

17<sup>th</sup> June 2014

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1255

## Expanding competition in metering and related services

Dear Mr Pierce,

Thank you for the opportunity to provide comments on the proposed rule change sought by the Standing Council on Energy and Resources (SCER) to promote competition in the provision of metering and related services in the National Electricity Market (National Electricity Market).

Metropolis Metering Services Pty Ltd (Metropolis) supports the rule change and considers that this will assist to accelerate the adoption of advanced metering and introduction of innovative products and services designed to deliver benefits to electricity consumers.

Competition has been the driving principle for the development and evolution of the National Electricity Market and the reason Metropolis exists today.

Metropolis has been investing in smart metering since February 2007, when it installed Australia's first residential smart meter in the suburb of Ivanhoe, Victoria. Since then we have installed thousands of residential smart meters.



Our smart meters are true smart meters – registered in MSATS as Type 4 metering installations – and our network extends across Australia, from southern Tasmania to far-north Queensland, and places as diverse as Mallacoota and Minnipa.

Nevertheless, the Victorian derogation followed by the introduction of Part 8A to the National Electricity Law had a significant negative impact on the availability of smart metering to consumers, reducing competition due to investment uncertainty.

The direction taken by Power of Choice to restore confidence and encourage investment and competition is strongly supported by Metropolis.

Repealing Part 8A of the National Electricity Law has made a significant difference.

Lifting the Victorian derogation as quickly as possible will add further weight to the strength of change taking place.

Further changes should ensure that enhanced competition can be implemented in a short time frame, and ensure that no new barriers to competition are introduced, by accident or by design.

Our responses to the specific questions raised in the Consultation Paper are contained in the attachment to this letter.

Sincerely,

Marco Bogaers  
Chief Executive Officer

**Question 1: Are there any additional criteria that should be considered in assessing this rule change request?**

No response.

**Question 2: What are the benefits for competition by allowing any registered and accredited party to take on the Metering Coordinator role?**

Under Chapter 7 of the National Electricity Rules (NER), as they presently stand, only the Responsible Person may engage a Metering Provider to provide innovative metering services; and the Responsible Person may only be the Distributor, except if the Retailer elects to be the Responsible Person for a Type 1-4 metering installation. The exception being Victoria where a *derogation* to Chapter 7 prevents the Retailer from being Responsible Person for sites consuming less than 160MWh per annum.

As a National Electricity Market accredited Metering Provider, Metropolis has experienced considerable difficulty engaging with the Responsible Person.

It is significant that no Distributor, in their capacity as Responsible Person, has engaged with Metering Providers on a competitive basis to implement smart metering – anywhere in the National Electricity Market.

Justification for the Victorian derogation was, in part, on the basis that the Distributor's would enter into commercial tendering processes for Metering Providers to rollout smart meters. But no such tenders proceeded, instead the Victorian Distributors, armed with exclusivity as the Responsible Person under the derogation, appointed themselves as the sole Metering Providers.

In other states the Distributors have continued to provide basic Type 5 or 6 metering solutions and refused to offer alternative Metering Provider options.

In the case of Retailers, some refuse to be the Responsible Person, while others have transfer systems that default to the Distributor as Responsible Person and Metering Provider to the extent that they cannot accept residential customers with meters provided by a party other than the Distributor.

The current framework has clearly failed consumers.

Allowing a participant other than the Distributor or Retailer to be the Responsible Person (or Metering Co-ordinator) will provide consumers with greater access to alternative metering solutions and require that Retailers modify their systems so that they no longer default to Distributor meter provision.

**Question 3: Are there alternatives that are preferable to creating a separate Metering Coordinator role? For example, would it be appropriate to combine the proposed Metering Coordinator responsibilities with the existing Metering Provider role? If so, what advantages would this alternative deliver?**

Metropolis supports the introduction of the role of Metering Co-ordinator.

Metropolis considers that the role should be separate to other roles – in the same way that being the Responsible Person is separate to being a Distributor or Retailer – but that in order to be registered as a Metering Coordinator the entity must also be either a Distributor, Retailer or Metering Provider.

**Question 4: If established, should the new Metering Coordinator role be classified as Registered Participant under the NER or should other arrangements be put in place? If so, what accreditations may be required?**

No. Metropolis does not consider it necessary that the Metering Coordinator be classified as a Registered Participant under the National Electricity Rules.

