

**Presentation Four – Marco Bogaers, CEO, Metropolis Metering Services**

Will the rule change encourage investment to enable a market-led deployment of advanced metering, and will the rule change promote innovation to drive customer choice of products and services? I think it's worth going back to Power of Choice to start off with, because over the last three years it's done something really important. It's changed the industry conversation.

Instead of the language being dominated by words like mandate and monopoly, exclusivity and derogation, we're now talking about markets and competition, about products and services, and about simple regulation.

But what won me over, and what made me realise that this is quite serious, was the repeal of part 8A of the National Electricity Law, which had only been introduced in 2010. It basically allowed any state to implement the Victorian model without reference to the AEMC and without - or with minimal consultation. So part 8A put a halt to not only investment in smart metering, but actually put a halt to any discussion about investment in smart metering.

The other thing I like about Power of Choice is that policy makers and regulators haven't put the cart before the horse. They're not expecting that the technology will drive change rather than change actually driving the technology. Power of Choice as a whole has succeeded in encouraging investment toward a future of market-led advanced metering deployments.

So what does the draft rule change? It allows parties other than the retailer or distributor to be the Metering Coordinator. It removes those exclusivity arrangements that have prevented retailers from playing a more active role in metering. Advanced metering will be mandatory for all new and replacement programs. So the draft rule unties the retailers' hands while giving the industry a gentle nudge through the requirement to make all new and replacements meters smart meters.

What does this mean for consumers? Will the draft rule promote innovation, and will we see new products and services? In my opinion the draft rule probably goes as far as it can. We welcome the revised minimum functional specification, particularly with its emphasis on minimum. Not because it allows us to deploy cheap and cheerful meters, quite to the contrary, but because it allows us to explore a much broader range of technologies and functions.

For retailers we see the immediate challenge as being the need to balance the risk of doing nothing with the risk of doing something. Several retailers are advancing their plans and, in my opinion, any retailer who doesn't act now will be left behind. So the risks are simply this, if you move too quickly, lunge forward and deploy smart meters without considering why it's selected particular customers, then you risk exposing those customers to churn by your retail competitors. Move too slowly and you fail to develop the systems and processes necessary to adapt to the emerging market.

For example, in New South Wales the Accredited Service Provider Scheme requires written notification of each meter change to the local distributor, together with a payment of up to \$100. So, while we're working very hard to minimise the cost of deployment, we have these imposts put on us. In South Australia we have the situation where the local distributor prohibits third party access to service fuses, and the cost of a truck role to isolate each home so we can safely install meters is \$120 plus.

We also have remediation issues. Right now we're dealing with some issues in New South Wales where we're expected to actually make metering installations compliant with the service installation rules, which would have the potential to add for residential homes hundreds of dollars, and for some small business and commercial sites potentially thousands of dollars.

I think the Power of Choice in itself has renewed interest in providing metering services competitively, because it's changed the conversation and brought the market back to a competitive framework. I think the draft rule change goes as far as it can to create the necessary conditions to encourage investment for the deployment of the smart meters. But it's up to the market participants to work together and deliver those benefits to consumers.

Lastly, we still need state governments and jurisdictional regulators to recognise that there are cost imposts in the deployment of smart meters, which will result in few customers accessing the benefits that smart meters can deliver.