



15 February 2008

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000

submissions@aemc.gov.au

Dear Dr Tamblyn

ORIGIN ENERGY SUBMISSION: NATIONAL ELECTRICITY AMENDMENT (VICTORIAN JURISDICTIONAL DEROGATION - ADVANCED INTERVAL METERING INFRASTRUCTURE ROLL OUT) RULE 2007.

Thank you for the opportunity to comment on the Victorian Government recent application for a Derogation from the National Electricity Rules (the 'Rules')¹. The effect of the proposed Derogation is to provide exclusivity to the *Local Network Service Providers* with respect to the provision of Type 3 and 4 *metering installations* for all small customer sites less than 160MWh in Victoria, and for the selection of meter data providers.

The proposed Derogation is seen by the Victorian Government as an outcome of its policy decision to undertake a roll-out advanced metering installations (AMI) to all electricity customers in Victoria. The proposed Derogation is intended to apply from 31 December 2008 to 31 December 2013 by which time, the Government expects practically all small customers in Victoria to be included in the AMI roll-out.

In general, Origin is not supportive of the granting of jurisdictional derogations, particularly in the context of the trend towards national harmonisation. This is particularly true where the derogation involves establishing or extending exclusivity in services that can be provided efficiently in a competitive market.

In this context, Origin's preference is for the roll-out of AMI services to the mass market to occur organically and under the existing NEM framework. Origin envisages that this would entail a progressive installation of AMI systems to small customers determined on a cost-effective basis and within a competitive market regime for meter and communication providers.

While this approach may not be consistent with the Victorian Government's current policy objectives of a universal roll-out within an ambitious five-year time frame, in the longer run Origin believes a competitive, commercially based approach would provide the most efficient outcome for consumers. Indeed we are aware of at least one overseas

¹Department of Primary Industries, Victorian Government: *Rule Change Proposal (Jurisdictional Derogation) Advanced Metering Infrastructure Rollout*, August 2007.



market, where electricity retailers, operating in an open and competitive market, may soon undertake an extensive AMI roll-out to its contestable mass market customers.

Equally important, Origin's preferred approach would provide a greater opportunity to capture the benefits of both the significant innovations in communications and metering technology and the cost savings and operational synergies available in a harmonised national energy market.

However, notwithstanding Origin's preference for an alternative market driven approach to the AMI roll-out, we also acknowledge the Victorian Government's policy intentions. We understand these intentions are based on the Government's belief (as set out in the proposed Derogation) that the exclusivity model of meter and communication provision may be the most cost-effective way to deliver the AMI roll-out in a controlled time frame and to thereby maximise the associated policy and community benefits.

Origin also appreciates the substantive industry consultation process that has taken place under the auspices of the Victorian Government. Irrespective of the outcome of the Commission's review of the proposed Derogation, therefore, Origin intends to continue with its practical support of the Victorian Government to facilitate the delivery of its policy objectives.

Origin will seek to also enhance the implementation of the policy through sharing with the Government our experiences with AMI in the Australian electricity market, the Solar City projects and in any overseas trials².

Origin's submission to the Commission (attached) will therefore concentrate on those aspects of the proposed Derogation that we would like to see carefully reviewed by the Commission. We would ask that this review of the proposed Derogation to the Rules be undertaken bearing in mind the NEM objectives and the current industry focus on national harmonisation.

Yours sincerely

A handwritten signature in black ink that reads "Bev Hughson".

Bev Hughson
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Attachment

² Subject to any commercial or confidentiality restrictions by our counterparties with Origin.