



Energy Retailers Association
of Australia Limited

9 February 2010

Mr Harry Koller
Program Director
National Stakeholder Steering Committee

Email: nssc@smartmeter.org.au

Dear Harry

ERAA Submission on the Business Processes and Procedure Work Group role in changes to the NEM Procedures- proposed governance

The ERAA welcomes the opportunity to provide comments on the Business Processes and Procedure Work Group (**BPPWG**) role in changes to the NEM Procedures v1.0 document and in specific consideration of the merits of the proposed governance model to address changes to the NEM Procedures.

The ERAA believes that the National Stakeholder Steering Committee (**NSSC**) has been established by the MCE to develop a national framework for the rollout of smart metering infrastructure (**SMI**) in the National Electricity Market, Western Australia and Northern Territory¹. This requires the NSSC to be involved with all key decisions for the framework, including the business processes and the required NEM Procedures changes.

In this response the ERAA is focused on Phase 1 which takes us from the ICF to the white papers developments and preparation of the NEM Procedures consultation packs and believes that in order to achieve the MCE objectives the NSSC needs to continue with the current arrangements where the BPPWG continues to report to the NSSC through to the end of Phase 1. ERAA believes that further discussion will be required on Phase 2.

The ERAA would like to highlight that the Terms of Reference of the BPPWG endorsed by the NSSC in September 2009 was on the basis that the NSSC will establish and provide stakeholder Work Stream Leadership to the NSMP and provide the means by which stakeholders may participate in the development of the national framework, the pilots and the business case studies, and in the formulation of advice to the MCE.²

In addition the BPPWG was established by the NSSC to provide stakeholder recommendations on the required changes to NEM Procedures to support the provision of the smart metering services specified in the SMI Functional Specification.³

¹ NSMP Vision Statement v1.0.doc

² NSSC- National Smart Metering Program Business Processes and Procedures Working Group – Terms of Reference

³ NSSC- National Smart Metering Program Business Processes and Procedures Working Group – Terms of Reference

Options presented to date

According to the document 'BPPWG role in changes to the NEM Procedures v1.0', on 27 November 2009, the NSSC were presented with 3 options prepared by the NSSC Secretariat:

- **Option 1** Business As Usual (using the existing NEM Advisory Groups under the IEC/RMEC)
- **Option 2a** – One Group NSSC Integrated Approach
- **Option 2b** – One Group under IEC/AEMO Integrated Approach⁴
- There was a subsequent meeting of the IEC who raised concerns around the impact the integration of this program will have on BAU. As a result an **option 2c** has been put forward for consultation which allows the existing NEM reference groups to continue and the BPPWG is introduced as a new reference group under the IEC/RMEC excluding the NSSC out of the development phase.

The discussion below focuses initially on the assessment of the Option 2c against the agreed criteria.

ERAA Evaluation:

As the option 2c was the only one put forward for consultation, the ERAA has assessed the governance model of this option using an approach which tests the evaluation criteria presented in the document under consultation in view of the scope of the NSSC as directed by the MCE.

The ERAA has concluded that for the purposes of Phase 1, that Option 2c does not adequately satisfy the criteria and has a strong preference for Option 2a with respect to the governance of Phase 1 of the program. As previously highlighted in this submission, further discussion on phase 2 will be required.

The ERAA's assessment of the proposed governance model against the Evaluation Criteria applied to 2c produced the following outcomes to support reasons for rejection and underlines why the ERAA prefers option 2a (please also refer to Appendix 1):

- **Criteria #1:** The ERAA seeks guidance on the term "fit for purpose" as it is our understanding that the membership criteria requires sign off by the NSSC and is open for the broader NEM involvement and engagement.
- **Criteria #2:** The ERAA fails to see how efficient use of resources will be achieved under the proposed model by segmenting the process into Part 1 and Part 2. There is no evidence to demonstrate the NSSC's continued involvement in the development of the approved changes to the NEM procedures as it is proposing that the NSSC hand over the Issues change forms (**ICFs**) to the IEC and AEMO in the initial steps of Part 1.

The ERAA believes this is not adequate and is in conflict with the NSSC's Terms of Reference which states:

'developing specifications and proposals for changes to NEM and other jurisdictional rules and procedures (including consideration of arrangements in the Western Australian market), and to establish and implement other elements of the framework.'

- **Criteria #3:** The ERAA agrees that a single group of appropriate skills and diversity would ensure that there is an integrated view of all NEM Procedures changes. However the ERAA sees that it is imperative that continuation of the NSSC involvement through Part 2- Consultation Phase on Change Pack to ensure that the required outcomes to meet the MCE objectives are not jeopardised.

