

PRIORITISATION OF REGULATORY INITIATIVES – STAKEHOLDER CONSULTATION

Consolidated summary of feedback from Consumer Forum, 20 April 2020 and Industry Forum, 21 April 2020

1. CONTEXT

The market bodies are examining regulatory initiatives and priorities in light of Covid-19 implications for the energy industry. As part of the process, two stakeholder forums were conducted in the week of 20 April 2020:

- On 20 April 2020, the Australian Energy Market Commission (AEMC) facilitated a forum with consumer representatives to review regulatory prioritisation
- On 21 April 2020, the Australian Energy Market Operator (AEMO) facilitated an industry forum to review and seek input on the implementation roadmap for key regulatory initiatives i.e. those with a material implementation impacts and strategic reform initiatives.

Jurisdictions were also briefed on the market bodies advice to date and processes being used for prioritisation.

Feedback was requested from each forum, and submitted to AEMC, the Australian Energy Regulator (AER) and AEMO.

This document provides a consolidated summary of the feedback received. Individual submissions will not be made public on the basis that this was a time limited and informal consultation process.

2. SUMMARY OF RESPONSES AND GENERAL THEMES

AEMO received 25 industry submissions from five (5) retailers, nine (9) networks, six (6) generators (including new entrants), two (2) metering businesses and three (3) industry bodies. Over half of the respondents completed AEMO's survey (Excel document), others provided written feedback, and several submissions were made on a confidential basis.

Submissions and feedback were received from four (4) consumer groups through this process.

The consultation process elicited a wide range of views; however, some general themes became evident, which are summarised in the table below.

THEME	SUMMARY OF FEEDBACK
Regulatory roadmap and prioritisation process	• The regulatory roadmap should be extended and maintained going forward. It should include WEM and gas market regulatory changes, as well as those procedural and schema changes that require significant resources e.g. IEC (B2B), and other AEMO (metering ICF) changes. • The roadmap has a heavy focus on IT/system implementation projects and needs to consider capacity of operational and technical expertise to input into the broader regulatory program. • Some participants suggested that the number of initiatives identified for delay by the market bodies (to date) was limited. • Participants were generally supportive of an approach that seeks to bundle implementation and release dates as far as practicable. There were different views expressed, however, about how best to bundle and sequence various initiatives. • A couple of participants suggested the re-introduction of bi-annual IT releases, or smaller more frequent releases to deliver incremental benefits and reduce risks. • Some participants and consumer bodies suggested that the market bodies should prioritise those projects likely to deliver the most (net) benefit to customers or system resilience. • Some consumer bodies suggested that proposals to delay initiatives should be rigorously examined to ensure there are genuine resource constraints, and not unnecessarily delay reforms with consumer benefits.
Regulatory change burden / aggregate constraints	• Industry and consumer capacity to effectively participate in the regulatory process should be a key consideration in the ongoing prioritisation process given the breadth of regulatory reform underway and resourcing constraints. • Consumer bodies reflected that their already limited funding made it more challenging to engage with the reform agenda under the current circumstances. • Given the impacts of Covid-19 on industry and consumer capacity to engage in regulatory processes, extra time should be provided for effective public consultation processes across all market body work programs. • As the current burden of reform is significant, consideration should also be given to the cumulative burden of reform, particularly on IT / technical resources. Several participants therefore suggested a 12-month pause on any new reforms. • The Energy Security Board (ESB) reform program is complex with many interdependencies, which requires greater coordination across reforms and market bodies. Market participants and consumers would benefit from more transparency to understand deliverables, market impacts, customer benefits and timeframes. Consumer bodies suggest more consultation was needed on some on the initiatives on foot.

