

21 May 2015

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW1235

Lodged online: www.aemc.gov.au

Ref: ERC0169/RRC0002

Dear Mr Pierce,

RE: Draft Rule Determination – National Electricity Amendment (Expanding competition in metering and related services) Rule 2015

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comment in response to the Australian Energy Market Commission's (AEMC) Draft Rule Determination on the National Electricity Amendment (Expanding competition in metering and related services) Rule 2015 (the **Draft Determination**).

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the national electricity market (NEM) and are the first point of contact for end use consumers of both electricity and gas.

The ERAA strongly supports the Draft Determination and commends the AEMC's consultation process and stakeholder engagement efforts employed in respect of the rule change to expand competition in metering and related services. The Draft Determination encourages and promotes a market driven roll of advanced meters, which will ensure a consumer-focussed approach. The ERAA welcomes a national approach to metering contestability, with jurisdictional arrangements only established where necessary (to manage the transition for the derogation in Victoria).

Competition in retail energy markets, as in other sectors of the Australian economy, incentivises businesses to improve service, develop products that meet consumer needs and find ways to lower their costs. Through the expansion of competition in the retail energy market to include metering and related services, consumers will have access to more diverse and innovative energy products, have greater understanding and management of their energy use and enable consumers to save on their energy bills through responding to available information about their energy consumption.

The ERAA would value a legal drafting workshop to take place as suggested by the AEMC during the consultation process. Based on the assumption that a workshop will take place following the deadline for submissions, the ERAA has not provided any comments on drafting in this submission.

As our members will be some of the primary parties involved in the roll out of advanced meters under a market driven approach, we strongly recommend that the AEMC has due



regard to the individual submissions of our members to the Draft Determination. The ERAA will therefore focus its input on elements of the Draft Determination that require further improvement and respond to other perceived issues raised by stakeholders at the public forums.

The ERAA thanks the AEMC for addressing the issues raised by retailers during the consultation process. Given the complex nature of the rule change, the ERAA would appreciate further consultation prior to the Final Determination should the AEMC decide to amend the Rules in a material manner from the Draft Determination.

We provide comments on specific aspects of the Draft Determination below.

Network devices

The AEMC proposes to allow distribution businesses to continue using their existing metering installations, or install new metering installations, to act as network devices for the purpose of the operation or monitoring of the network. The ERAA understands this provision was made in response to network businesses' concerns that they may have limited negotiation power to gain the desired metering functionality or access to services at a premises.

In particular, there are concerns from Victorian network businesses due to the fact that the minimum services specification is less specified than the minimum standard applied in respect of the Victorian Advanced Metering Infrastructure (AMI) roll-out. This argument follows that if an AMI meter is replaced, and they are unable to effectively negotiate with the Metering Coordinator (MC) to include functionality in the metering installation or access to services, there could be a degradation in benefits realised from the AMI roll-out.

The ERAA does not believe these concerns warrant the provision for the installation or retention of network devices.

There are numerous impediments in allowing the installation or retention of a metering installation as a network device at a consumer's premises, in addition to the duplicated costs associated with unnecessary infrastructure at the premises. The ERAA is concerned about the implications for consumer choice. If there is limited physical space on the meter board, or the consumer would prefer to have just one metering installation, it is unclear what rights they would have to limit the number of meters, and choose whether the network or MC's meter is installed. The ERAA believes consumers must have the right to determine this outcome, particularly where devices to monitor networks can be placed on network assets instead of consumer premises. It is also unclear whether exit fees would be charged where a network meter is retained but is not operating for market purposes. These impediments could be significant impediment to the success of contestability in metering and related services.

Should the AEMC decide to retain the network devices rule, the ERAA encourages the AEMC to more explicitly state what constitutes "monitoring and operating the network", as this could be interpreted to also include contestable services such as demand response. The use of network devices to enable contestable services would be inappropriate, as it would compromise competitive neutrality.

Light handed regulation, access to services and price monitoring

The Draft Determination considers the appropriate regulatory framework to support all parties' access to services at the metering installation on a commercial basis. It concludes that regulation of access to services is not required at market start. The ERAA strongly agrees with this position, and does not believe that any form of light handed regulation or

price monitoring is required. We agree that there are a range of factors that limit an MC's ability to exercise market power as listed in the Draft Determination.¹

In particular, the ERAA would like to address claims made by stakeholders during the consultation process that the MC role has monopoly characteristics. We understand that this view is based on a belief that some businesses view themselves as having limited options to access services at the metering installation; they can either negotiate with the MC at a site, or face the expensive option to install their own meter. The ERAA rejects this characterisation and believes these businesses have a range of other options available to them to access services at the metering installation.

