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12 October 2006

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 16
1 Margaret Street
Sydney NSW 2000

Dear Dr Tamblyn

Draft National Electricity Amendment (Metrology) Rule

Thank you for the opportunity to participate in the second round formal consultation for the above Rule change.

This Rule change is of particular interest to EnergyAustralia. Our metering initiatives form a key part of our Demand Management strategy. EnergyAustralia currently owns around 80% of the interval meters currently installed in the NEM and we will continue to invest in interval technology where justified.

We are also looking at how next generation technologies will facilitate our network and retail operations. These technologies have the potential to provide not only efficiencies in the timing and level of meter data that is available to the network for network planning and performance purposes, but also for operational purposes such as remote connection/disconnection and appliance controls that would enable a new wave of controlled load options.

Industry remains in a policy "holding pattern" waiting for clearer signals from COAG on the future environment of smart meters. Competition for metering in the domestic retail sector will remain stagnant without further policy direction. In fact no segment of the market has an interest in developing new technologies further without appropriate policy signals.

Moreover, EnergyAustralia remains concerned that the current policy situation does not:

- Provide for investment certainty in metering;
- Recognise the fundamental issue that Advanced Metering Infrastructure principally provides functionality germane to Networks' core interests; and
- Resolve the situation concerning the contestability of what are core network assets.

Partner

EnergyAustralia accepts that the Commission is likely to consider many of these issues out of the scope of this Rule change. Nevertheless, we seek Rules that protect existing investments and do not pose an obstacle for future technology and policy developments. I must emphasise that it is of utmost importance that prudent investments in meters must not be allowed to be stranded due to the operation of the contestability regime. Uncontrolled churn that does not fully consider the total costs to the market of replacing existing meters, as the Commission rightly identifies, is both inappropriate from a policy framework perspective that is attempting to encourage prudent investment, but will also from a market benefits perspective. We also seek Rules that avail new technologies where appropriate.

In the absence of clearer direction from policy makers and a more comprehensive review of Chapter 7 we believe the Commission has adopted a sound approach to the Rule changes proposed by NEMMCo

We support the harmonisation of the jurisdictional metrology procedures and the bulk of the changes emanating from the Joint Jurisdictional Regulators' (JJR's) recommendations. Our primary concerns relate the Rules regarding chronic/remote access and "in good faith" negotiations when transitioning metrology services from regulated service provision to competitive service provision. In this submission we also raise some concern with the scope of the metrology procedure and jurisdictional policy material; and seek clarification on the drafting of several clauses.

EnergyAustralia looks forward to continued involvement in this review and would be happy to provide further information or detail where necessary. We would appreciate the Commission making representations to the MCE on issues that it considered out of scope for the purposes of this Rule change in order to progress wider policy issues on this matter.

If you have any queries or comments regarding these or any of the detailed issues discussed in our submission please do not hesitate to contact me on (02) 9269 2111, or Mr Harry Colebourn, Manager – Network Regulation and Pricing on (02) 9269 4171.

Yours sincerely

GEORGE MALTABAROW
Managing Director

EnergyAustralia®

Draft National Electricity Amendment (Metrology) Rule 2006 Submission to Draft Determination

October 2006

Draft National Electricity Amendment (Metrology) Rule

October 2006

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Executive Summary

EnergyAustralia welcomes the opportunity to respond to the Australian Energy Market Commission's (Commission) draft determination and second draft Rule. We are currently investigating advanced smart meter technology throughout our network and will continue to publish findings as they become available. We hope that our investigations can assist in the wider policy debate of smart meter technology in the NEM.

While we accept that due to the expiration of the current derogations the Commission cannot simply delay the process until COAG provides further guidance on its smart meter policies, we maintain that any Rule change approved by the Commission must not limit the scope or nature of future policies that COAG may wish to pursue.

In the absence of a more expansive review of Chapter 7, we are broadly supportive of the proposed changes to the Rule.

EnergyAustralia supports the harmonisation of the jurisdictional metrology procedures and the bulk of the changes emanation from the Joint Jurisdictional Regulators' (Jar's) recommendations. However, EnergyAustralia has some residual concerns with some elements of the drafting of the Rule. In particular while we support Commission's intent:

- we would prefer the LNSP (as opposed to another market participant) to initiate the alteration of a type 5 meter because of issues regarding chronic/remote access;
- we request a strengthening of "in good faith" negotiations between LNSP and FRMP with some guiding criteria to ensure a more transparent transition from regulated service provision to competitive service provision.

