



Victorian jurisdictional derogation - advanced metering infrastructure

Final determination and rule

The Australian Energy Market Commission has made a jurisdictional derogation in relation to meters installed under the Advanced Metering Infrastructure program in Victoria. Distribution businesses will remain exclusively responsible for providing advanced metering infrastructure to Victorian small electricity customers for the duration of the derogation.

Background

In 2006, the Victorian Government adopted a policy of accelerated rollout of advanced metering infrastructure (AMI) to all Victorian small electricity customers. The AMI program obliges Victorian electricity businesses to install AMI for all customers whose annual electricity consumption is less than 160 MWh (except where such a meter already existed).

In 2009, the Australian Energy Market Commission (AEMC) made a jurisdictional derogation which varies the application of the National Electricity Rules in Victoria. The derogation makes distribution businesses exclusively responsible for providing metering and meter data services for Victorian small electricity customers, meaning that retailers are prevented from providing these services. Distribution businesses also control related services that are enabled by advanced metering infrastructure. The existing derogation will expire on 31 December 2013.

The 2009 derogation supported the Victorian Government's AMI program. The rollout of AMI began in mid-2009 and is expected to be substantially complete by the end of 2013.

Rule change request

In June 2013, the Victorian Government sought a new jurisdictional derogation to preserve distribution business exclusivity for small customer metering services for another three years from 1 January 2014, or until national arrangements for competition in metering and associated services are implemented.

In the absence of the derogation, retailers would be able to become responsible for providing metering services to Victorian small customers and would also control access to the related services that are enabled by AMI meters. The Victorian Government argued that for retailer provision of metering services to occur in practice, while at the same time realising the expected benefits of the Victorian AMI program, a number of processes and systems would need to be developed.

It is intended that many of these processes and systems will be established as part of the national framework for competition in metering and related services for residential and small business customers, following the AEMC's Power of Choice review, which the Standing Council on Energy and Resources has agreed to progress. However, the national framework will not be established before the current derogation expires.

The Victorian Government stated its concern that allowing retailers to become responsible for small customer metering services in Victoria from 1 January 2014 could result in a loss of benefits from the Victorian AMI program – such as those relating to remote de- and re-energisation, network operational efficiency and flexible pricing. The Victorian Government identified that, without the national framework in place, specific Victorian arrangements would need to be established to accommodate contestable metering services.

The Commission's final determination

The AEMC has made the proposed rule with some minor amendments. The significant features of the rule are:

- Distribution businesses will continue to have the exclusive right to act as the responsible person for AMI meters for Victorian small customers.
- AMI meters will continue to be designated as type 5 or type 6 metering installations. In the absence of the derogation, AMI meters would be classified as type 4 metering installations as they can be remotely read.
- The derogation will continue until the rules are amended to provide a national framework for competition in metering and related services for residential and small business customers and regulatory arrangements are made to provide for the orderly transfer of Victorian metering arrangements to this framework. If these requirements are not met by 31 December 2016, the derogation will expire.

The rule does not affect the cost recovery arrangements for the Victorian AMI program, and therefore does not directly affect the charges that Victorian small customers pay for their metering services.

The rule does not affect metering arrangements in jurisdictions other than Victoria.

The Victorian advanced metering infrastructure jurisdictional derogation will commence on 1 January 2014.

Reasons for the Commission's determination

The derogation allows Victoria to transition to the national framework for competition in metering and related services, once that is established, as a means of introducing small customer metering competition.

It is likely to be in the long term interests of consumers because:

- Without the rule, Victorian-specific arrangements would need to be established to accommodate retailer responsibility for the provision of small customer metering services while allowing the benefits of the Victorian AMI program to be realised.
- The incremental benefits of allowing retailers to provide small customer metering services in Victoria are likely to be low over the period until a national framework for competition in metering and related services is established.
- The costs of establishing a Victorian-specific framework for metering contestability are likely to outweigh the incremental benefits of doing so. These costs could include possible detrimental impacts on the development of a national solution if Victorian-specific arrangements are developed.

Our assessment that there are limited incremental benefits from allowing retailer provision of small customer metering services in Victoria applies only to the short term. It is therefore appropriate that the jurisdictional derogation be limited to a maximum three years' duration.

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