If a business remained unsatisfied after attempting to negotiate an outcome with an MC, additional options available would include:

- a distribution business could apply to the AER for funding for the desired solution through the RIT-D process;
- establishing solutions outside, or on a consumers side of the metering installation;
- negotiating directly with the Metering Provider (MP) and/or Metering Data Provider (MDP); and
- partnering with particular retailers or MCs (we understand some partnerships already exist today).

Access to services is particularly likely to be aided by competition where a service provider seeks to offer an opt-in service to a consumer. Once a particular service is active at a consumers premises (assuming that the consumer values the service) it can be expected that other enabling parties (retailers, MCs, MP and/or MDPs) will be more willing to work with the service provider to help satisfy consumer preferences. Competitive forces would act to drive down the cost of access to these services, and reduce any other barriers that may exist.

The AEMC has recommended that Council of Australian Governments Energy (COAG) Council request a review of the arrangements supporting contestability in metering and related services in three years. The ERAA considers that this provides sufficient oversight and appropriate monitoring of the effectiveness of the new arrangements. The three year period provides sufficient time for the market to develop and consumers to become knowledgeable as to the new arrangements. Only if there is a demonstrated market failure should price monitoring or any form of regulation be considered.

Minimum Services Specification

The ERAA supports the minimum services specification (MSS) developed by AEMO and accepted by the AEMC. The MSS was widely consulted on and is designed to ensure a minimum level of services is available to all consumers. The competitive market will determine the additional services retailers and energy service providers offer, as these businesses strive to differentiate themselves. Additional and alternative services can be expected to be offered by businesses under competitive market arrangements that will be tailored to consumer needs and demand.

Network ring-fencing

The ERAA supports the AEMC's draft decision that where a network business seeks to take on the role of MC, MP and/or MDP in the competitive segment of the market, it should be ring-fenced from these businesses. We believe this is critical for the success of the proposed metering framework because it ensures competitive neutrality.

Competitive neutrality is required to enable market development, to enable consumers to access maximum benefits from metering services. The suggestion by some stakeholders

¹ See Draft Determination, p.69

that ring-fencing is prohibitively expensive is negated by the fact that some network businesses are already in the process of establishing these arrangements.

Registration of participants

The Draft Determination requires that a retailer (Market Customer) cannot also be an MC; that is, if a retail business sought to take on the MC role, it would be required to do so under a separate legal entity. The ERAA believes all entities holding a retail authorisation or exemption under the National Energy Retail Law should be subject to the same requirements to ensure competitive neutrality. The ERAA encourages the AEMC to require the AER impose a mandatory retailer exemption condition on all exempt entities prohibiting those businesses as operating as an MC.

AEMO procedural development

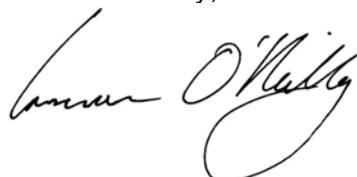
The AEMC has correctly assigned a substantial level of detail to be drafted into AEMO procedures in order to implement the rule change. The ERAA support the AEMC being involved in the procedure development process, providing guidance to AEMO and industry in the final determination and during the procedure consultation process to ensure the intent of the rule change is accurately reflected.

In relation to the specific detail assigned into AEMO Procedures, there is ambiguity in a “retailer of last resort” scenario. It is unclear what arrangements for the continued provision of services from a MC would operate where a retailer failure occurs. The ERAA would support the AEMC providing further advice and direction to AEMO on what arrangements are intended to operate in such situations.

In relation to the special sites and Type 4A metering, the ERAA have interpreted that the draft Rules will use these two rules to manage particular NMIs where preferences of the consumer require a special approach. We have interpreted that the draft Rules will allow AEMO to determine that a particular NMI can be deemed a ‘special site’ in these situations. Furthermore, we consider that where these sites have been so deemed, there remains a requirement to install a metering installation that is capable of providing all services outlined in the minimum service specification. In these circumstances the metering installation will be capable of remote services irrespective of whether they are enabled, in line with the Type 4A provisions. The ERAA consider that this is an appropriate course of action where technological and telecommunications constraints or exceptions are managed.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,



Cameron O'Reilly
CEO
Energy Retailers Association of Australia