THEME	SUMMARY OF FEEDBACK
Efficiency	- The additional costs or savings from amending regulatory implementation schedules, or opting to delay some initiatives, should be identified. A number of participants commented on the need for cost-benefit analysis to support these decisions. - Some participants considered that decisions to delay, pause or progress regulatory implementation timeframes should not increase costs to consumers. Consumer bodies noted the importance of articulating costs and benefits of delays. - A couple of participants raised broader questions about considering regulatory initiatives in the context of resilience (rather than efficiency) and in a significantly different economic environment (e.g. reduced energy demand and lower economic activity).

3. SUMMARY BY REGULATORY INITIATIVE

There were a range of views offered on the implementation impacts of key regulatory initiatives through industry survey responses and written feedback. A balance of views is summarised below for those initiatives that received the most significant feedback. In some cases, initiatives are discussed as a group rather than individually, such as the ESB reform initiatives. Those initiatives that received minimal feedback have not been summarised.

Five Minute Settlement (5MS) and Global Settlement (GS)

- This initiative invited the most stakeholder feedback given it is a significant reform program; subject to an AEMO rule change proposal to delay implementation of 5MS and GS by 12 months; and fundamental to the regulatory implementation roadmap.
- 5MS and GS were noted by participants and some consumer bodies as having high cost and significant resource implications for industry, impacting wholesale, settlement and retail systems.
- There was reasonable support for a delay, with 13 of the 25 industry respondents indicating their preference for a delay on account of resourcing constraints, costs and minimal customer impacts. However, the suggested timeframe for delay varied between 3 months to 2 years. One participant noted that it was critical for industry that a decision is made quickly. Among consumer bodies there was some support for deferred implementation, while others thought it was important that implementation continue unchanged.
- Five (5) industry stakeholders stated their preference to progress implementation in accordance with the current timeline of 1 July 2021 and 6 February 2022, on the basis that a delay would defer operational benefits, add implementation costs (e.g. ramp up, vendor costs), and result in a potential loss of key resources.
- A number of participants suggested that other initiatives should be sequenced after 5MS, in particular the Wholesale Demand Response (WDR) mechanism and Customer Switching, or other settlement changes. Consumer bodies reflected that the flow on risks of a delay would need to be considered.

- There was a general view that:
 - AEMO should continue implementation and provide an early testing environment, to provide flexibility for participants to decide whether to continue their implementation programs.
 - Any extension should not unfairly impact those industry participants who have already invested in implementing the change.

Wholesale Demand Response (WDR) Mechanism

- Industry respondents identified the WDR mechanism as a low to medium cost, effort and impact reform. A number of participants considered that any changes to implementation timing would have minimal customer impacts.
- Most comments on the WDR mechanism related to sequencing with respect to 5MS and GS. There was concern among nine (9) industry participants that the potential delay of 5MS would result in additional implementation costs and resourcing issues, as the WDR mechanism would need to accommodate both 30-minute and 5-minute settlement arrangements. These participants supported a delay on efficiency grounds (noting that the market bodies' preliminary view was to progress with a proposed go-live date of quarter four 2021).
- One (1) industry participant indicated their preference to progress implementation in accordance with the current proposed timetable. Consumer bodies were also supportive of progressing the WDR mechanism, noting that the reform should deliver considerable net benefit to consumers and therefore be prioritised.

Reducing Customer Switching Times

- With an indicative go-live date of mid-2021, a number of participants provided feedback on this initiative, highlighting that implementation will be complex and involve considerable cost and resources.
- Eight (8) industry participants proposed a delay due to concerns about resourcing, costs and complexity; and some suggested that a short delay would have limited impact on retail customers. One (1) participant recommended progressing this initiative to deliver customer benefits as soon as possible.
- From an efficiency perspective, five (5) participants identified there was an opportunity to reduce costs by bundling / sequencing the initiative with the MSATS Standing Data Review, Metering Coordinator Planned Interruptions, and B2B procedures and schema changes.

Energy Consumer Data Right (CDR)

- The implementation of the Energy CDR was viewed as complex and high cost by nine (9) participants, although the detail is not yet known. Most of these suggested delaying this initiative, preferably until after 5MS implementation.
- One (1) participant supported progressing the Energy CDR on the current timetable to advance benefits to customers.
- No efficiencies were specifically identified through bundling with other initiatives.