As the Metering Coordinator replaces the role of Responsible Person, the current responsibilities undertaken by the Responsible Person will form part of the Metering Coordinator responsibilities.

An appropriate accreditation process should be established through AEMO by which any party wishing to be a Metering Coordinator should be assessed for technical understanding and capability.

Our view is that existing Metering Providers should automatically be accredited as Metering Coordinator, upon application, as they have the necessary technical understanding and capability; while existing Responsible Persons should be allowed a 6-12 month transitional period to become accredited or make suitable commercial arrangements with accredited Metering Coordinators.

**Question 5: Are any specific arrangements required in the event that a Metering Coordinator fails?**

Yes. It would be reasonable that where a Metering Coordinator fails the role transfer to a pre-nominated Metering Coordinator, similar to a Retailer of Last Resort.

The Metering Coordinator of Last Resort (MCLR) should be a further role in MSATS with each accredited Metering Coordinator nominated by AEMO as back-up in case the primary Metering Co-ordinator fails.

**Question 6: Should there be any specific changes to the ROLR arrangements regarding metering?**

No, this isn't necessary. Where a Retailer fails, triggering a ROLR event, the role of Metering Co-ordinator would remain unchanged, unless the Retailer is itself the Metering

Coordinator in which case the role would be assumed by the Metering Coordinator of Last Resort (MCLR).

**Question 7: How would the proposed jurisdictional arrangements impact on the proposed approach for competitive provision of metering and related services?**

As noted by the AEMC in the consultation paper, SCER considers that the current arrangements for metering inhibit market participants, metering companies and consumers from investing in smart meters.

Metropolis is concerned by the proposed jurisdictional arrangements to grant exclusivity to certain Metering Coordinators for certain metering installation types. For us it creates the same uncertainty as Part 8A of the National Electricity Law, which has since been repealed because of that uncertainty.

Any jurisdiction that has the power to introduce monopoly provisions via derogation or other means, will likely be avoided by competitive service providers.

SCER may be correct in its assertion “that it may be unlikely that competition would provide consumers with lower cost (basic accumulation – ie. type 6) metering where there is a decreasing number of basic accumulation meters being installed.”

But SCER may be incorrect also.

Who is to say that there is not an inventive, innovative metering services provider waiting to provide an efficient and cost effective manually read metering service? And who is to say that the provision of basic metering services will not form part of a Metering Coordinator’s transitional framework to move to smart metering cost effectively?

Even limited Metering Coordinator exclusivity will close down avenues of enquiry that may otherwise prove beneficial to the market.

**Question 8: Should SCER’s proposal for prescribing Metering Coordinator exclusivity be limited certain metering types? If yes, what are the metering types that should be considered?**

No. Metropolis strongly urges that there be no exclusivity for any metering type.

Regulations that restrict the provision of metering services to any particular party for any particular metering type will continue to inhibit investment, competition and innovation.

**Question 9: What information and consent requirements would be appropriate under the competitive model for provision of metering and related services?**

The Metering Coordinator should obtain the customer’s explicit informed consent to appoint itself for any connection point. A similar MSATS process to the current processes where retailers are appointed would need to be implemented for appointment of Metering Coordinators.

**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?**

No. As long as a consumer is not expected to pay more when a meter is replaced with a smart meter, then there should be no requirement for an opt-out provision. If a customer is going to pay more, then the explicit informed consent of the customer should be provided, which may be included within a retailer's offer.

**Question 11: Should retailers be required to inform consumers of their metering services charges? If so, what is an appropriate means for retailers to fulfil this obligation?**

Yes. The ability for customers to request specific Metering Coordinators (or Metering Providers) necessitates price transparency for comparative purposes.

The metering services charges (encompassing Metering Co-ordination, Metering Provision and Metering Data Provision) should be a separate line item on the customer bill.

**Question 12: Should the relationship between the retailer and the Metering Coordinator be based on a commercial arrangement? If not, what alternatives should be considered? What are considered the costs and benefits of a standard contract for this relationship?**

Yes. The relationship between the Retailer and the Metering Coordinator should be a contracted commercial arrangement.