In this submission we also:

- raise some concern with the scope of the metrology procedure and jurisdictional policy material; and
- seek clarification on some drafting issues including the availability of metering data, LNSP obligations under newly drafted Clause 7.2 and the treatment of a meter transferred from the LNSP to the FRMP.

Introduction

EnergyAustralia welcomes the opportunity to respond to the Australian Energy Market Commission's (Commission) draft determination and second draft Rule.

EnergyAustralia is currently investigating the potential costs and benefits from rolling out advanced smart meter technology throughout our network. Such a roll out has the potential to provide not only efficiencies in the timing and level of meter data that is available to the network for network planning and performance purposes, but also for operational purposes such as remote connection/disconnection and appliance controls that would enable a new wave of controlled load options.

The value of such network benefits is currently being investigated to determine whether a valid business case exists, and is the focus of trials currently being conducted by EnergyAustralia. We are providing information to the market on the progress of these investigations, and will continue to publish findings as they become available to inform both the metering debate in the market, and more specifically, to inform and engage with our network stakeholders. By way of example, we have been discussing with key stakeholders the future development of a new meter classification for advanced smart meters to be added to the existing type 1 to 7 meter classifications.

Industry remains in a policy "holding pattern" waiting for clearer signals from COAG on the future environment of smart meters. Therefore, while EnergyAustralia accepts that due to the expiration of the current derogations the Commission cannot simply delay the process until COAG provides further guidance on its smart meter policies, we maintain that any Rule change approved by the Commission must not limit the scope or nature of future policies that COAG may wish to pursue.

We also submit that the Commission could add value in expressing several of the issues it considers out of scope directly with the MCE.

In summary the underlying focus of EnergyAustralia's submission and attached Rule change suggestions, is ensuring that:

- the metrology changes facilitate the widest possible range of future technology and policy developments, and that these developments should be able to be initiated or undertaken by the widest possible range of investors;
- the changes are easy to implement and apply;
- the advantages of modern metering equipment should be preserved by ensuring that any meter replacement would provide the full range of facilities of the equipment it replaces; and
- efficient investments are protected from uncontrolled churn and that the incremental benefits of each new generation of meters installed are greater than the sum of their investment in the technology itself and the value of future economic benefits of the existing meters that would be lost through their replacement.

If these principles and objectives are adequately reflected and facilitated in the final Rules, the AEMC will have gone a long way towards future proofing the metrology regime, and providing a stable environment within which smart meter policies can be developed, and commercial enterprises can undertake product innovation and invest in the future of metering and related services provided to the community.

1 Single Metrology Procedure, JJR Recommendations and other matters

In summary, we support:

- The establishment of a single metrology procedure
- Changes to the Rule that confer a right on a jurisdiction to provide material that can be incorporated into the metrology procedure for a transitional period. However the Rules should not allow a jurisdiction to override a decision made by the MCE.
- Other minor amendments proposed by NEMCCO to establish a single procedure.
- Proposals raised by NEMMCo in relation to the recommendations raised by the JJR review but note that this Chapter is likely to be subject to further amendment in the future.

1.1 Single Procedure

EnergyAustralia supports the establishment of a single metrology procedure to be prepared by NEMMCo.

We believe NEMMCo is in an appropriate position to develop procedures that will ensure technical and procedural matters are dealt with on a consistent basis across the NEM.

However, there should be adequate controls over the powers given to NEMMCo. EnergyAustralia supports the additional Rule that ensures where there is a conflict between the Rules and the Procedure, the Rules will prevail.

There are residual concerns as to NEMMCo's role in relation to regulatory process and outcomes. Draft Rule 7.14 notes the metrology procedure may

"in relation to type 5, 6 and 7 metering installations specify in what circumstances energy data held in metering installations within the relevant participating jurisdiction, can be used by Distribution Network Service Providers to calculate charges for distribution services for the purposes of rule 6.16.1(e);"

While it may be apparent that the procedure will be limited to areas that are technical in nature, EnergyAustralia is concerned that the above clause could overlap with economic regulatory functions which are more appropriately dealt with in other areas of the Rules. We therefore propose a clause similar to 7.14.3 (b) which would ensure that a metrology procedure should not over-ride any economic revenue or pricing function established elsewhere in the Rules.