⁴ BPPWG role in changes to NEM Procedures v1.0.doc



- **Criteria #4:** The ERAA believes all options proposed adequately meet this criteria as AEMO is a member of the NSSC and all its supporting working groups and therefore should play a role that is more than just an observer role.
 Therefore the ERAA believes that the wording for this criteria is inadequate and proposes the following:
 Provide the NSSC and BPPWG with consolidated industry IT technical advice on the recommended solutions to MSATS or B2B to support a smart meter function
 The ERAA sees benefits in replicating the existing GAS IT working group model which seeks engagement from a wider industry technical support and advice.
 This in our view ensures an appropriate skill set to assist in the development of business cases and solutions for a Smart Meter Framework for industry operation.
 The ERAA believes that this allows the NSSC to meet its objective under the NSMP vision statement, which states that ‘the national SMI framework should provide for an efficient and flexible smart metering infrastructure that supports interoperability, permits adoption of new technologies, minimises barriers to competition and interconnects energy businesses to deliver reliable, accurate and timely energy metering data in a manner that supports emerging network and energy management solutions.’⁵
- **Criteria #5:** The criteria objective is to minimise the cost and time to commence Part 2. The ERAA have interpreted this as the period to complete Part 1 and therefore disagrees that the proposed option will address this. This view is based on the recent minutes from the IEC/RMEC meeting held on the 14th December 2009, stating that:
 - Exclusive priority of NSMP over the BAU cannot be guaranteed (IEC and RMEC will manage priorities across NSMP and BAU); and
 - No undertaking by IEC and RMEC on the timeframe for delivery of the project can be made as an indicative timetable has not been sighted.⁶
- **Criteria #6:** The ERAA sees merit in the criteria however we do not support the current wording as it proposes a solution that is inadequate and is not consistent with the NSSC’s Terms of reference as provided earlier in this submission.
 Proposed wording-Minimise risks to the delivery of quality outcomes in line with the MCE objectives
- **Criteria #7:** While the ERAA believes that the option proposed meets the powers and obligations of AEMO and IEC, the ERAA feels that this is inconsistent with the NSSC’s Terms of Reference and hinders the NSSC from achieving the directive by the MCE.
- **Criteria #8:** ERAA does not support this criteria as it is not relevant to addressing the issue and does not add any value therefore the ERAA requests this criteria be removed. If the criteria is to be retained then the ERAA proposes that the wording should reflect the NSSC’s objective to deliver the proposed changes to the NEM procedures as directed by the MCE under the NSSC Terms of Reference.
- **Criteria #9:** The ERAA believes that the wording of this criteria is inadequate as it is inconsistent with the NSSC’s Terms of Reference.

⁵ NSMP Vision Statement v1.0.doc

⁶ Minutes of the Joint IEC & RMEC meeting #21



The criteria should not be excluding the role of the NSSC from the key decision or approval steps of the NEM Procedure changes to ensure that the NSSC is delivering according to its Terms of Reference.

- Criteria#10: Has the potential to avoid conflict between the 'business as usual' changes and the changes associated with the Smart Meter Infrastructure if IEC and AEMO accept complete responsibility for eliminating any conflicts in favour of the NSMP.
- This criteria is inadequate as the ERAA believes this is a workflow management issue that should be addressed by establishing a process under any project governance.

The ERAA also believes that the option proposed does not address the conflict between BAU and Smart meter NEM Procedure changes. The potential conflict has been provided in our response to criteria #5.

Based on this assessment, the ERAA believes that Option 2c proposed on the governance model does not meet the evaluation criteria. Therefore, the ERAA does not agree with the proposed governance. The ERAA believes that the NSSC's involvement is imperative until the end of the program.

Accordingly the ERAA supports Option 2a for at least the first phase of the program and requests the MCE/SCO to agree the continued involvement and full control of the NSSC in overseeing the development of changes to the NEM Procedures with subsequent discussions to address NSSC's involvement in the consultation phase of the program.

The ERAA would welcome further discussion on this submission with the Secretariat. We believe resolution of this matter is imperative for the progression of the National Smart Meter framework developments in the best interest of the wider Industry.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cameron O'Reilly', written in a cursive style.

Cameron O'Reilly
Executive Director
ERAA



Appendix 1

	Criteria	Option1	Option 2a	Option 2c Revised
1.	Ensure fit for purpose resources are available to the BPPWG	x	✓	✓
2.	Efficient use of industry resources (including AEMO) by doing detailed work only once	x	✓	x
3.	Provide an integrated view of all of the NEM Procedures changes required to support a smart meter function	x	✓	x
4.	Provide the NSSC and BPPWG with AEMO technical advice on the recommended solutions to MSATS or B2B to support a smart meter function prior to lodging a change request to AEMO or IEC	✓ While all the options meet this criteria the ERAA believes that the wording is inadequate.		
5.	Minimise the time and cost required to commence Part 2 Formal Consultation of NEM Procedures Changes under the existing processes	x	✓	x
6.	Minimise risks to the delivery of quality outcomes by establishing reviews of the BPPWG's work by AEMO, IEC, and the supporting Advisory Groups	Current wording is inadequate.		
7.	Consistent with the powers and obligations of AEMO and IEC under NER	✓	x	✓
8.	Recognise the supporting consultation role (and not decision taking role) of the RMEC and other Advisory Groups to AEMO	Current wording is inadequate.		
9.	Exclude under the current MCE approved scope and NER, a role for the NSSC in Parts 2 and 3 as shown in Diagram 2	Current wording is inadequate.		
10.	Avoid conflict between potential NEM Procedure changes associated with smart meters and business as usual NEM Procedure Changes	Current wording is inadequate.		