



AUSTRALIAN ENERGY
REGULATOR

GPO Box 520
Melbourne VIC 3001
Telephone: (03) 9290 1444
Facsimile: (03) 9663 3699
www.aer.gov.au

Our Ref: 53761
Contact Officer: Rama Ganguli
Contact Phone: +61 2 9230 3845

13 February 2014

John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce,

Submission on the AEMC Draft Report – Framework for Open Access and Common Communication Standards Review

The AER welcomes the opportunity to comment on the AEMC's draft report, having participated on the AEMC's working group considering the access and communication framework for smart meters. We recognise the importance of this work in supporting competition in demand side participation (DSP) services enabled by smart meters.

As part of its Power of Choice review, the AEMC recommended that a new framework be introduced into the National Electricity Rules (NER) providing for competition in the provision of meters and related services for residential and small business customers. We strongly support a new framework of contestability in metering and of services enabled by smart meters and recognise that this is being considered in a separate process. We see this specific area of work on open access and communications standards as an important component to support this aim.

This submission does not comment on the detailed technical architecture questions, associated with access and interoperability, contained in the draft report. A number of regulatory issues relating to smart meters are currently under separate consideration, including metering contestability and third party access to smart meter data, which we will consider as part of those processes. Our primary concern here is that the final decision on technical specifications is fully consistent with the direction of this and other related work and welcome the AEMC's assurance that interrelated processes will be considered in an integrated fashion.

Similarly, we also note some further regulatory questions will be the focus of the next part of this framework and open access review and the AER will be looking at commenting on those questions at

AER Submission to AEMC Draft Report – Framework for Open Access and Common Communication Standards Review

that time. These include: whether to regulate rights of access to smart meter data and functionality, how smart meter services could be defined and whether these services should be regulated, and consumer protection requirements.

Modern smart meters perform significantly more advanced functions than traditional accumulation meters. This makes possible a range of potential DSP services allowing consumers to interact with energy suppliers and manage their energy use in new ways. Multiple parties may require access to both smart meter data and functionality, including: retailers, distribution businesses and third party DSP and energy service providers. In an environment with multiple smart meter providers and accredited parties (both of which may change during the life of metering assets or a customer's supply) due consideration must be made as to how best to standardise smart meter communications. SCER's proposed metering contestability rule change seeks to establish a framework for competition in both the provision of smart meters and the services enabled by smart meters. Effective competition in end user services is contingent on how well the application layer of the smart grid interfaces with the communications layer below it. This is the focus of the AEMC's open access and communication standards review: how service providers in the application layer access smart meter data and functionality via the communications layer.

In general, effective contestability in a particular service enables efficient outcomes, negating or limiting the need for price regulation. It is important to understand the potential services enabled by smart meters to distinguish between elements that might be contestable. Meter functionality can be broadly classified into functionality required for market operation and energy management functions required for DSP end user services. As the draft report highlights, multiple parties will potentially require access to smart meters, giving rise to a number of issues that go beyond those relating to metrology functions. These include: the level of access, data security arrangements and management of congestion within smart meter communications networks.

Neither the current NER nor SCER's proposed metering contestability rule change address these aspects directly by assigning these duties to any party. It is therefore encouraging that as part of its work on open access standards, the AEMC has created the role of the smart metering provider (SMP) to manage each accredited parties' access to smart meter functionality.

As noted above, it is important to recognise the inter-linkages between the technical work and the broader metering contestability rule change, however, as a practical matter it would be desirable that the overall metering contestability framework should be developed more fully before the framework for access and interoperability is finalised. This is evident when you consider two potential modes of competition:

1. Service providers compete over the provision of integrated packages (meter provision and DSP services) analogous to competition in digital television services using a set-top box. Access to a smart meter's functions would be denied to other parties. This would require minimal regulatory intervention and encourage innovation in both the physical hardware and available services. However, competition of this kind would involve significant barriers to entry as new service providers would have to convince customers to change their physical hardware.
2. A customer with a meter provided by a metering coordinator can contract for services with a range of other parties, all requiring access to the meter (or specified functionality/service layers) at regulated terms and conditions. This would encourage innovation and competition in the provision of services, with low barriers to entry new providers. However, this would require

standardisation of smart meter technical specifications which may reduce the scope for innovation in hardware.

The second mode of competition is consistent with the Power of Choice review and SCER's proposed metering contestability rule change. This would require a technical framework to allow non-discriminatory access for accredited parties to smart meter functionality. In this regard, we would be concerned if this specification restricted or inhibited access to otherwise competent providers.

The AER supports the general direction of the AEMC in this important area of work. We welcome the AEMC's assurance at the last meeting of the stakeholder working group (on Thursday 6 February 2013) that: this technical review will align with the direction metering contestability and other related, ongoing processes; and any implications of this review will be integrated within the metering contestability rule change.

The AER would be pleased to provide further assistance to the AEMC on this important area of work. If you would like to discuss any aspect of this submission please contact Chris Pattas, General Manager, Network Operations and Development, on (03) 9290 1470.

Yours sincerely



Andrew Reeves
Chairman
Australian Energy Regulator