1.2 Issues relating to jurisdictional policy directives

EnergyAustralia supports the right for jurisdictional policy material to be incorporated into the metrology procedure for a transitional period. This will allow jurisdictions to respond to and manage transitional policy gaps with the least amount of framework and policy volatility, until such time as a NEM wide position is established through the MCE. Care should be taken to ensure that the Rule does not allow a jurisdictional position to subvert an MCE decision during the transitional period. The Rules should only allow for jurisdictional policy material to be included in a metrology procedure in the absence of a formal MCE position.

1.3 JJR recommendations and other related matters

EnergyAustralia supports the current Rule changes relating to the JJR recommendations. We do note however that the issue of metering cuts across other policy developments including work currently being undertaken by COAG and some jurisdictions. We would expect Chapter 7 to undergo a series of further changes as these policies develop.

The approach taken by the Commission to limit the scope to what is proposed by NEMMCo with minor changes where appropriate is therefore an appropriate one. However, care must be taken in the drafting the Rules so as to ensure that the language and use of terms does not inadvertently stop or restrict potential future policy developments.

Page 8 of the Draft determination notes that the Rule should adopt a recommendation from the JJR report "requiring interval meter data to be available to market participants…" EnergyAustralia did not read that into the JJR report recommendations and cannot see the incidence of this recommendation in the Rules. We would like further clarification of how this is being effected in the Rules or whether we have interpreted the issue incorrectly.

2 LNSP Deemed responsibility for metering installations

In summary:

- We believe the proposed delineation between types 1-4 and 5-7 meters is inappropriate and leads to adverse consequences.
- The Rules as drafted will not allow a LNSP to directly address issues surrounding remote or chronic access through remote data acquisition.
- The Rules surrounding negotiations between FRMPs and LNSPs should be strengthened with the inclusion of a non-exhaustive list of criteria.
- We seek clarification on the operation of amended Clause 7.2.
- We seek clarification on how the Rules apply to a reclassification from a type 4 meter which is transferred back to the LNSP as the responsible person.

EnergyAustralia supports NEMMCo's proposal and the Commission's decision to continue the existing set of derogations that define the LNSP's deemed responsibility for metering installations through the Rules. We also support an approach that promotes a harmonised metrology procedure.

EnergyAustralia also notes the Commission's belief that it is appropriate to limit itself to translating the current policy settings into the Rules and to address suggestions from submissions that alter or improve NEMMCo's proposal. It is understood that the Commission will raise broader policy issues arising from this process directly with the MCE[1].

Nevertheless, under this heading some of the broader policy considerations are inextricably linked with the drafting of the Rule.

Our metering initiatives form a key part of our Demand Management strategy. EnergyAustralia currently owns around 80% of the interval meters currently installed in the NEM and we will continue to invest in interval technology where justified.

[1] Draft Determination p36

We are also looking at how next generation technologies will facilitate out network and retail operations. These technologies have the potential to provide not only efficiencies in the timing and level of meter data that is available to the network for network planning and performance purposes, but also for operational purposes such as remote connection/disconnection and appliance controls that would enable a new wave of controlled load options.

Industry remains in a policy "holding pattern" waiting for clearer signals from COAG on the future environment of smart meters. Competition for metering in the domestic retail sector will remain stagnant without further policy direction. In fact no segment of the market has an interest in developing new technologies further without appropriate policy signals.

EnergyAustralia submits that, to the extent that the Rules implement certain policy positions, that implementation should be balanced, particularly as between LNSPs and FRMPs. As a minimum, the Rules should provide no obstacle to future policy development in this area.

In this regard, EnergyAustralia notes the Draft Rule:

- entrenches in the Rule the notion that the appropriate delineation between types 1-4 and types 5-7 meters is the extent to which the meter is capable of remote data acquisition;
- only anticipates that the financially responsible market participant would make a type 5 meter capable of remote acquisition;
- allows for the FRMP and the LNSP to negotiate in good faith to ensure that the LNSP is reasonably compensated if a meter is changed from type 5 to type 4 but provides no further guidance.

2.1 The appropriate delineation between types 1-4 and types 5-7 meters.

The current derogations effectively deem any type 5 meter that has been converted to remote acquisition, to be treated in the same way as a type 4 meter. The decision by the ACCC to include this distinction was in the absence of any clear analysis and contrary to the findings of the JJR which concluded that introducing metering services competition for small customers had minimal benefits and would result in less competition in the primary electricity market.

