AEMC Public Forum – Competition in metering and related services
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Presentation Three – John Bradley, CEO, Energy Networks Association

Our particular focus is on whether or not the new regime enables the fair market for demand side services that's intended, the benefits for customers through future network operational benefits, and the adoption of smart meters more broadly while minimising cross-subsidies and any price impacts on customers.

A transition to cost reflective network tariffs is critical for our industry and its sustainable future. Maintaining current network services and efficiently leveraging existing network investments has got to be a fundamental part of any regime and its assessment, as is ensuring the availability and applicability of smart meter data for network applications.

In that context we do support the objectives broadly that the AEMC has set out here. We support the consumer benefits that can be achieved. We support the increased scope for market led meter deployments, and we want to work within that framework.

More broadly, we support the policy intent around establishing a basis for commercial negotiation between network service providers and Metering Coordinators, and the intent that network businesses should be able to deploy smart meters to benefit customers, and the intent that there is an ongoing right of a DNSP to a device at the premises.

We're moving from a current regulated framework which has regulatory oversight of the efficient metering cost, clearly defined roles and responsibilities and operational procedures, and metering assets integrated in networks with system-wide benefits in some cases. The disadvantage of the current framework is that there is no customer choice for the retailer as the customer of the metering service. But there is, obviously, choice at the moment for the network business, and there is regulatory oversight of the efficiency of that outcome into the network business.

Our concerns are that the proposed regime is removing that regulatory oversight of a Metering Coordinator that would still have monopoly power to one side of its customer base (ie. the NSP customer). It is removing the customer choice that's available to networks in terms of their ability to choose a different Metering Coordinator. The proposed regime is removing flexibility in some parts of the supply chain to create flexibility in other parts of the supply chain, and the benefits of that need to outweigh the costs.

The AEMC concludes that the regime will achieve the National Electricity Objective based on a number of assumptions. The focus of the AEMC in achieving those benefits is on the market dynamics which then play out by definition. So efficient investment in metering services can be driven by consumers - and I'd emphasise the word consumers rather than metering customers - choosing the products and services that they value. The promotion of innovation in metering is going to be driven by a market with many service providers providing incentives. Finally, the draft decision's assumptions about the benefits to the efficiency of the national electricity system as a whole rely not only on tariff reform but also on networks being able to make use of the benefits of smart meters for quicker and lower cost responses to power outages or poor quality of supply.

However, the ENA’s most fundamental concern is that the proposed regime is assuming that commercial agreements will be struck for efficient investment in metering.

The AEMC is assuming that networks will contract with Metering Coordinators for smart meter services to support their investment in network control and management, like grid intelligence systems or load control services. In order to invest in those kinds of solutions or to undertake a decision to defer augmentation (which has very significant consequences if that doesn't eventuate), a network counterparty must be able to manage the risks to continuity of service and the risks to commercial terms over the life of that business case. The proposed regime, in our view, doesn't appear to provide that sufficient certainty to support commercial agreements.

Network counterparties who sign contracts with Metering Coordinators appear to be particularly exposed to “hold-out risk” once the contract is on-foot, after the time of meter churn or Metering Coordinator churn. If that is the way the regime plays out, then the direct result is energy consumers will pay more for network services than they need to. The economic take-up of smart meters will be unnecessarily delayed and business cases won't be underwritten by network contributions, and that delays cost reflective tariffs and markets for demand side services.

In terms of the efficient participation of NSPs, there is the potential for unnecessary costs on consumers due to increased ring-fencing that may not be necessary to meet a failure in the current framework. In relation to exit fees, while we recognise the AER's recent changes in approach in that area, we do think it's important that AEMC’s final decision closes out some of the potential risks to the recovery of residual cost.

There are, of course, issues in an intermediated model, and so we're very carefully reviewing the roles and responsibilities under chapter 7 under the new framework. We should probably also be very careful about cyber security where we have end-to-end risks that could apply in the context of a successful penetration, and the replacement of faulty meters and safety issues still need to be addressed further as part of our review.

We all want a seamless transition for customers, but we're concerned the real time frames of a final decision in July won't allow the AEMC sufficient time to fully scope and define the actual proposal and be able to assess the actual outcomes of the proposal under the NEO, and to consider stakeholder issues. We are concerned that the AEMO implementation timetable by April 2016 appears difficult to achieve, and that the consequences of compressing that timetable is that we get unforeseen consequences for customers.

We do support the provision of adequate time frames and a step-wise approach where we'd see scope matters resolved before process development and procedure drafting. Our concern would be that if we don't get the right balance, in terms of addressing those market issues, there'll be higher costs to customers. If we don't address the operational and safety issues, through the clarification of chapter 7, there could be unforeseen consequences. There are also customer protection issues that are impacted by this regime that need to be fully addressed.