

Australian Energy Market Commission
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BY EMAIL

29 May 2014

Dear Lisa

Reference: ERC0169

Consultation Paper National Electricity Amendment (Expanding Competition in Metering and Related Services) Rule 2014 and National Energy Retail Amendment (Expanding Competition in Metering and Related Services) Rule 2014 – 17th April 2014 (Consultation)

Calvin Capital is a leading Meter Asset Provider for both traditional and smart metering in the United Kingdom. Calvin Capital have been at the forefront of the UK meter asset market for some time and have extensive expertise in meter asset sourcing, installation and asset financing with a proven track record of establishing and managing operations to support these activities.

The proposed rule change to expand competition in metering and related services set out in the Consultation aims to promote competition in the National Electricity Market in a similar way that has been implemented in the UK for some time. As mentioned above Calvin Capital has been a key player in the developments in the metering market in the UK and we believe some of the lessons learnt in the UK may be useful to assist in the unbundling of the Australian meter market. We would be delighted to work with you and we hope that our experience and expertise particularly in meter asset provision and the IT infrastructure, governance and regulation in the UK will be beneficial to you as you look to implement the proposals in the Consultation.

Calvin Capital does not propose to respond to each question in the consultation but is seeking to provide some insight into how the UK market evolved and how this can be reflected, if required, in the competitive Australian metering market.

Meter Coordinator

Calvin Capital supports the proposed SCER model and responsibilities as described in Figure 3.1 of the Consultation. This model will allow all parties to appoint a Meter Coordinator and we agree that this would increase competition and innovation in the range of functions and services as well as facilitating the ability for consumers to churn from retailer to retailer as required.

As the accelerated rate of meter exchanges increases as the industry embarks on the smart meter programme this makes it more critical that the Meter Coordinator has access to the meter owner data (this could possibly be via the AEMO) and that the Meter Coordinator must be informed of any changes to those assets. This information would support a fully unbundled market which would allow a market participants to interact with the correct market participants.

Meter Specification

Our strong view is that the proposed requirement of a minimum specification for the smart metering equipment would assist to help reduce the costs of the physical metering system and increase competition. We recognise that it may not be possible for all jurisdictions to have the same minimum specification and open access requirements however, we feel it would be beneficial for those specifications to be as similar as possible to enable benefits of scale both in terms of manufacturer and the provision of funding.

Meter Provider

Under the proposal set out in the Consultation the Meter Coordinator is responsible as meter provider and as the meter data provider. The Consultation also assumes that the meter provider will also be responsible for the meter installation and maintenance. Whilst all these roles can be provided as one service it may be prudent to make provision for future separation of these roles. This is how the market has developed in the UK which has led to increased competition.

As the potential role of the meter asset owner is unregulated (as in the UK) and may be provided as a separate service offering from the other roles we would recommend that provision is made within the central registration system at the AEMO to hold a meter asset owner identifier. This system would allow the meter coordinator to offer the meter asset rental as a separate service to the operational activities of installation and maintenance.

Churn risk

The Consultation also needs to consider the impact of innovative service offerings that may be offered by retailers as the market develops such as the establishment of an 'in-house' workforce. The same services will not be offered by meter providers to other retailers which means that there will be a significant risk when a customer changes retailer that the new retailer will not want to contract with the incumbent meter provider which may be a significant risk that will limit the number of parties willing to operate as a meter provider.

Keeping meter assets 'in situ' and the ability to recover rental for those assets is a key principle of the commercial market model. That means the avoidance of meter replacement on the change of retailer which, in turn, makes it essential that the ownership of the meter is fully aligned and identified across the industry. If this does not happen then the risk of ownership increases which then in turn increases the cost of providing the meters.

In summary we fully support the aims of the power of choice review and the changes resulting from this review as we believe that the proposed unbundling of the metering market is a very important step to introducing competition and providing value and choice for the end consumer. This is a complex area and, in our view, Australia can benefit from some of the lessons the UK metering industry has learnt over the last few years during the foundation stages of the UK smart metering programme.

If you have any questions or would like to discuss any aspect of our submission please contact Kay Houghton on +44 161 220 1906 or +44 77486 74126.

Yours sincerely



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