NEMMCo has now proposed to go one step further by effectively delineating types 1-4 from types 5-7 meters on the basis of how they are read. This not only leads to significant interpretation issues surrounding what constitutes "remote acquisition" (noting the new definition in the Rules) and "capable of", it also creates more procedural complexity by creating sub-categories within the definitions of type 4 and type 5 meters.

NEMMCo has suggested that type 4 metering be categorised into two groups based on what is required for NEMMCo to meet current prudential and settlement timeframes. The Draft Rule also categorises type 5 meters into those that are not capable of remote reading, plus those that have remote reading for the purposes of chronic and remote access.

EnergyAustralia accepts that the Commission is likely to consider this issue out of the scope of this Rule change. Nevertheless, the proposed delineation based on remote reading is an attempt for Metrology Rules and procedures to address economic rather than technical issues and should be addressed through the MCE. If this issue was addressed on a technical basis, the appropriate delineation between type 4 and type 5 metering would be on the basis of NEMMCo's settlement and prudential requirements, not on the basis of how the meter is read.

Such an approach would remove the uncertainty in definitions and allow more flexibility to introduce new technology into metering infrastructure. This change could be made without affecting other areas of the Rules. EnergyAustralia believes Clause 7.3.6(f) appropriately deals with the issues of economic regulation relating to LNSPs and payment for metering. The consequence of the Draft Rule is to create additional

uncertainty on behalf of the LNSP and create obstacles to the development of new technologies for metering. There is currently a disincentive to introduce type 5 meters that have future capability for remote reading. EnergyAustralia believes this is an inefficient market outcome.

Ultimately the mixing of regulatory policy and procedural requirements has delivered a worst of both worlds scenario. Introducing regulatory policy into what would otherwise be transparent and consistent procedural requirements, creates processes that are unclear, requires categories within categories to be developed in order to manage simultaneous requirements that are not intuitively compatible, and vulnerable to subjective assessments of "capable of".

2.2 The FRMP (not the LNSP) makes the decision to alter the metering installation because of operational difficulties

In the absence of amendment to the delineation between types 1-4 and 5-7 meters, EnergyAustralia believes that more flexibility should be given to the LNSP to change a meter to be remotely read. Proposed clause 7.3.4(e) states:

> Subject to the *metrology procedure* and this clause 7.3.4, a *financially responsible Market Participant* may make arrangements to alter any type 5, 6 or 7 *metering installation* to make the installation capable of *remote acquisition*.

While paragraph (f) allows for the meter to retain its classification "…where the *Local Network Service Provider* decides on reasonable grounds that operational difficulties require the *metering installation* to be capable of *remote acquisition"*, the Draft Rule effectively prohibits the LNSP from managing its own costs and business risks for these sites. The Draft Rule does not currently recognise that the LNSP itself must be capable of initiating the conversion of the meter to remote acquisition to address the operational difficulties mentioned in paragraph (f) that is indeed borne by the LNSP. In NSW this is consistent with the powers of a DNSP under section 29 of the Electricity Supply Act, 1995, discussed further below.

The LNSP in its role as Responsible Person is exposed the operational difficulties which warrant the installation of remote acquisition capability. The costs of special meter reads for chronic access sites are borne in the first instance by the LNSP, and in many cases the additional administrative costs of obtaining meter data for chronic access sites are not recoverable. The burden of managing meter reads for chronic access sites also impacts on operational and resource requirements, which increase the costs arising from such customer sites.

There would be no reason or obligation for the FRMP to identify or respond to issues of chronic or remote access. The FRMP will only change classification if it suits it own purpose. If the FRMP does not wish to convert the meter, the problems of chronic and remote access will prevail.

The Rules therefore must provide for the LSNP to initiate the installation of remote acquisition capability. If the LNSP, as the Responsible Person, determines that, due to operational difficulties, a metering installation should be capable of remote acquisition, then it may alter (or even install in the first instance- where operational difficulties can be reasonably foreseen) a metering installation so that it is capable of remote acquisition. If the FRMP determines to install its own remote acquisition capability then it is appropriate for it to become the Responsible Person subject to the payment of compensation to the LNSP.

EnergyAustralia prefers an approach which gives the LNSP flexibility in determining which sites are best suited for remote reading based on operational difficulties. This would allow the LNSP to remain the responsible person for these meters, consistent with their treatment as type 5 installations. It may also be appropriate that prior to making a meter capable of remote reading it consults with the relevant FRMP (however this may be part of a more general agreement with a retailer – as explained below).

