3. Vector's contact person for this submission is:

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The proposed shared market protocol

4. Vector supports the AEMC's decision to implement a "shared market protocol" as part of its ongoing reform of the metering services market, rather than a more prescriptive "common market protocol".
5. As stated in our January 2014 submission to the AEMC on its framework for open access and communication standards review, while we support minimum service levels that benefit consumers, we do not support prescriptive technical and functional

¹ Vector is one of New Zealand's largest listed companies and the country's largest electricity distribution network, supplying the Auckland region. Vector also provides gas distribution network services in more than 20 towns and cities in New Zealand's North Island. It further provides gas supply and treatment, electricity and gas metering services, and fibre optic broadband communication networks in Auckland and Wellington.

specifications.² We believe that a more prescriptive approach would limit market competition, dampen investment incentives, stifle technological and service innovation, compromise technology neutrality, shift upfront risks from investors to consumers, and increase implementation and compliance costs.³

6. This general view is reflected in our responses below to the specific questions in the AEMC's consultation paper.

Responses to specific questions

Box 3.1 Consultation questions: governance

What are the advantages and disadvantages of the different governance models?

Could the challenges around membership and voting for an industry led model be addressed? If so, how?

Are there any other issues or factors relevant to considering an appropriate governance model?

Are there any other governance models that could be appropriate for the shared market protocol?

7. It is Vector's view that the proposed shared market protocol should be governed through an industry-led model. This approach is consistent with the Government's market-led approach to achieving its efficiency and competition objectives for the electricity sector, including the metering services market.
8. It is appropriate that a shared market protocol is governed by industry participants themselves and driven by the market. This should not, however, preclude the participation of the relevant regulator(s) in discussions on governance issues, where appropriate and required.
9. We note that the Information Exchange Committee ("IEC"), in its current form, only includes distributors and retailers, not metering service providers or their representatives. This arrangement is no longer appropriate, given that some of the ongoing key policy reforms in the National Electricity Market that are expected to deliver step changes in efficiency levels and consumer behaviour pertain to the metering services market.
10. The shared market protocol is intended to provide "a standard form of communication between parties wishing to seek access to the services provided by

²<http://vector.co.nz/documents/101943/167718/FINAL+Vector+Submission+AEMC+Draft+Report+on+Open+Access.pdf/d8f0a9b4-b129-4fbb-b47d-72035ed7d261>

³*ibid.*, page 4

advanced metering infrastructure". It is therefore essential that the governing body for this protocol include metering service providers.

11. We **recommend** that the IEC be expanded to include metering service providers or their authorised representatives.
12. Regardless of the final form of the governance body, we **recommend** that metering service providers be represented on that body, for the reasons stated above.

Box 3.2 Consultation questions: objectives and principles

Should implementation of a shared market protocol include the development of an objective or principles for governance?

If yes, what objectives or principles should be included?

If the governing body is AEMO, should there be any objectives or principles in addition to the NEO?

13. Yes, governance objectives or principles should be developed. These principles would guide decision making by the governance body and market participants as they interact with each other through the shared market protocol.
14. We **recommend** that the governance body, as one of its first tasks, undertake the development of the said governance principles. We further **recommend** that these principles be subject to stakeholder consultation, following their development.
15. Should the Australian Energy Market Operator ("AEMO") become the governing body, we consider that the National Electricity Objective would provide an appropriate high-level framework, or at least, a starting point for the development of any principles or guidelines for the protocol's eventual operations.

Box 4.1 Consultation questions: minimum specification

Should the shared market protocol be required to provide for (as a minimum) the services that are listed in the minimum specification?

Should the shared market protocol also include other common services that are not mandatory under the minimum specification?

16. We agree that the shared market protocol should provide the services listed in the minimum specification, i.e. statutory/mandatory/standard services only.

17. Including other “common services”, however, introduces the real risk of delaying the delivery of the benefits of AMI to consumers. The focus should be on providing mandatory and uniform services efficiently and in a timely manner.
18. Attempting to aggregate all services into one ‘market release’ would also delay innovation and the development of alternative/commercial solutions outside the confines of the shared market protocol.

Box 5.1 Consultation questions: roles and responsibilities

Is it appropriate that the metering coordinator be required to offer its services through the shared market protocol, unless otherwise agreed?

Are there any risks in allowing third parties to access a shared market protocol platform? If so, would it be necessary to develop a separate authorisation process for users of the shared market protocol? Is AEMO the appropriate body to develop these requirements?

19. We have no objection to the Metering Coordinator being required to offer its services through the shared market protocol, unless otherwise agreed. This should, however, be limited to mandatory and uniform services.
20. 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. Only the minimum mandatory services should therefore be required to be offered through the shared market protocol.
21. We have no objection to allowing third parties access to a shared market protocol platform on commercial terms.
22. We agree that the AEMO is the appropriate body to develop authorisation processes for third party access, in consultation with market participants.

Box 6.1 Consultation questions

Is there a need for the current B2B e-hub to be maintained beyond the implementation of the shared market protocol? What factors would need to be considered when making this assessment?

Could all the services that are currently provided through the current B2B e-hub be provided via the shared market protocol?

Would there be an advantage in having a transition period during which both the B2B e-hub and the shared market protocol operate? How long should such a period be? Would the costs of operating both systems for this period be justified?

Are there any significant implications should the shared market protocol not be operational on the same day that any changes from the expanding competition in metering and related services rule change take effect?

23. We would support a shared market protocol that could, in future, be expanded to support additional services, but without delaying the initial introduction of the competitive metering reforms.
24. We **recommend** that a new shared market protocol should not be a pre-requisite for the initial introduction of the competitive metering reforms. Advanced meters can be rolled out using existing industry processes, and the transition to a shared market protocol can then be undertaken once it becomes available.
25. Based on our experience in the New Zealand metering market, parties tend to underestimate the costs of the transition to a new information system. In this connection, we suggest that the AEMO put forward its cost estimates to inform market participants' cost and timing decisions.
26. The AEMO may wish to review the shared market protocol arrangements in, say, three years to ensure they are efficient and continue to meet market participants' and consumers' needs.

Other comments

27. We are happy to share with AEMC officials and staff our insights and experience in the New Zealand advanced metering market, which follows a market-led and retailer-driven model.
28. Please contact us if have any questions or require further information.

Yours sincerely



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