



Ms. Lisa Nardi
SENIOR ADVISOR
Australian Energy Market Commission
Level 5
201 Elizabeth Street
Sydney NSW 2000

29 May, 2014

Dear Ms. Nardi

RE: Secure Australasia's response to AEMC's Consultation Paper – National Electricity Amendment (Expanding Competition in Metering and Related Services) Rule 2014 / National Energy Retail Amendment (Expanding Competition in Metering and Related Services) Rule 2014.

Thank you for the opportunity to provide a response to the AEMC's consultation paper, as referenced above, released on the 17th April 2014. In line with our previous submission on this topic Secure have limited its comments specifically to the areas of our expertise, namely, metering specification and effective deployment models that act as an enabler to DSP adoption and support.

Secure Australasia, through its parent company Secure Meters Limited, are a global leader in the development and manufacture of Smart Meters and associated Energy Monitoring and Automation product. Working across the major regions of Asia, Europe and Australia, Secure has more than 30 years experience in this domain starting with the first AMI smart meter designed in the 1970's. More recently Secure is a lead supplier of AMI meters to the Victorian AMI program having delivered over 1.3M AMI meters to 4 of the 5 distribution businesses.

Question 7

How would the proposed jurisdictional arrangements impact on the proposed approach for competitive provision of metering and related services?

Question 8

Should SCER's proposal for prescribing Metering Coordinator exclusivity be limited to certain metering types? If yes, what are the metering types that should be considered?

A primary goal of the change request is to establish a competitive regime to enable widespread investment in advance metering technology to enable DSP.

Allowing jurisdictional arrangements to provide exclusivity for any meter type will work against open competition and the intent of the market reforms and opens an opportunity to allow a jurisdiction to partially or completely halt the propagation of competition, metering advancements and consumer cost reductions.

It could be reasoned that at the level of basic accumulation meters the consumer benefits to switch meter coordinator will be limited such that transition is unlikely and that allowing exclusivity will allow the metering

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coordinator to achieve efficient provision of basic metering services. However, Secure firmly believes that the AEMC's initial proposal, that new and replacement policy be adopted for smart meters at a national level, would significantly increase the likelihood of the establishment of a vibrant DSP market - we further this argument in our response to question 23. In an open market, should an MC (the distribution company for example) still provide the best offer, competition will naturally allow the lowest cost to prevail and as such exclusivity has no benefit; conversely, if another metering coordinator can bring costs to consumers down they should not be prevented from offering those savings to all consumers.

To ensure the greatest propagation of advance metering and competition, all consumers must be offered the opportunity to choose as the large scale of national adoption is crucial to achieving the demand side participation benefits and resultant consumer cost savings.

Question 10 Should opt-in / opt-out provisions apply where a party seeks to upgrade a consumer's metering installation to achieve business operational efficiencies that may lead to reduced costs for consumers?

It is Secure's view that the arrangements proposed in the change request must provide the initial catalyst for the market to bloom and become self sustaining through new and innovative DSP service offerings.

As cited in the scope of the change request, it is widely accepted that smart metering is an essential enabling tool to allow customers and other participants to make decisions about how they engage in the market. E.g. by supporting:

- improved information about the timing and quantity of electricity consumption to support decisions about managing consumption and costs
- innovative product offerings to customers, including an increased range of tariff options and products such as direct load control
- new business practices that reduce costs, such as remote reading and remote connection and disconnection, and
- grid management technologies such as outage and supply quality detection

Under this environment the customer can focus on the service provided and the associated benefits they will derive from it. Whether or not a Smart Meter, or for that matter other DSP enabling equipment, is providing the mechanism for this service, will be of little interest to the consumer as is the case when equipment is installed to facilitate services like pay TV or the NBN. Whilst consumers should have the right to choose their own Meter Coordinator in a truly competitive market the arrangements for governing the provision of metering and related DSP services must be made as simple as possible for the consumer.

Drawing from the New Zealand experience, that has been put forward as a successful implementation of a market led model, the provision of smart meters and data is provided through commercial arrangements. These arrangements are established between the Metering providers (Metering Coordinator in our Rule Change) and their customers (Electricity retailers) who are deploying Smart Meters as their standard service offering. Under this market model approximately 1.1 million smart meters have been rolled, to date, over the past few years.

The New Zealand metering market has not suffered from poor publicity, as was experienced in the state of Victoria, where the mandated smart meter rollout generated public concerns. In New Zealand, due to the engagement model, retailers are able to address them directly by leveraging their existing relationship with the consumer. By and large, however, the populace has little interest in the metering device installed as part of their retail contact. Meter functionality, and hence the meter type, is driven by retailer innovation where accumulation meters are being routinely replaced by smart meters which increases competition for consumers. This, in turn, delivers benefits to consumers through lower prices, greater choice and better services.

