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25 May 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

ERC0169 - NATIONAL ELECTRICITY AMENDMENT & NATIONAL ENERGY RETAIL AMENDMENT (EXPANDING COMPETITION IN METERING AND RELATED SERVICES) RULE 2015 – DRAFT RULE DETERMINATION

Ergon Energy Corporation Limited (Ergon Energy), in its capacity as a Distribution Network Service Provider in Queensland, welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *National Electricity Amendment and National Energy Retail Amendment (Expanding Competition in Metering and Related Services) Rule 2015 - Draft Rule Determination*.

Ergon Energy supports the overarching framework of the Rule change and considers metering reform to be an important component in stimulating innovation and driving new services in the energy sector. It is vital this reform deliver greater efficiencies and consumer protections. Ergon Energy considers some key structures proposed by the AEMC in the Draft Rule will undermine this goal and should be reconsidered.

Most importantly, this includes ensuring network businesses are provided continued access to relevant metering data at no cost, and that more balance and certainty is provided in market negotiations between network businesses and metering coordinators. Further detail on Ergon Energy's position is included in the enclosed submission.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely



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Group Manager Regulatory Affairs

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Enc: Ergon Energy's submission



*Submission on the
National Electricity
Amendment & National
Energy Retail Amendment
(Expanding competition
in metering and related
services)
Rule 2015 – Draft Rule
Determination*

25 May 2015

**Submission on the *National Electricity Amendment
National Electricity Amendment & National Energy
Retail Amendment (Expanding competition in metering
and related services) Rule 2015 – Draft Rule
Determination***

Australian Energy Market Commission

25 May 2015

This submission, which is available for publication, is made by:

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Introduction

Ergon Energy Corporation Limited (EECL) in its capacity as a Distribution Network Service Provider (DNSP) in Queensland welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its National Electricity Amendment and National Energy Retail Amendment (Expanding competition in metering and related services) Rule 2015 – Draft Rule Determination (the Draft Rule Determination).

Ergon Energy acknowledges the necessity and importance of this reform. Competition in metering has the potential to drive much needed innovation across the sector and provide substantial benefits for customers. However, it is important the proposed framework is flexible enough to encourage competition while still protecting the interests of end users. Ergon Energy proposes in our submission some important amendments to the AEMC's Rule change that without action could result in unintended consequences.

Ergon Energy is a member of the Energy Networks Association (ENA), the peak national body for Australia's energy networks. The ENA has prepared a comprehensive submission addressing the AEMC's Draft Rule Determination. Ergon Energy is fully supportive of the issues raised in their submission and notes the importance of recommendations regarding the market power of Metering Coordinators (MC), and the need for some light handed regulation to manage this issue and support certainty in metering service continuity and cost.

Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AEMC require.

Specific Comments

Access to Metering Data

The development of a competitive metering market should protect customers and prevent any unnecessary increases in the cost of services. Ensuring that DNSPs remain entitled to metering and energy data at current levels and cost is crucial to these outcomes. However, the amendments proposed to Chapter 7 of the National Electricity Rules (NER) weaken DNSPs' rights to existing data, which could have a significant impact on our operations and cost minimisation.

Specifically, proposed clause 7.15.5 (a) of the Draft Rule refers to persons who "may" be granted access to energy or metering data. This alters the current provisions that ensure DNSPs are "entitled" to access energy / metering data.¹ This vital distinction means DNSPs may lose their guaranteed entitlement to data, with the AEMC noting this access could have to be negotiated with MCs and a price agreed upon². This has important ramifications for customers, who will ultimately bear the cost of DNSP access to existing metering data.

Under the proposed contestable market arrangements, customers will pay directly for the establishment of their meter, in that these costs will no longer be smeared across the customer base. Customers will also bear the cost of any on-going meter service charges negotiated between the Financially Responsible Market Participant (retailers) and their provider of metering services (MCs). In view of these metering cost recovery mechanisms, Ergon Energy considers there should be no additional on-going 'access' charge for DNSPs to be provided the existing metering and energy data required to perform our regulatory obligations.

It is important this model is made clear in the NER to prevent charges being passed to customers (via charges to DNSPs) that are in excess of providing the service. To deliver this outcome:

Recommendation 1

Ergon Energy recommends the NER explicitly detail that DNSPs are entitled to the *free* and on-going provision of existing energy / metering data. At a minimum this should include interval data as per current entitlements for type 1-4 metering installations.

