



ACTIVESTREAM

1 October 2015

Mr. John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged online: www.aemc.com.au

Dear Mr. Pierce,

**RE: Additional Consultation on Specific Issues
National Electricity Amendment (Expanding Competition in Metering and
Related Services) (Reference: ERC0169)**

Active Stream Pty Ltd (**Active Stream**) appreciates the opportunity to provide a submission to the Australian Energy Market Commission (**AEMC**) in response to its Additional Consultation on Specific Issues with respect to the Expanding Competition in Metering and Related Services rule change (the **Specific Issues Consultation**).

Active Stream is an accredited Meter Provider (MP) and Meter Data Provider (MDP), offering digital metering devices and data services to energy retailers, distributors, and other competitive service businesses across the National Electricity Market (NEM). Our digital metering solutions enable businesses to fully realise the benefits of advanced metering technology to deliver their services more efficiently and offer innovative products which better meet the needs of current and future energy consumers.

Following our review of the Specific Issues Consultation, Active Stream has identified several areas of concern which we believe could compromise the operation of the NEM by impacting on the ability of participants to compete evenly. This could result in unintended consequences including slowing down the innovative design of new products and services to market or reducing the number of competitors which could increase market and customer costs.

Active Stream has provided its views, where appropriate, on the issues covered by the Specific Issues Consultation in Annex A.

If you would like to discuss our views in this submission, please contact Dan Mascarenhas on (03) 8633 7874 or DMascarenhas@activestream.com.au.

Yours sincerely,

Jason Clark
General Manager

YOUR METER + DATA PARTNERS



Active Stream's views on the Specific Issues Consultation

- *Distributor installation and use of network devices*

Although Active Stream acknowledges that specific services are critical to the stability of a Distributor's networks, we point out that digital meters are capable of providing a range of services, including network-related services. Our business and technological choices have been shaped by the need to offer a wide range of services through our meters.

On this basis, we reaffirm that we do not support the use of network devices in a contestable market. We firmly believe that they are unnecessary, inefficient and will directly enable preferential treatment to one market party at the expense of others, who must negotiate for access to services.

Active Stream believes that suitable incentives exist under the proposed regulatory framework for contestable metering to ensure that Meter Coordinators (MC), through commercial negotiation, provide all parties with access to their desired services at a connection point, under fair, equitable but competitive terms. These same incentives on MCs would apply in their interactions with Distributors, and therefore we do not believe that network devices are necessary to balance the perceived MC 'monopoly powers'. We also point out that, for any given NMI, the LNSP is a monopoly buyer of network-related services and therefore has 'monopsony power' in that respect. As a result, we consider that Distributors are under no competitive disadvantage relative to an MC.

In addition, Active Stream also notes that if a Distributor can justify the cost of a network device, then they should also be able to more easily justify the cost of accessing a service from a competitive provider's digital meter. This is because:

- to deploy, install and maintain a network devices, a Distributor will have to bear the entire cost of that device and its supporting system over the its full life cycle. This will result in larger costs to customers through network charges, in addition to their selected Retailer services (i.e. solar) and digital meter.
- however, a competitive meter provider will be able to cross-subsidise the deployment of a digital meter across its Retailer billing data and service charges. Therefore to acquire the same network-related services from an MC, the Distributor would only pay a portion of the cost of the device, as the majority of the costs would be met by the benefits of digital metering to Retailer.

We encourage the AEMC to reconsider its position on network devices in the final rule, as allowing it will only serve to substantially distort an MC's 'good faith' negotiations with Distributors, promote anti-competitive behaviours and increase costs to customers. Further, retention of network devices would also not align with the principles of a competitive market.



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Lastly, Active Stream queries why Distributors have the ability to remove a digital meter and replace it with a network device, where limited space exists in a meter box. This proposed policy appears contradictory with the NER and NEM metrology procedures, and would eliminate the ability to record, validate, bill and settle an impacted connection point. Active Stream considers this an oversight by the AEMC, however requests confirmation that this will not be allowed.

- *Arrangements for accessing energy and metering data*

Active Stream supports the ability of Distributors to access meter data to meet billing and settlement functions and all other regulatory obligations placed on them through the National Electricity Rules (NER), the National Energy Retail Rules (NERR) or the procedures attached to these rules.

However, any further access to data beyond a regulatory requirement should be subject to commercial agreement with the MC at a connection point, and should not be 'free of charge'. This includes access to data which enables another market party (including Distributors) to offer any discretionary services.

As a competitive provider in the market, our business relies on the ability to be able to make a commercial return on our investments and to cover our capital (i.e. the digital meter) and operational (i.e. meter maintenance, data collection and validation, and service delivery) costs.

