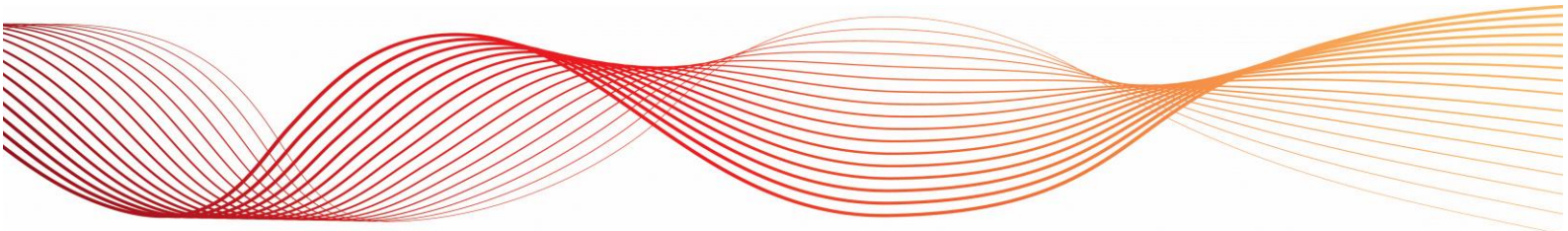


INFORMATION EXCHANGE COMMITTEE ELECTION PROCEDURES AND OPERATING MANUAL

ISSUES PAPER

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1 Stakeholder Consultation Process

AEMO is conducting a consultation in order to seek stakeholder feedback on the Information Exchange Committee (IEC) election procedures (**Procedures**) and operating manual (**Manual**).

As stated in the AEMC's draft rule determination on Updating the electricity B2B framework there are certain key transitional arrangements considered necessary in order to implement the new B2B framework by 1 December 2017 timeframe, including:

- By 1 August 2016, AEMO must develop and publish new IEC election procedures and IEC operating manual to be consistent with the draft rule. AEMO must consult with distribution network service providers (DNSP), retailers, local retailers, metering providers and metering data providers on the form of the IEC election procedures and operating manual prior to publishing the documents.
- By 1 September 2016, AEMO must establish the new IEC in accordance with clause 7.17.6 of the draft rule and the IEC election procedures and operating manual (as in force on 1 August 2016).

In order to establish the IEC as soon as practical after the publication of AEMC's final rule determination, AEMO is consulting with stakeholders before the final rule on the Procedures and Manual. If there are no significant changes between the draft and final rule, this consultation will allow the Procedures and Manual to be published shortly after the final rule publication and the election processes to begin.

AEMO's indicative timeline for this consultation is outlined below. Where dates are not confirmed no date has been provided.

DELIVERABLE	DATE
Draft IEC election procedures and operating manual published	10 June 2016
Submissions due on draft IEC election procedures and operating manual	24 June 2015
AEMO to present the draft IEC election procedures and operating manual to the transitional IEC	27 June 2016
On publication of the final rule, if required, AEMO will update and publish the final IEC election procedures and operating manual.	Post-final rule change

Submissions are due by COB 23 June 2016. Please email responses to RMCF@aemo.com.au.

Note that the words, phrases and abbreviations set out in this paper have the meanings set out in the draft Procedure, or where terms are italicised, the meanings given to those terms in the National Electricity Rules (NER).

2 Approach

The AEMC's draft rule contains detail in relation to the election of Members and operation of the IEC, this document does not seek to replicate the Rules. The focus of the Procedures and Manual are on the minimum requirements to enable the IEC to function and allow the IEC itself to consider further changes to the Procedure and Manual once established.

Consistent with the draft rules, the election procedures include provisions in respect of:

1. nominating Members and voting for Members;
2. the term of a Member;
3. the determination and publication of results of elections of a Member; and
4. the removal or resignation of a Member.

3 Key Discussion

The key issues are discussed in this section.

3.1 Term of office

The term of office for a *Distribution Network Service Provider Member*, *Retailer Member*, *Metering Member* and *Third Party B2B Participant Member* is 2 years from the date of their election. AEMO proposes that this is sufficiently long to ensure knowledge is maintained for a suitable amount of time, while allowing new representatives to be elected as the market changes.

