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30 MAY 2006

Mr Brendan Crown  
Director Energy Policy  
Australian Energy Market Commission  
PO Box H166  
AUSTRALIA SQUARE NSW 1215

25 May 2006

Dear Mr Crown

### **Proposed National Electricity Amendment (Metrology) Rule 2006**

Integral Energy welcomes the opportunity to comment on the proposed National Electricity Amendment (Metrology) Rule 2006 to facilitate harmonisation and replace expiring derogations, conducted by the Australian Energy Market Commission.

Integral Energy notes that the proposed Rule changes submitted by NEMMCO reflect a number of the recommendations of jurisdictional regulators in their "Joint Jurisdictional Review of Metrology Procedures, Final Report" dated October 2004 ('the JJR'), and also reflect conditions of the ACCC authorisation on Victorian Metering Derogations made on 2 March 2005.

Integral Energy supports the continuation of a Local Network Service Provider (LNSP) as the responsible person for type 5, 6 and 7 metering installations.

#### **Type 5 metering installations with remote reading.**

Integral Energy considers that it is inappropriate to 'reclassify' a Type 5 metering installation (that includes an interval meter) with the addition of "remote reading" as a Type 4 metering installation for 'small' customers with consumption less than 160MWh per annum. The reasons identified in the JJR<sup>1</sup> (including potential stranding asset risk, meter churn, and operational complexities), chronic access sites and the blocking innovative tariffs have been widely canvassed, and support the retention of Type 5 metering classification for Type 5 metering installations with the addition of "remote reading".

No compelling reason has been provided by NEMMCO as to why a Type 5 metering installation (that includes an interval meter) with the addition of "remote reading" should be reclassified as a Type 4 metering installation for 'small' customers with less than 160MWh per annum.

Further, the reclassification of these Type 5 metering installations with "remote reading" has the potential to hinder the roll out of advanced metering in NEM jurisdictions.

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<sup>1</sup> Joint Jurisdictional Review of Metrology Procedures, Final Report, October 2004, pp 45-49

## **Roll out of advanced metering**

On 10 February 2006, COAG set new initiatives for the Ministerial Council on Energy, including the implementation of a progressive roll out of electricity smart meters that has a regard to costs and benefits and takes into account different market circumstances in each State and Territory.

This initiative recognises, amongst other things, that for small customers, it is unclear whether it is economically viable to roll out Type 5 metering installations with "remote reading", due to their relatively small concessionary load and price differences.

In the event Type 5 metering installations with "remote reading" are treated as contestable Type 4 metering installations, their costs would be recovered through excluded service charges. A significant risk premium would attach to these charges to compensate for the uncertain treatment of cost recovery of the assets and limited economies of scale. This would not occur in the event that these Type 5 metering installations with "remote reading" were treated as prescribed services.

Therefore the proposed Rule changes treating these metering installations as Type 4 metering installations would have the unintended effect of adversely impacting on the economic viability of an interval meter roll out and/or altering pace of an interval meter roll out.

Accordingly, Integral Energy recommends that Type 5 metering installations with the addition of "remote reading" should not be reclassified as a Type 4 metering installation for 'small' customers with less than 160MWh per annum.

Integral Energy also notes that under proposed clause S7.4.5, an Accredited Service Provider may only perform work on a Type 5 and Type 6 metering installation for the purpose of installing the meter. Accordingly, any rollout of interval meters classified as Type 1 to 4 metering installations cannot be undertaken by Accredited Service Providers.


## **Discretion of the financially responsible person**

Proposed clause 7.2.1(c)(2) provides that if the metering procedure so requires, an LNSP must allow another person to engage a metering provider and install the meter. Integral Energy considers that as the financially responsible person, an LNSP should have the ability to 'elect' to allow another person to engage a metering provider to install the relevant metering installation.

Therefore, Integral Energy recommends that the proposed clause 7.2.1(c)(2) be amended to delete the words "required to do so by" and insert in their stead the words "elects to do so in accordance with" so that the proposed clause reads:

*"engage a Metering Provider to conduct the relevant work or, where the responsible person elects to do so in accordance with the metrology procedure, allow another person to engage a Metering Provider to install the relevant metering installation;"*.

Yours sincerely



Karen Waldman  
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**Regulatory and Corporate Affairs**