Regulatory Arrangements for Standalone Power System (SAPS) – Priority 1

- While many participants did not specifically comment on SAPS, five (5) respondents suggested that this initiative should progress on the basis it was considered low cost and would deliver customer benefits through potential network savings and improved resilience.
- One (1) participant indicated a preference for SAPS to be delayed, and bundled with 5MS, MSATS Standing Data Review, and Updating the Regulatory Frameworks for Embedded Networks. Another respondent suggested sequencing SAPS post Reducing Customer Switching Times.

Metering Coordinator Planned Interruptions

- There were few comments by participants on this initiative, however a small number of respondents supported progressing this reform given the relatively low cost, potential customer benefits and scope to achieve efficiencies through bundling with Reducing Customer Switching Times and B2B procedure changes.
- One (1) respondent raised resourcing concerns given the likely material system impacts and suggested a delay.

Updating the Regulatory Frameworks for Embedded Networks

- Participants provided varying views on this initiative. A number of participants (mainly networks and generators) considered the reform to be low cost with minimal system changes.
- Others (mainly retailers) considered the reform to be complex and costly with significant system changes required, and that the implementation timeframe was underestimated. Four (4) participants proposed delay.

Improving Transparency and Extending Duration of MT PASA

- Few participants commented on this initiative, although five (5) participants supported retention of the current implementation timeframes on the basis that the initiative was considered low cost and effort, not complex (from an industry perspective) and no unfavourable customer impacts of progressing. One consumer body suggested that the project has low net benefit to consumers and so could be deferred.

ESB Initiatives (includes all intermediate and long-term initiatives)

- Most participants provided limited feedback on individual ESB initiatives, noting that the extent of impacts was largely unknown but likely to involve significant cost and resourcing requirements.
- A couple of participants noted that the ESB's reform program is complex with many interdependencies, which will require greater coordination across reforms and market bodies. Market participants and consumers would benefit from more transparency to understand deliverables, market impacts, customer benefits and timeframes.
- A few participants suggested that some of these initiatives could be delayed. Some respondents did not consider that delays to ESB initiatives would materially impact customers; while a couple of participants noted that the cost of these reforms would likely be recovered from customers.
- Some consumer bodies suggested that the ESB's reform program should be reviewed.

Mandatory Primary Frequency Response (MPFR) and System Restart Services, Standards and Testing (System Restart)

- Several participants raised concerns about resourcing constraints and on-site access to generation plant to implement the rule change requirements.
- Five (5) respondents proposed a short delay to MPFR (and in some cases System Restart Services) given the limited availability of technical staff (some from overseas) and strict on-site access policies in the current Covid-19 environment.

Other Regulatory Initiatives

- A few participants noted that it was too early to comment on the impacts of pending wholesale related rule changes (e.g. Integrating Energy Storage Systems; Synchronous Services Market; Operating Reserve Market; and Fast Frequency Response Market). A couple of participants suggested that these reforms should be balanced against operational and resourcing constraints; and supported the proposal to consider these as part of the ESB's work program. One consumer body suggested that as these services were not needed immediately there was a case for delay.
- Similarly, a few industry participants considered that it was too early to comment on the impacts of Cyber Security reforms; but a couple suggested that cyber security was a high priority and should proceed in consultation with industry.

Regulatory Issues Identified as Priorities by Participants

- A number of participants suggested that initiatives relating to system security should be prioritised, including the System Strength framework review, MPFR implementation, removal of disincentives to primary frequency response, and the ESB's essential system security services.
- One (1) participant pointed to the ESB's most recent Health of the NEM report, which concluded that system security is currently the most critical issue. Another participant proposed that resilience should be prioritised, including both system and cyber security.
- Consumer representatives considered that reforms of benefit to consumers should not be unnecessarily delayed.