AEMO has considered adjusting, or staggering terms for elected Members to avoid the risk of a lack of continuity should it eventuate that all three elected Members depart from the IEC at once, however this is problematic as it would require the establishment of inequitable term lengths across the voted Member group, at least for the initial period.

The draft rule provides for the term of office for an appointed Member (Consumer Member, Discretionary Member and AEMO Member) to be at the discretion of AEMO.

AEMO does not consider that any restrictions, such as a minimum or fixed term of office, should be included in the Procedures and Manual for appointed Members; primarily as it would be outside the scope of the requirements for the Procedures and Manual as provided in the draft rule. AEMO will need to consider the length of term based on a number of practical and market considerations, which could change as the market and the makeup of elected Members develop.

3.2 Removal and Resignation of Members

AEMO has proposed that there are three triggers that would require a member to resign, or else be removed if the Member:

- (a) is absent from 2 consecutive Meetings without chairperson approval;
- (b) sends an Alternate to act as their representative for two Meetings in any 12 month period unless the representative is sent due to a material conflict; or
- (c) is a *Discretionary Member* and ceases to be Independent of AEMO.

Clauses a) and b) aim to strike a balance that allows for unavoidable and reasonable absences to be managed while ensuring there is not excessive delegation or unreasonable and unexplained absence. Excessive delegation could lead to an otherwise unelected representative making decisions for the voter category in question. AEMO considers that this would undermine the intention of the rule, where representatives are voted in by their relevant voter category as the person most fit to represent that voter category.

Clause c) seeks to align with Rules clause 7.17.11(d)(5) and ensure that at any time if a Discretionary Member ceases to be Independent of AEMO Member they must resign.

3.3 Other Attendees

AEMO has proposed that any member may seek the chairperson's approval to invite additional parties to a Meeting to provide input (but not vote) on matters the *Information Exchange Committee* is considering. Such a request must be provided to the chairperson at least 10 *business days* prior to the relevant Meeting.

The IEC is proposed to be a strategic decision making body where the Members represent the interests of their industry groups when making decisions. Similarly to other decision making governance bodies with a representative make up, such as the reliability panel, there may be a requirement for visitors or other attendees to present specific papers or issues to the group because of their unique skills or expertise that will further the decision making processes.

Accordingly, AEMO considers it reasonable that the attendance of any such visitor or other attendee would be requested by the elected IEC representative, to the chairperson of the IEC. Any such request to the IEC must be submitted 10 business days prior to the relevant meeting. This 10 business day timeframe aligns with the agenda and meeting papers publication, and it is reasonable to consider that Members would know prior to this timeframe if any additional attendees are required for papers they are submitting.

3.4 Appointments and Nominations

Appointed positions: The draft rule provides for the appointment of the Consumer Member, Discretionary Member and AEMO Member to be at the discretion of AEMO. The class or classes of person defined as represented by the Discretionary Members will be determined by AEMO in accordance with the rules 7.17.10(d).

Nomination for elected positions: AEMO will call for nominations within 15 business days of the publication of the initial Procedure and Manual. Once the IEC is established, in the case of any vacancy AEMO will call for nominations within 15 business days, and:

- If no nominee is put forward AEMO will advise the relevant Voter Category that the vacancy will remain open until a nomination is made.
- If only one nominee is put forward they are deemed to be elected and no election process will be run.
- If there is more than one nominee, AEMO will call an election and conduct a secret ballot from the relevant voters

For nominations to a governance group such as the IEC, and with consideration of the requirements of Members, AEMO propose that it is appropriate for all nominations to be approved by the Chief Executive Officer of the nominator. Only one nomination will be accepted from related bodies corporate.

The nominator is the Distribution Network Service Provider, Retailer, Local Retailer Metering Coordinator, Metering Provider, Metering Data Provider or Third Party B2B Participant in the relevant Voter Category. Nominees do not have to be employees of the nominator but the nominator needs to be part of the relevant Voter Category, for example a retailer could nominate a contractor or industry body representative as their nominee however an industry body could not nominate its own representative.

3.5 Voting

AEMO considers that the voting system should ideally:

- be simple to issue, respond and count;
- enable a nominee to be appointed only when they receive >50% of the voter category vote; and
- minimise the need for election re-runs if possible.