The Commission should also note the inter-relationships between the Rule and Jurisdictional requirements. Under section 29 of the *NSW Electricity Supply Act*, 1995, a DNSP may require the installation of such

electricity meters as it considers necessary to ascertain the quantity of electricity supplies to a customer. This power is supplemented, and to a degree regulated, through the NSW Market Operation Rule (NSW Rules for Electricity Metering) No. 3 of 2001 made under section 63C of the Electricity Supply Act.

Chapter 7 of the National Electricity Rules is directed at ensuring appropriate metering and data availability for the National Electricity Market. To date, the requirements of Chapter 7 of the National Electricity Rules through the derogations and the NSW Metrology procedure have complemented the Electricity Supply Act powers which ensure that the distribution network service provider can exercise effective control to ensure the appropriate metering is connected to the network. It would be obviously be inappropriate for the Rules to be inconsistent with the primary legislative powers conferred upon DNSPs.

For example, the DNSP may reasonably form the view that certain types of premises should have metering which is capable of being remotely read as a minimum standard. This condition would apply under the customer's connection contract and would prevent the installation of metering which was not remotely read, even if such metering was permissible under Chapter 7 of the Rules. EnergyAustralia therefore submits that the Commission should ensure that the Rules do not in any way derogate away from the general powers of DNSPs to impose requirements in relation to metering.

2.3 "In good faith" negotiation for compensation

EnergyAustralia supports the Commission's approach to addressing the issue of compensation and potential for uneconomic meter churn.

EnergyAustralia believes that the loose requirement for parties to enter into good faith negotiations should be strengthened through the inclusion of a non-exhaustive list of items that should be considered in the negotiation process. Such a list would serve to reduce the number of potential disputes between parties and serve as a guide as to the costs and benefits that would reasonably be expected to be compensated for, or shared between, the negotiating parties creating a more effective and efficient transfer regime that also protects commercial and financial rights. In this regard it is important that the Rule appropriately anticipates how Clause 7.3.6(g) would apply in practice.

Assume for example, that EnergyAustralia is the responsible person for a type 5 meter. The FRMP chooses to replace this meter with a type 4 meter. This may mean either a complete replacement of the infrastructure or enhancement of an existing meter to make it capable of remote acquisition. We believe the "cleanest" option available is to effectively require the FRMP to purchase the metering installation from the LNSP at the meter's remaining economic value (as evidenced in the regulated asset base). This would ensure in all cases the FRMP is forced to consider the full commercial impact of its decision should it proceed with the conversion to a type 4 meter.

The Rules should include criteria that address the following issues:

- The residual value of the metering asset. Paragraph (f) acknowledges that LNSP's earn a return for the monopoly service provided to types 5, and 6 meters (type 7 is no meter at all). The remaining economic value which the LNSP will no longer be entitled to is a good basis for negotiations.
- Protections to ensure that any replacement meter is fully compatible with the technical characteristics provided by the LNSP, in order to preserve any control and communications features.
- A process that ensures meters are replaced or enhanced only after the compensation value has been agreed. This is necessary to ensure that the replacement of the meter is only undertaken in circumstances that are commercially assessed;
- An efficient and effective dispute resolution process to facilitate economic churn in the shortest time period but also protect financial rights and obligations;

- Protections to ensure that the incumbent meter owner/provider does not use their incumbency (such as through the need to have an agreement before replacing the meters) as a barrier to competition; and
- Consideration of a default negotiation regime to facilitate an LNSP's involvement in the replacement of regulated meters with unregulated meters, in a competitively neutral manner.

There is also an important principle that should be established in the Rules to prevent unreasonable meter churn. EnergyAustralia applauds the Commission's approach regarding the need to avoid "uncontrolled" churn in meters and the need for a commercial negotiation framework. This principle should ensure that a responsible person should not be subject to the stranding risk associated with a meter investment. This relates less to the change in the type of meter and more to the change in the responsible person. Rules that uphold this principle may go some way to ensuring a competitive market for metering and the advancement of new technologies in this field. As a matter of good policy, meter churn should be limited to instances where the incremental benefits of the new meter outweigh the full economic costs of its installation (including the residual future economic benefits available from the existing meter). To ensure that the objective of commercial meter churn is facilitated the Commission has rightly identified that there needs to be a framework whereby the party investing in the replacement meter makes some manner of compensation to the investor in the current meter. This framework should allow for negotiation between parties and should consider, amongst other things the future economic loss that the incumbent responsible person will sustain.

