

1st October 2015

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

ADDITIONAL CONSULTATION ON SPECIFIC ISSUES

National Electricity Amendment (Expanding competition in metering and related services) Rule 2015

National Energy Retail Amendment (Expanding competition in metering and related services) Rule 2015

Dear Mr Pierce,

Metropolis Metering Services Pty Ltd (Metropolis) is an AEMO accredited Metering Provider and Metering Data Provider with a significant volume of contestable advanced meters installed across homes and businesses in all states and territories in the NEM.

Metropolis welcomes this opportunity to respond to the additional consultation on specific issues raised from the draft determination for *Expanding competition in metering and related services*. As an existing accredited, competitive metering services provider, Metropolis has a keen interest in supporting a contestable market for metering and services. An effective competitive market in the utilities space is supported by a regulatory regime which balances the obligations and rights of monopoly providers to minimise market distortion and create a balanced playing field for competitive participants.



Metropolis strongly supports the AEMC's efforts to ensure this balance through the *Competition in Metering* rule change, including through this additional consultation paper.

In the attached appendix, Metropolis provides feedback to each of the 7 identified issues. This feedback is specifically focused on the impacts of the proposed rule changes on contestable Meter Providers, Meter Data Providers and Metering Coordinators.

Sincerely,

Charles Coulson
Regulatory Manager

1. Arrangements for accessing energy and metering data

Metropolis accepts that DNSPs need access to data that is generated from the meter for a variety of reasons. Currently this data is meter configuration and meter readings (kwh and kvarh). This data is critical to the operation of the market, and is provided without charge.

Metropolis supports this process remaining unchanged.

Metropolis have concerns in two areas of the proposed rule, however.

- 1) Terminology. The meaning of "Access to the metering data service database" is unclear. This could mean physical access to data-centres, access to run SQL scripts on the database, access to all data (even non-market data) stored by a metering provider. Obviously this is not the intention of the wording, however it needs to be clear this is about the right to the specific stored data, not the physical or logical storage system. It is unclear why "access to the metering data services database" is separate to "provide metering data and relevant NMI Standing Data".
- 2) "Statutory obligations" is also unclear. Of particular concern is, "tariff development". The development of a Tariff Structure Statement is something that is performed by a DNSP. If, for example, a DNSP develops a tariff that requires voltage data (which is not routinely provided by MDPs), does this mean that a MDP has an obligation to provide the data? If so, this passes a significant risk/cost from a regulated monopoly business onto contestable providers.

Metropolis support clarification of the explicit services which must be offered under mandatory arrangements. Metropolis also recommend the only mandatory services should be those which are required to operate the NEM. These services do not change due to *Competition in Metering* and are meter configuration data (via MSATS) and scheduled consumption data (via B2B).

Any other services should be available at commercial rates, to allow an appropriate cost-benefit assessment by the businesses involved. This includes services on the minimum functional specification list which are not currently provided free of charge. For example, in Vic DNSPs charge about \$5 for a remote connect/disconnect, and between \$0.55 and \$30.96 for a remote special read.

2. Supply interruptions for the purpose of installing or maintaining a meter

There are two issues to be addressed: authority to interrupt and notification of planned interruption. These issues are addressed separately below.

Responsibility for interruption

Metropolis fully support the notion that the DNSP should not be responsible for supply interruptions where they are not initiating or carrying out the work related to the interruption. Metropolis acknowledge the AEMCs proposed rule changes and accept them as reasonable.

However, Metropolis also notes that the conversation regarding supply interruptions for meter work have often been misleading. As a matter of clarity: any electrician performing work will "interrupt" the electricity supply to a property, often by pulling the service fuse. This includes isolation for the purpose of installing a light fitting or power point (as I recently saw at my house).

The concept that a Meter Provider will pay hundreds of dollars for a DNSP truck visit to do the same thing is ridiculous. Currently MPs arrange an appointment, isolate supply, perform the work, bring the site back on supply, test and certify the work. This is identical to my light-fitting electrician.

DNSPs have responsibility to ensure safe isolation is available at a site. As such, if it is ever considered necessary to use a DNSP to isolate supply, Metropolis propose that this service should be offered free of charge, in order to allow a MP to complete their obligations to safely meter a site, without excessive costs due to non-compliant legacy installations.

Responsibility for notification

Metropolis do not support the proposed changes to notifications.

The proposed rule change regarding customer notification of outages are based on a fundamental assumption that the restrictive obligations which are placed on DNSPs need to be extended to competitive parties. This assumption needs further testing.

Metropolis exchanges meters on a daily basis, without providing notifications that comply with the proposed rules. This is not an area of complaint by consumers. Metropolis consider this to mean that the existing process for notifying customer of an outage under a Retailer let competitive roll out of advanced meters is appropriate, and driven by customer experience requirements of contestable retailers.

Metropolis's view is that DNSPs are regulated monopoly businesses, with no risk of losing a customer due to poor experience with an outage. This lack of market pressure means there is no incentive for a DNSP to proactively manage the customer experience. The existing regulated process is explicitly designed to manage this gap.