The relatively small numbers of potential nominees and voters presents challenges when considering the voting system, primarily due to the prospect of a stalemate or dead heat resulting from an election process, requiring an election re-run. The voting system proposed by AEMO is a preferential system which endeavours to meet the criteria listed above and reduce the likelihood of a stalemate or dead heat. A nominee is elected in the proposed system when:

1. One nominee obtains >50% of the vote and is elected.
2. No nominee obtains >50% in a straight run-off vote in the first round and preferential voting will be used, where votes for the lowest scoring nominee(s) are redistributed. If a nominee obtains >50% of the vote following allocation of preferences, the nominee is elected.
3. If a preferential vote has being attempted but this results in a stalemate or dead heat been declared between two or more nominees, the election would need to be re-run with all the same nominees including previously excluded nominees.
4. If this re-run results in a dead heat or stalemate again, the previous nominations will be rescinded and new nomination will be sought. The election processes will re-run with the new nominees.

The results of the ballot will be secret and vote counts will not be published, nor will the results at any stage of the voting process, other than confirming the appointment of an elected nominee.

AEMO will disclose which of the scenarios successful nominees were elected by, i.e. as a result of an initial >50% vote or by preferences.

3.6 Meetings

The document provides the basics that are required to run the IEC, including guidance on adjournment, timeframes for agendas and meeting papers and minimum details of minutes and resolutions. The rule includes a number of requirements regarding the publication of material relating to the IEC and B2B procedures; these requirements are not duplicated in procedures.

Appendix – Vote counting examples

Scenario 1

- 4 nominees are put forward and 10 votes are received

Nominee	Voter 1	Voter 2	Voter 3	Voter 4	Voter 5	Voter 6	Voter 7	Voter 8	Voter 9	Voter 10
A	3	3	2	3	3	2	1	2	3	2
B	1	2	3	2	2	3	3	3	1	3
C	2	1	4	4	4	4	2	4	4	4
D	4	4	1	1	1	1	4	1	2	1

- Nominee D has received >50% of the votes
- Nominee D is elected and preference are not required

Nominee	First round	
A	1	10%
B	2	20%
C	1	10%
D	6	60%
total	10	100%

Scenario 2

- 4 nominees are put forward and 10 votes are received

Nominee	Voter 1	Voter 2	Voter 3	Voter 4	Voter 5	Voter 6	Voter 7	Voter 8	Voter 9	Voter 10
A	3	3	1	3	3	2	1	2	3	2
B	1	2	3	2	2	3	3	3	1	3
C	2	1	4	4	4	4	2	4	4	4
D	4	4	2	1	1	1	4	1	2	1

- No nominee has >50%
- Nominee C has the lowest number of votes (1). C is excluded and Voter 2's vote is redistributed to their second preference, Nominee B.
- No nominee has >50%
- Nominee A has the lowest number of votes (2). A is excluded and Voter 3 and 7's votes are redistributed to their second and third preferences respectively (skipping previously excluded Nominee C).
- Nominee D has >50% so are elected

Nominee	First round	Second round	Third round
A	2	2	excluded -
B	2	3	4
C	1	excluded -	excluded -
D	5	5	6
total	10	10	10

Scenario 3

- 4 nominees are put forward and 10 votes are received

Nominee	Voter 1	Voter 2	Voter 3	Voter 4	Voter 5	Voter 6	Voter 7	Voter 8	Voter 9	Voter 10
A	3	2	2	3	3	2	1	2	3	2
B	1	4	3	1	2	3	3	3	1	1
C	2	1	4	4	4	4	2	4	4	4
D	4	3	1	2	1	1	4	1	2	3

- No nominee has >50%
- Nominee B and D have the same number of votes, the nominees A and C have the lowest number of votes (1). A and C are excluded and Voter 2 and 7's vote is redistributed to their next non-excluded preference
- This results in a dead heat between Nominee B and D, both have 50%.
- No nominee has >50%
- There is a dead heat, a new election must be held.

Nominee	First round		Second round	
A	1	10%	excluded	-
B	4	40%	5	50%
C	1	10%	excluded	-
D	4	40%	5	50%
total	10	100%	10	100%