The alternative is to regulate the relationship but this requires the imposition of pre-determined constructs that will limit permutations that may be far more conducive to an efficient outcome for consumers.

As an intending Metering Coordinator, Metropolis favours entering into direct commercial arrangements with each and every Retailer than having further regulation imposed on us.

**Question 13: Should residential and small business consumers be able to exercise a right to appoint their own Metering Coordinator? If so, what arrangements would need to be put in place to govern that relationship?**

Yes. Arrangements can be similar to those where customers select retailers, ie there is a record of explicit informed consent of their choice of Metering Coordinator.

**Question 14: Are any additional consumer protections required to support a direct relationship between a consumer and a Metering Coordinator?**

No. There will be sufficient competition to ensure that consumers can switch to alternative providers, or allow their retailer to make this choice for them.

**Question 15: Do the NER require any changes to facilitate unbundling of metering charges from distribution use of system charges?**

Yes. The National Electricity Rules should provide clear guidance to the AER as to:

1. Which items, services, charges and costs are for metering and must therefore be ring fenced from Distribution.

For example, in addition to meters, Distributors include current and voltage transformers in their regulated asset base, the accuracy of which falls under the Responsible Person's (Metering Coordinators) remit. So there needs to be clear guidance as to what constitutes a metering installation.

2. How costs for the legacy metering asset base are to be recovered.

At the inception of the National Electricity Market it was always intended and regulated that metering be distinct from electricity generation, retailing and distribution. Metering assets should therefore not have been bundled within each Distributor's regulated asset base.

But as metering assets are included in the Distributors' regulated asset base, and there exists an obligation to provide full recovery of metering capital costs incurred by the Distribution businesses, the appropriate mechanism is that those meters currently remain within the regulated asset base.

3. How further costs are to be treated.

Operational costs in relation to legacy metering assets should form the basis of regulated, unbundled metering services charges; while all further capital expended by Distributors on metering, and operational costs in relation to those meters, should be properly separated and ring fenced from the Distribution business.

**Question 16: Should the AER have a role in determining exit fees for accumulation and manually read interval meters? If so, what factors should be considered?**

No. Metropolis is strongly of the view that there should be no exit fees payable to the Distributor in relation to legacy metering assets.

Metropolis prefers to call exit fees what they actually are – “entry fees” – the cost for new service providers to enter the market, which make the provision of smart meters uneconomic except for the few, and will restrict investment.

Following from our response to Question 15 (point 2) we consider that the cost of legacy meters can continue to be recovered through network charges, even as they are removed, with no need for exit fees.

This spreads the burden across all energy users equally and is a far more equitable approach.

Following from our response to Question 15 (point 3) Metropolis notes that as the number of legacy meters decreases the unbundled service charges will likely increase, thus providing

further incentive for the provision of alternative metering services. A useful mechanism to transition the market away from regulated metering services over time.

But Metropolis emphasises the need to strengthen the ring-fencing guidelines so that metering services are provided through separate legal entities and that the monopoly Distribution businesses do not cross-fund, cross-subsidise or cross-promote related metering services entities.

**Question 17: If so, are SCER's proposed criteria for determining exit fees appropriate, and should a cap on fees be considered?**

As state above, there should be no regulated exit fees payable to the Distributor in relation to legacy metering assets.

We strongly urge the AEMC and the SCER to consider any alternative other than imposing regulated exit fees on the market.

**Question 18: Are the existing arrangements under the NER appropriate to enable a distribution network business to allow for advanced metering technology as part of a regulated DSP business case/program?**

Metering services are distinct from Distribution services and ring fencing guidelines should be strengthened so that Distributors cannot use their position to favour any related metering services subsidiary or discriminate against competitors in the market.

If a Distribution network business wishes to engage in metering rollouts, this should be put to competitive tender across Metering Coordinators.

It must also be recognised that Demand Side Participation services are provided by Retailers and where Distribution businesses wish to use smart metering features for Distribution purposes (eg. to collect network characteristics such as voltage or frequency, or to manage load through targeted disconnections), then they can enter into contractual arrangements with of the necessary Metering Coordinators to deliver this. They cannot assume that they control the metering device in order to manage their network – it is incompatible with the idea of metering competition.

**Question 19: If not, what additional arrangements might need to be put in place to allow sufficient certainty to distribution businesses to do so?**

Metropolis does not consider that the Distributors require regulatory certainty in order to access services and features available from metering.