In the case of a Retailer arranging an outage, they have a fundamental business driver to make the process as painless as possible for the consumer. If they don't, they lose the customer. As such, imposing further obligations are not necessary and result in additional



regulatory compliance costs, and quite possibly worsen the customer experience due to delays, inflexible processes and multiple notifications.

In the same way, when a DNSP plans an outage the Retailer needs to know, but Metropolis's view is that the reverse is not required.

When a DNSP has an outage, this will likely be due to work on the network, rather than on the consumer's property. As such, the consumer does not have direct visibility or understanding of what is happening. When a consumer has an outage for a reason they don't understand, the Retailer may be called and needs to be able to respond to queries. When a consumer requests a meter upgrade, the DNSP does not need to be notified, because the consumer knows what is going on. The consumer has requested the new service, and there is a technician physically on the property of the consumer for the entire period of the outage. This is a very different scenario to one where a DNSP is working on a pole-top transformer half a street away.

Again, there are fundamental differences between the businesses and the nature of the outages.

3. Customer consent for provision of network-related services

Conceptually Metropolis accept a DNSP should not need to gain consumer permission to acquire some network benefit services from advanced meters. A significant part of most business cases for advanced meters all around the world includes network benefits. Metropolis agrees that gaining customer opt-in would significantly restrict these benefits.

However, Metropolis have some concerns regarding the governance of this. All parties involved in the service have incentive to make a deal, potentially to the detriment of the consumer. If a DNSP claims a service meets the exemption test, there would be no benefit for a MP/MC to question it (if they did, they would likely lose the contract). No other parties have visibility of the service - so there is no commercial incentive or regulatory oversight to ensure the exemption process is not abused.

4. Network Devices

The proposed rule changes related to Network Devices is appropriate and Metropolis strongly support the AEMCs position.

In regards to Controlled Load, it should be noted that this is a device which is effectively implemented as a contract between the consumer and the network. A consumer has every right and ability to connect their controlled load device (eg, hot water) to the general power circuit. But no one ever does, as the commercial agreement between the DNSP and consumer provide a compelling incentive to retain the controlled load device as.

By way of example, Metropolis had a situation where we incorrectly removed a load control device (built into a meter), without replacing the capability: The customer bills went up, the customer complained to the Retailer, the Retailer complained to us, and we corrected the problem.

This supports the AEMCs position that controlled load devices do not require specific rulings.

5. Alterations to type 5 and 6 metering installations to make them capable of remote acquisition

Metropolis have fundamental concerns with the concept of upgrading a type 5 (or 6) meter to include communications, but retaining it as a Type 5 meter. Apart from technical issues (such as methods of substitution, provision of Forward Estimates, data delivery to market, fault resolution timeframes, etc, etc), this clause provides significant competitive power to DNSPs.

It is unclear to Metropolis what the intention of this exemption is. The purpose of *improving competition in metering* is to enable additional services via metering, on a contestable basis. This exemption, however, enables additional services via metering, on a monopoly basis. It undermines the value and service offerings available to contestable metering, by implementing a regime where a DNSP can elect to install monopoly equipment that provides services to compete with services offered by contestable providers, without the same level of regulatory compliance.

The comment that DNSPs will not be able to gain additional cost-recovery is for this work is misleading. The costs associated with this work are relatively small compared with other DNSP costs and well below the RIT-D threshold. As such, these costs will simply vanish in general costs.

In cases where remotely read metering is required, the DNSP (either as MC, or through negotiations with the MC) can effectively negotiate to have a contestable meter installed. The incremental cost of using a competitive MP is relatively small, being the cost of the physical meter: approximately \$120. And if the DNSP sells, leases, or otherwise provides the on-site asset to a contestable MP, then even this cost does not exist.

Other costs for a difficult to access site (technician time and communications module) average at about \$900, which swamps the incremental cost. Given the scarcity of these sites, it is difficult to see how it warrants an explicit exemption in the rules. It is using a sledge hammer to kill a spider.

At this stage, it is difficult to assess what services will be of value to both consumers and DNSPs in the future. A claim that a DNSP will not see value in upgrading a significant

number of sites is difficult to support, given the wide variety of services which *may* be of benefit.

For clarity, Metropolis have no objection to adding communications modules to existing metering installations. The objection is to a different compliance regime applicable to DNSPs as to competitive providers, and the ability for a regulated business to offer competitive services from an advantageous market position.

If this exemption was to be allowed, the definition of "operational difficulties" should be significantly tighter. The determination uses four examples: remote locations, secure facilities, physically difficult to access and in proximity to hazardous materials.

Below is a consideration of each of these examples. It needs to be clear that this is not an exhaustive list, and that "operational difficulties" is entirely up to the interpretation of the DNSP – allowing for a significant number of sites to be upgraded, if they can make an internal business case based on operational factors.

Remote locations

How far away makes a site a "remote location"? If a DNSP can make a determination that remote acquisition of data is cheaper than manual, then it would be reasonable to then assess that site as a "remote location".