We note that there has been some industry discussion on the provision of 'free' engineering data to Distributors, because digital meters in the market are already capable of collecting this type of data. However, we point out that significant investment by a competitive provider is necessary to collect and store data, and to configure its systems to deliver the data in a format used by Distributors. It is therefore unsustainable to mandate this data be provided by MDPs to Distributors at no cost. Rather commercial negotiation will ensure that a competitive solution is reached, which minimises the costs for both MC and the Distributor, and therefore ultimately the customer.

Lastly, Active Stream has grave concerns with the AEMC's proposed policy to obligate MDPs to provide Distributors with access to their metering data services database. As we noted above, it is current practice for Distributors to access metering data to undertake their regulatory obligations. These arrangements are documented in the Australian Energy Market Operator's (AEMO) Service Level Procedures for MDPs¹. As such, we query why Distributors require access to the MDP metering data services database.

A number of Distributors are also currently in the process of setting up competitive metering (or other contestable services) businesses, and without the Australian Energy Regulator's (AER) distribution ring fencing guidelines² in effect to limit the arrangements of regulated businesses in contestable markets, we are concerned that access to MDP meter data services database will provide them with a competitive advantage in the market. This is because the NEM does not have a

¹ <http://www.aemo.com.au/Electricity/Retail-and-Metering/Metering-Services/Service-Level-Procedures-for-Metering-Data-Providers-within-the-NEM>

² Refer to the AEMC's [Draft Determination](#) – section 4.8.1



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mechanism to restrict how a Distributor uses market data and other information obtained for regulatory reasons but applied to unregulated services. In addition, a suitable enforcement regime does not exist to dis-incentivise misuse of data.

- *Alteration to type 5 and 6 metering installations to make them capable of remote acquisition*

Active Stream does not support the AEMC's proposed policy which provides that in certain circumstances, a Distributor should have the ability to alter an existing type 5 or 6 metering installation to enable remote communications. While we acknowledge that there may be limited instances where this is necessary due to practical challenges of manual meter reading in remote or difficult to access sites, we certainly do not consider an alteration for "safety, security and reliability" of the network as a legitimate reason.

Our key concern in this respect, is that due to the considerable scope associated with "safety, security and reliable", it could be easy for Distributors to qualify the upgrade of digital meters in certain areas which provides them with a competitive advantage once the market becomes fully contestable, especially as their costs are recovered through regulated revenues.

Active Stream also points out that 'smart ready' metering does not support the National Electricity Objective which sets out that any investment must be economically efficient. This is because:

- financially, the 'smart ready' concept will result in significantly increased cost to the customer arising from the duplicative costs of site visits (one to initially install the meter and a second to replace it with a type 4 meter which met the Minimum Service Specifications (MSS) at a later date). In particular, we point out that the cost of site visits are one of the most expensive capital items incurred by MPs in the market.

Furthermore, this concept would require both the Distributor and each MP/MDP to maintain expensive, separate asset and field service management systems, which adds to the cost passed through to customers; and

- operationally, if the connection point became contestable in the future and the existing 'smart ready' meter stopped working or malfunctioned, the competitive metering provider would not have a commercial agreement with the field service provider who installed the meter, and no warranty from the meter manufacturer. As a result, the competitive provider, meeting proposed NER requirements, would have to either:
 - a) replace the 'smart ready' meter so it met the MSS and bear all associated cost; or
 - b) negotiate with the Distributor to establish whose equipment/systems were at fault, a process which is likely to be protracted (given that the interests of the parties directly conflict). If it was established that the Distributor was at fault, the



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competitive provider must wait for the Distributor to resolve the issue.

In either case both the customer and the competitive provider would have been subjected to delays and increased costs. For the customer, this would result in an unnecessary negative experience.

We also note that over the last 12 months, the AER specifically rejected all Distributors in their proposals for 'smart ready' metering installations, as part of the current pricing determination period, on anti-competitive grounds. The AER also noted that *"there are no longer term benefits of installing smart ready internal meters ahead of a market led roll out advanced meters"*.³

Active Stream therefore suggests that if a Distributor wishes to alter a metering installation for network security, stability or operational needs, it should consider whether an arrangement with a competitive service provider will provide for an efficient outcome. If it can't find a suitable arrangement, the meter should not be altered.

- *Customer consent for provision of network-related services*

Active Stream considers that in the absence of the AER's ring fencing guidelines, it does not appear prudent that the AEMC allow Distributors to provide an array of unknown network-related services to customers without their consent, under the pretense of "shared network" benefits.

We encourage the AEMC to consider clearly setting out the network-related services to be covered by this proposed policy and a mechanism that ensures that customers remain protected. Without such transparency and an enforcement regime, competitive neutrality across market parties is likely to be compromised, and customers may be forced to pay higher network charges for services that they do not require.

³ As an example, refer to section 16.1.5.2.3.1 of the [AER Draft Determination on SA Power Networks Pricing Determination 2016-21](#)