Like Retailers (see response to Question 12) the relationship between the Distributor and the Metering Coordinator should be a contracted commercial arrangement.

**Question 20: Are changes required to the AER's ring fencing guidelines to accommodate a distribution network business seeking to take on the role of Metering Coordinator?**

Yes. The ring fencing guidelines should be strengthened to ensure that the Metering Coordinator, Metering Provider and Metering Data Provider functions operated by each Distribution business is properly ring-fenced.

**Question 21: What do you consider are the appropriate governance arrangements for allowing for a new smart meter minimum specification in the NER?**

See response to Question 22.

**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?**

Yes. AEMO is the appropriate agency to develop and maintain the minimum functionality specification to support competition in metering and related services.

Metropolis cautions against being overly prescriptive. There can be much innovation in the way services are delivered, and we need to ensure that we do not over specify how a metering service, and additional related services, can be delivered.

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

Ideally there should be no jurisdictional variations to the rules. Policy makers and regulators must aim for national market harmony, so that it simplifies processes for all market players.

Metropolis considers that a policy which requires that new and replacement meters be smart meters is essential to the efficient transition from accumulation metering to advanced metering.

The most important outcome of such a policy is that it requires all market participants to update systems and processes to accommodate advanced metering and to introduce products and services specific to advanced metering, which will lead to a higher take up and more immediate delivery of benefits to consumers.

A common minimum functional specification is less important than a mechanism for ensuring competition for the replacement of existing meters under such a policy.

The obvious issue of course is that if the distribution businesses are not required to provide advance notice to market participants of required meter replacements then there can be no effective competition.

Metropolis proposes that as Distribution businesses define each population of accumulation meters that need to be replaced, they be required to notify the relevant retailers who can

then determine, in consultation with their respective customers, which party will replace the meters and what with.

**Question 24: Is it appropriate that the Victorian distribution network businesses would become the Metering Coordinator for the smart meters they have deployed?**

Yes, it is appropriate in the first instance but should be subject to stringent ring fencing and opened to competition.

**Question 25: Should an exclusivity arrangement be put in place to allow Victorian distribution network businesses to continue in the Metering Coordinator role for a specified period of time? If so, should this be determined by the Victorian Government or defined in the NER?**

No. It is now time to end the Victorian derogation and allow a free flow of metering services competition into the Victorian market.

The derogation was always designed to be temporary and the distributors were aware that it would be lifted in 2013. The current extension was predicated on the derogation ending with the implementation of the Power of Choice recommendations.

Referring to our response to Question 16, there is no need to introduce an exit fee while at the same time the Victorian Distributors can continue to recover costs.

Victorian consumers have the right to access the best services at the best prices and no exclusivity arrangement should be allowed to continue.

**Question 26: Should Victoria's local distribution network business be required to take on the Metering Coordinator role as a ring fenced entity after the exclusivity period has ended?**

It is appropriate that Victoria's local distribution network business be the Metering Coordinator in the first instance but this should be subject to stringent ring fencing and immediately opened to competition. While they are in the role they will need to comply with their requirements under their accreditation, and if they wish to exit will need to manage this with an orderly transition. The onus should be on them to ensure that this is the case.

**Question 27: Is it appropriate that as part of the transitional arrangements, the local distribution network business would become the initial Metering Coordinator for existing meters for which it is the Responsible Person?**

Yes, it is appropriate in the first instance but should be subject to stringent ring fencing and opened to competition.

**Question 28: If so, should the local distribution network business be required to take on this role as a ring fenced entity? And by what stage of the transition would the ring fenced entity need to be established?**

Yes. The ring fenced entity should be established immediately, if it is not in place as required by the existing ring fencing guidelines.

**Question 29: Is it appropriate that as part of the transitional arrangements, retailers would become the initial Metering Coordinator for existing meters for which it is the Responsible Person?**

Yes. Also, there should be scope for retailers to nominate another party as the initial Metering Coordinator.

**Question 30: Are there any other systems, procedures or guidelines that might need to be amended to support competition in metering and related services?**

Yes. MSATS will require modification to ensure that the Metering Co-ordinator can nominate the Metering Provider and Metering Data Provider.