To ensure the best outcome for customers, DNSPs should also be entitled to request voltage and reactive power data at no cost.

In regards to the practical implementation of data access; the incremental software costs within advanced meters to remotely provide existing energy / metering data are minimal. As such, to ensure these savings are passed through to customers, the AEMC should also consider the following recommendations.

Recommendation 2

Clearly specifying within the NER that when advance meters are installed access to existing energy / metering data is to be remotely provided to DNSPs. This will ensure savings created by the AEMC's new model for competitive metering are passed through to customers.

¹ AEMC, (2015). *Draft Rule Determination: Expanding Competition in Metering and Related Services*, p 165.

² Ibid.

Network Devices and Ergon Energy

Ergon Energy supports the overarching intent of the network device provisions and the ENA's recommendations on this matter. Ergon Energy's load control devices are installed separately to our metering installations. In effect, this means Ergon Energy has already installed 'network devices'.

Noting these network devices are wired separately to existing meters, it is vital this wiring is left unchanged - and not potentially routed through any new advanced meter - as the wiring provides the load control and information capabilities. Proposed clause 7.8.6 (b)(2) of the Draft Rule stipulates that a MC must not, among other things, remove or damage a network device, but does not stipulate any wiring protection measures.

Recommendation 3

To remove any doubt, Ergon Energy recommends clause 7.8.6 (b)(2) be amended to include that a network device must not be removed, damaged, rendered inoperable *or have its wiring structure permanently altered* (this phrasing allows for wiring to be adjusted by a MC if required when installing a new meter, but must be returned to its existing configuration).

Load control

Ergon Energy notes that in its Draft Rule Determination, the AEMC details that the prohibitions around the use of a network device are not intended to prevent DNSPs from using these devices for load control.³ This intent should be more clearly stipulated in the NER. Currently the proposed NER provisions only provide that a network device can be used for the "monitoring or operating" of a network (7.8.6 (a)). Whether or not this includes load control is subject to interpretation. Losing this capability could seriously compromise network security and load shifting.

Recommendation 4

Proposed clause 7.8.6 (a) is amended to specifically include that a network device can be used "for the purposes of *appliance load control and monitoring or operating its network*".

Ring-Fencing

Ergon Energy understands and accepts the need for Ring-Fencing provisions to be developed in competitive markets and that the AER is the appropriate agency to build this framework. The AEMC notes in its Draft Rule Determination that when doing so the AER may wish to consider whether DNSPs operating *non-competitively* as the default MC for type 5 and 6 metering, should be ring-fenced in the *same manner* as a *fully competitive* metering coordinator.⁴

Ergon Energy does not support Ring-Fencing a DNSP under these conditions as it is unnecessary and would add significant additional costs to customers for little practical outcome.

Recommendation 5

The AEMC should make it clear in its Final Determination that DNSPs operating non-competitively as a default MC should not be subject to any Ring-Fencing obligations.

³ AEMC, (2015). *Draft Rule Determination: Expanding Competition in Metering and Related Services*, p 131.

⁴ AEMC, (2015). *Draft Rule Determination: Expanding Competition in Metering and Related Services*, p 237.

Demand Tariffs

Demand tariffs are an important component in future energy services and it is vital the Rule changes of today enables the market offerings of tomorrow.

Clause 7.8.2(a)(8) provides that reactive measurement is only needed if called for in Schedule 7.4, and this is shown as not applicable for type 4 and 4A metering. This fails to recognise the current trend to develop kVA type tariffs from a network perspective. All new and replacement type 4 and 4A metering should have four quadrant functionality so as to future proof these meters to support demand side (kVA) tariffs.

Recommendation 6

Table S7.4.3.1 is changed so that type 4 and 4A meters have a maximum overall reactive error rate of 3.0%.

In regards to this issue, Ergon Energy also notes that S7.4.3.1 has not really changed significantly from when it was originally prepared over 10 years ago, when electromechanical metering was still being used. Modern electronic metering is capable of supporting apparent power measurements (kVA) rather than reactive power measurement (kVAR). Apparent power measurement is an actual measurement of kVA rather than kVARs and as such would reflect a more accurate and compliant measurement approach. Consequently, Ergon Energy considers that S7.4.3.1 should be updated to reflect this more accurate approach, which we note will also more accurately reflect the future needs of the industry.