In New Zealand Consumers are informed of the change to the metering installation as a proactive initiative by the Retailer to provide new services such as:

- Monthly Billing
- Removal of estimated bills
- On line access to energy consumption data
- Automated Final read when moving out of a premise

Given the success of the New Zealand market led model Secure believes that for a vibrant DSP market to evolve, maintain momentum, and provide a societal benefit through the electrical energy sector, there should be no restriction on the adoption of smart meters.

Question 21

What do you consider are the appropriate governance arrangements for allowing for a new smart meter minimum specification in the NER?

Question 22

Is AEMO the appropriate body to develop and maintain the proposed minimum functionality specification to support competition in metering and related services, or are there alternative options that could be considered?

It is Secure's view that SCER's proposal that AEMO develop, maintain and publish a smart meter minimum functionality specification is a pragmatic solution that is complimented by AEMO's current mandated responsibilities. The synergies between this activity and the proposed reform to B2B as a common market protocol will minimize the risk of divergence between these activities and thus likely provide a well integrated and consistent outcome. With the correct governance processes in place, such as those that apply IEC and the rules consultation procedures, Secure believe that all stake holders will be well represented. Further, Secure would recommend that major, Australian meter vendors be incorporated into any proposed committee to allow for appropriate input and consultation ahead of draft release. This will serve to ensure a well guided specification from the outset.

Notwithstanding the above it is Secure's view that it should be a guiding principal from the outset the minimal changes are made to the current SMI MFS. The advantageous and benefits of this are twofold:

- 1) As referenced in the consultation process a great deal of time and consultation has already been invested in the SMI MFS to ensure that it reflects a system wide view and contains features that allow benefit across the supply chain. This is directly in line with the principles of the power of choice and thus should be leveraged.
- 2) There are currently already several meter manufacturers in the Australian market place that have implemented and support the current SMI MFS. To make material changes to the specification at this juncture will potentially be, not only counterproductive to the cost argument as it warrants additional development and investment cycles, but significantly delay the program as a whole.

As a final comment on this point we note that we are opposed to *material* changes to the specification due to the above points, however, we would like to highlight that we believe there are a series of actions required to finalize the specification as it stands. These actions revolve largely around tidying up the specification by the removal of placeholders and other open statements but we go on to reference what we believe are two areas of concern that should be noted for review. Recommend review/changes include

- 1) Interoperability for Meters/Devices at the Application Layer – Remove, in line with the recommendations of the AEMC's "Framework for Open Access and Common Communication Standards" review.
- 2) Hardware Component Interoperability – Remove, placeholder only.
- 3) Customer Supply Monitoring – Remove, placeholder only.
- 4) We note that the current SMI MFS documents a requirement for Zigbee Smart Energy Profile 2.0. Given the adoption of SEP 1.x in Victoria and its adoption in other regions we believe any future

committees should reassess the jump to SEP 2.0. It is our view that given the current market conditions that SEP 2.0 would not necessarily be chosen as a *minimum* standard and that SEP 1.x is more appropriate.

Question 23 Should there be arrangements that allow for jurisdictions to determine their own new and replacement policies or should all new and replacements meet a common minimum functionality specification?

For the proposed minimum functionality specification to have a material impact, Secure believes it is highly desired for it to be applied consistently at a national level. Were a jurisdictional approach to prevail it would potentially seriously affect the ability for the market to provide a consistent competitive offering across the NEM. This will affect not only metering itself, the essential platform for change, but indeed the product and services it is intended to promote and support. These products and services would potentially need to be packaged and offered state by state. Granted a more complex metering product could be offered universally, however, a minimum standard below what is needed to achieve the desired goals could hinder its uptake, especially under a new and replacement scenario.

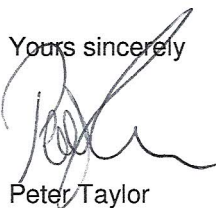
Secure's support for a consistent minimum functional specification goes beyond market efficiencies. It also assists with ensuring, at a minimum level, commonality and compatibility of other system components. This is essential to enable consumer confidence that any device or service they choose to purchase will, again at known minimum levels, interoperate with any system installed. It is fundamental that with a move towards more consumer interaction, system components such as in-home displays, DRED and DSP devices will become increasingly prevalent. Further to the meter specification itself, and notwithstanding SCER's current stance, Secure firmly believes that the AEMC's initial proposal, that new and replacement policy be adopted at a national level, would significantly increase the likelihood of the establishment of a vibrant DSP market. We implore the AEMC to again explore this option.

To conclude Secure advocates that the power of choice will ultimately be delivered by a strong set of guiding principles that support:

- 1) A minimum specification for smart meters heavily based on the SMI MFS with minimal amendments as documented above. Without these fundamental building blocks being supported at a national level the full benefits of DSP may not be realized.
- 2) Competition is retained at all levels and that exemptions are not implemented, with the exception of Victoria, but rather that market forces are left to prevail.
- 3) Minimization of any policy that serves to restrict the adoption of smart meters.

Finally Secure would again like to thank the AEMC for the opportunity to comment and we look forward to providing any further information as required.

Yours sincerely



Peter Taylor

GM – AMI solutions

Secure Australasia Pty. Ltd.