This task would be much simpler if a more appropriate delineation between types 1-4 and 5-7 metering were in place which gave the LNSP the flexibility to install remote capability and other functionality on meters where economically feasible to do so and remain the responsible person.

2.4 Clarifying the operation of amended Clause 7.2

Proposed clause 7.1.4 and clause 7.2 have been amended to broadly reflect the derogations that have applied to jurisdiction until now:

- 7.1.4 effectively provides that, before taking over as the FRMP in respect of a connection point, a market participant (MP) must either become a responsible person under 7.2.2 or arrange for the LNSP to undertake that role under 7.2.3.
- 7.2.1 notes a responsible person is the person responsible for the provision installation and maintenance of a metering installation. The MP may elect to be a responsible person for a type 1-4 metering installation.
- 7.2.3 states a LNSP is the responsible person for metering installations connected to the LNSP's network unless the MP elects to be the responsible person in respect of a meter type 1,2 3 or 4 Consequently the LNSP is the responsible person for all meter types unless the MP has elected to be the responsible person. Our interpretation of this Clause is that the LNSP is indeed the default unless the FRMP elects otherwise.
- 7.2.3 also states that the MP may request the LNSP to make an offer for types 1-4 meters installation but must request the LNSP to make an offer for types 5-7. The MP becomes the responsible person if any agreement under 7.2.3 is terminated due to a breach by the MP; however it is not apparent why the MP should become the Responsible Person in respect of meter types 5, 6 or 7. The Clause then also provides timeframes, terms and conditions to which the LNSP is to respond. It also enables the MP to dispute an offer in relation to types 5, 6 or 7 under Clause 8.2.

It would be fair to say that the above clauses do not fully reflect the current practice for metering installations. For example, in many cases with new development, the metering installation becomes part of the capital contributed to the LSNP who is required to maintain and operate it from then on as the

responsible person. Even in the instance of replacement, it is the LNSP who initiates the replacement as responsible person.

EnergyAustralia would therefore prefer the option for an agreement between market participants and LNSPs regarding installation of type 5-7 installations such that the arrangements in place at the time a MP assumes financially responsibility for a connection point are to be a deemed agreement unless the MP disputes any aspect of the arrangements which are already in place. This would negate the need for a separate "request-/offer-/accept" arrangement for each and every metering installation. As a minimum, the Rules should allow for the LNSP and MP to have a standing arrangement in place such that whenever the MP assumes responsibility for a connection point, then the terms and conditions under the standing arrangement will apply unless the MP specifically requests otherwise. This would not appear possible under the Draft Rule as draft Clauses 7.1.4(a)(2) and 7.2.3(d) require the MP to request an offer on each occasion that a MP assumes financial responsibility for a connection point.

2.5 Treatment of the meter when transferred to a new FRMP

EnergyAustralia believes the Rules need to cater for the instance where the FRMP is no longer the responsible person for a type 4 meter. This could occur where an agreement in terminated as provided under proposed clause 7.2.2. Also, assume that an FRMP is successful in winning a retail contract and as part of that contract elects to be the responsible person by installing a type 4 meter. However after expiry of the contract, the customer chooses to go to another retailer.

EnergyAustralia is uncertain as to whether the new FRMP is deemed to be the responsible person for that meter or whether the LNSP must take on the role of responsible person if the new FRMP does not expressly elect to do so. It appears to be the latter, but it not clear that this was the intention of the Commission. More importantly, should the LSNP be required to take on the role of responsible person, we wish to clarify whether the meter can be reverted back to a type 5 (and capable of being subject to monopoly provision) or whether it remains as type 4 (meaning the market participant would be fully exposed to the upfront cost of any meter).

The obligations of the LNSP have economic regulatory implications for LNSPs. If there is an obligation for the LNSP to be the "provider of last resort" for metering provision it is not appropriate for these returning assets to be deemed as part of the competitive market as the services are being provided from the default obligations, not through the competitive market. Therefore if it is an obligation by virtue of the LNSP's prescribed functions then at the very least it must be part of a lighter handed regulatory regime if not part of the prescribed services bucket.

While the issue of economic regulation is clearly outside scope, clear understanding of obligations will assist LNSPs and regulators better define the line between contestable and non-contestable services.