



11 October 2006

The Chairman  
Australian Energy Marketing Commission  
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submissions@aemc.gov.au

*John*  
Dear ~~Dr~~ Tamblyn

**Draft National Electricity Amendment (Metrology) Rule 2006**

Integral Energy welcomes the opportunity to comment on the draft National Electricity Amendment (Metrology) Rule 2006.

Integral Energy is concerned that the draft Rule does not take into account the rollout of interval metering proposed by the Council of Australian Governments (COAG).

On 10 February 2006 COAG agreed to a national rollout of smart meters. The rollout for domestic customers is contingent upon a cost/benefit analysis, and Integral's calculations indicate that such cost/benefit analysis will determine that the most economic form of smart metering for small customers includes two-way communications (generally termed "advanced metering"). Analysis undertaken by CRA for the Department of Infrastructure in Victoria has reached a similar conclusion.

In order to capture economies of scale, any such rollout would be undertaken by distributors. However, if the Rules do not allocate responsibility for advanced metering to the distributor then the distributor faces a significant stranded asset risk associated with such a rollout. Distributors would have no alternative but to include this risk in the price charged to customers. In other words the costs would need to be recovered over a short time-frame to mitigate the risk of asset stranding, increasing overall cost to customers.

Integral's analysis indicates that the payback from advanced metering would be insufficient to recover the costs within the timeframe required to reduce this risk to an acceptable level. The proposed Rule, by not assigning responsibility of advanced metering to the distributor, puts at risk the rollout of smart meters required by COAG. The rollout may be either halted completely due to an insufficient cost/benefit, or the rollout may be reduced to the second best solution of interval metering without communications due to the stranded asset risk associated with advanced metering.

This is inconsistent with the National Market Objective of promoting efficient investment in and efficient use of electricity services and contrary to the long term interests of consumers.

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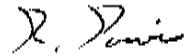
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Integral therefore considers that the Rules should explicitly assign responsibility for all small customers' metering, including advanced metering, to the distributor to ensure that the COAG decision can be implemented in an efficient manner.

If you have any questions regarding this submission please do not hesitate to contact Steve Lette on (02) 9853 6817.

Yours sincerely



Richard Powis  
**Chief Executive Officer**