The next logical question is, 'can sites become remote?' For example, when the density of DNSP owned meters drops to a level where a commercial decision is made that remote reading would be better? This would mean that at about 50-70% penetration of advanced meters in a geographical region the DNSPs can offer a low-compliance alternative for all the remaining meters.

Secure facilities

Customers are obliged to provide access to the metering installation, so "secure facilities" is not a good reason for allowing such a significant exemption from the rules. It is also a very broad description: is a military installation a secure facility? What about a telco tower? Or a data-centre, or office building? Any site that says, "I don't want you on my property" could be considered "secure" and thus be eligible for triggering this exception to the rules.

Again, this exemption allows a DNSP to directly compete with competitive metering providers, with advantages. If the customer wants to reduce the number of site visits, they can negotiate a contestable Type 4 meter. Remote reading is one of the services offered in a contestable manner by advanced meters. This exemption gives DNSPs permission (and encourages) to directly compete in this space, with the advantages of a lower compliance regime.

Difficult to access

Is a metering installation that requires confined spaces accreditation difficult to access? How about needing a ladder? Or a closed gate, a dog or overgrown bushes? The definitions need to be clear.

Again, if the DNSP sees that there is a benefit to having a remote data acquisition service, there is a suitable contestable method for purchasing that service. This is a straightforward cost/benefit, with a clear market for the service. It is unclear why a DNSP should have a rule exemption in order to bypass this contestable market, without stringent limitations associated.

Hazardous materials

Hazardous materials (asbestos) is considered by Metropolis to be a scenario where not exchanging a meter may result in not disturbing the material. In this case, there may be a compelling reason to encourage an upgrade that does not include replacing the meter. However, it should also be noted that there are many suitable market based alternatives, which have been in use for years, for example:

- Safe 'working with asbestos' and 'asbestos disposal' methods exist, and are relatively straightforward and inexpensive.
- Metropolis routinely provide meter panels which leave the existing contaminated panel undisturbed, but cover it with a new material for mounting the meter.
- Upgrading the meter to a Type 4, and having the correct meter classification.

Additional constraints related to this exemption are discussed in AEMCs *additional consultation paper*, which seem to limit the benefit to the DNSP, not the consumer.

When the Metering Coordinator changes from being the DNSP to being a competitive provider, the exemption is automatically removed. This means that when the Metering Coordinator changes, they are instantly liable for the cost of upgrading a meter to be compliant. Indeed, when the MC changes, the site would become instantly non-compliant, as the meter change is unlikely to occur at the same time as the MC change completes. Obviously there are barriers to competition built into this, as well as compliance issues, as the cost of upgrading the meter would discourage the change of MC.

Presumably the assumption here is that the new MC will be replacing the DNSP as Metering Provider, and the intention is that any new metering must be compliant – but that is assuming a specific business model. Assuming business models has been explicitly avoided throughout other aspects of the *Competition in Metering* rule change and this assumption is not in line with some business models being considered by industry. Metropolis strongly recommend that if this remains, that it is changed to be that when the DNSP ceases to be Meter Provider (as distinct from Metering Coordinator) the exemption ceases.

Finally, where a DNSP has upgraded a site to remote reading, it is reasonable to consider that for most intents and purposes this is an advanced meter (while acknowledging that there may be some functionality missing, such as remote disconnection). As such, it has the capability of offering all the remote services of a Type 4 meter: it can provide real-time data, advanced invoicing options, data analytics, voltage/frequency monitoring, etc. This gives DNSPs a platform to offer a full range of both internal network services, and external competitive services, with a lower compliance cost and via regulated assets.

Offering contestable services via regulated assets is entirely inappropriate in a contestable market. However, it is also inappropriate that services are available and not allowed to be offered: As such, the exemption process for upgrading meters could be considered a “gateway” exemption – intended for the purpose of resolving a small number of minor operational issues, but actually enabling a vast suite of other services.

In summary, Metropolis do not believe there is significant benefit to being able to upgrade type 5 and 6 sites to have remote communications, however we support this activity if it occurs under appropriate market forces. Allowing an exemption to DNSPs to avoid market forces creates huge competitive concerns.

If this component of the rule were to go ahead, we recommend significantly tighter restrictions on when and how it can be used. Metropolis also believe this could undermine business cases and benefit realisation of the *Competition in Metering* rule change, by reducing incentive for DNSPs to negotiate with Metering Coordinators for services.

Metropolis’s view is that the existing rules allowing this are based on the assumption that type 1-4 metering is complex and significantly more expensive than other forms of metering, which does not hold true under *Competition in Metering*. As such, Metropolis suggests the entire exemption regime should be grandfathered, with standard competitive metering offering an appropriate replacement service.

6. Metering Coordinator obligations where a customer refuses to have an advanced meter installed

Metropolis support the proposed changes as a practical outcome for a scenario which is outside of the normal market operation.

7. Application of the framework to transmission connection points

Metropolis has no position on transmission network connection points.

END