

Session 3

Network regulatory arrangements and access to Metering Coordinator services



Network regulatory arrangements



Unbundling of metering charges

Draft rule

- The draft rule does not require the AER to unbundle metering charges from distribution use of system charges.

Rationale

- Charges for type 5 and 6 metering services have been, or soon will be, unbundled from distribution use of system charges.
- It is appropriate that the AER continues to determine the classification of services and control mechanism within the existing regulatory framework.

Cost recovery for regulated metering services

Draft rule

- The draft rule maintains existing arrangements, whereby the AER determines an appropriate means for DNSPs to recover residual costs of regulated metering services.

Rationale

- The existing regulatory framework is appropriate for the AER to determine arrangements for DNSPs to recover residual costs.
- Prescribing the service classification and control mechanism for metering services would restrict the AER's flexibility and would be a significant departure from current arrangements.

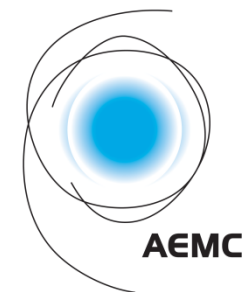
Distribution ring-fencing arrangements

Draft rule

- The draft rule amends an existing provision to require the AER to develop a national distribution ring-fencing guideline by 1 July 2016.
- In developing this guideline the AER will determine whether DNSPs should be required to ring-fence the provision of regulated services from the provision of metering services on a competitive basis.

Rationale

- The existing NER provisions are sufficiently flexible for the AER to determine appropriate ring-fencing measures.
- The guideline may apply to a range of distribution services. There is no reason to mandate a particular approach for metering services.



Access to Metering Coordinator services



Access to Metering Coordinator services (1)

Draft rule

- The draft rule does not regulate terms and conditions of access to the services provided by a Metering Coordinator.
- The terms, conditions and prices of access to services will be subject to commercial negotiation between the Metering Coordinator and those seeking access.
- The AEMC recommends that the need for access regulation be reviewed three years after the rules commence.

Access to Metering Coordinator services (2)

Rationale

- We anticipate several factors will mitigate risks to competition for the provision of Metering Coordinator services to small customers:
 - The number of potential market entrants.
 - The risk that assets will become stranded if access is restricted.
 - The bargaining power of DNSPs.
 - The ability of consumers to switch retailers.
- Access regulation is likely to introduce more costs than benefits, which may diminish incentives for parties to enter the market.

DNSPs' access to network-related services (1)

Draft rule

- DNSPs may negotiate for services enabled by advanced meters.
- DNSPs may continue to use existing network devices or install new network devices to help monitor or operate their networks.
 - Metering Coordinators must not remove, damage or render inoperable a network device, except with the DNSP's consent.
 - DNSPs may only use network devices for the purpose of monitoring or operating their network.
- Nothing in the draft rule prevents DNSPs from helping to fund the installation of advanced meters through Metering Coordinators.

DNSPs' access to network-related services (2)

Rationale

- Allowing DNSPs to 'bypass' the Metering Coordinator may:
 - constrain the price a Metering Coordinator can charge for access to network-related services; and
 - allow DNSPs to continue to get the benefit of existing network devices, or obtain that benefit by installing new network devices.
- The ability of DNSPs to help fund the installation of advanced meters may:
 - bring forward the expected benefits of advanced meters; and
 - overcome uncertainty regarding ongoing access to services.