

# Regulation of access to smart meter functions and accreditation



# Background

- This presentation outlines the AEMC's draft findings on whether access to smart meter functionality should be regulated under a framework where there is metering contestability for small customers. It covers:
  1. Whether to regulate rights of access and access charges to smart meter functionality;
  2. DNSP access to smart meter functionality; and
  3. Accreditation of new 'gatekeeper' functions associated with the introduction of smart meters.
- Our recommendations relate to new and advanced functionality associated with smart meters - not metrology functions under chapter 7.7 of the NER. Third-party access to energy data will be the subject of a future rule change.
- We recognise that Victoria is unique to other jurisdictions and that transitional arrangements will be required to be developed and consulted on as part of another process (e.g. a rule change request, if required, to implement any recommendations from this review).

# Whether to regulate rights of access and access charges to smart meter functionality

- We have considered the likely incentives facing different parties who could be the Metering Coordinator (MC). Under the Power of Choice framework, the MC would replace the existing Responsible Person role and incorporate new functions specific to smart meters (managing access, congestion and security).
  - Power of Choice proposed that retailers would primarily be the MC, however customers could choose to directly appoint an MC.
- Three scenarios were considered:
  1. Independent third-party MC: does not have a relationship with any market participant that would reduce its incentive to offer services for access to smart meter functionality to any other market participant.
  2. Retailer as MC: appear to be incentives for retailers to frustrate access to the functions of smart meters for competitors offering rival services.
  3. Network business as MC: unlikely to compete across a substantial range of service offerings with retailers or third-parties.

# Whether to regulate rights of access and access charges to smart meter functionality

- Given the metering contestability rule change is yet to be considered, we acknowledge that it is difficult to draw definitive conclusions about the level of competition in a market that is in the early stages of development and where behaviour cannot be observed.

## Draft findings:

- Our view is that the market for services for managing access to smart meter functionality, whether these are provided by independent third-parties, retailers or network businesses should be given the opportunity to develop free of regulation in the first instance.
- Noting the concerns discussed earlier, we consider that it is prudent for a competition review to be undertaken at an appropriate point in time.
  - This could reconsider these issues once the metering contestability rule change has been finalised and any changes introduced.

# DNSP access to smart meter functions

- This section addresses an issue raised through the stakeholder advisory forum and submissions that DNSPs should be provided with set access to a defined level of 'basic' services.
  - We note that in jurisdictions other than Victoria, DNSPs receive limited information at the household level to assist in managing their networks.
  - DNSPs consider there is a weak incentive for MCs to provide access to network related functions at a reasonable price and the administrative costs are likely to outweigh the benefits.
- We note the following points with respect to MCs' incentives in this area:
  - Given the range of functions a network may look to access and certainty around consistency of access, DNSPs are likely to be part of an MCs foundational customer base.
  - Smart meter functions that relate to network management are of limited use to other market participants.

# DNISP access to smart meter functions

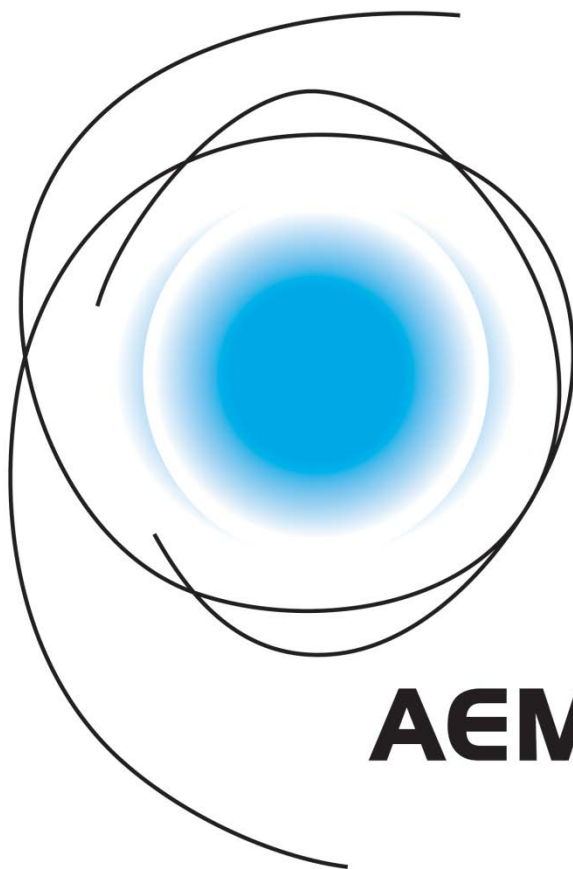
- In a contestable market for metering services, DNISPs can be seen as another participant seeking to access smart meter functionality to provide a service to consumers or add value to their business.

## Draft findings:

- Our draft view is that network businesses negotiate and pay for access to smart meter functions on a commercial basis, in the same way as other market participants.
  - This approach will place commercial incentives on DNISPs to negotiate an efficient level of access to the number of smart meters and functions.
- Costs incurred by DNISPs for accessing smart meter services will be recovered from all customers through distribution use of system charges.
  - Although not all customers will have smart meters in the short term, the use of information from smart meters will assist DNISPs with managing their networks and therefore benefit all consumers.

# Accreditation of new 'gatekeeper' role related to accessing smart meter functions

- Under the current regulatory framework, the NER requires AEMO to accredit MPs and MDPs to check that parties are appropriately qualified and are able to fulfil their obligations under the rules.
- We have considered whether the new 'gatekeeper' functions of managing access, congestion and security will also require accreditation.
- Our view is that these will be of sufficient importance to the operation of the NEM that accreditation will be required whether this role is undertaken by the MC or another party.
  - It may be that the MC does not require technical accreditation but they would need to ensure that persons providing these services are appropriately accredited.
- Accreditation is a separate issue from whether third party energy service providers should be registered market participants – this is being considered by SCER.



**AEMC**