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Mr John Pierce  
Chairman  
Australian Energy Market Commission  
P O Box A2449  
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

## **SUBMISSION - EXPANDING COMPETITION IN METERING AND RELATED SERVICES - DRAFT RULE DETERMINATION**

Ergon Energy Queensland Pty Ltd (EEQ) in its capacity as a non-competing electricity retailer in Queensland welcomes the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on its *Expanding Competition in Metering and Related Services Draft Rule Determination*. (Draft Rule Determination).

EEQ is a proud Queensland company that provides electricity to more than 700,000 homes and businesses and helps regional Queenslanders manage their energy consumption. With our roots firmly entrenched in regional Queensland, we have a team of people servicing regional Queensland customers from our contact centres and offices located in Townsville, Rockhampton, Maryborough and Brisbane. We also firmly believe in supporting our local communities by providing regional jobs and engaging in community partnerships such as the Royal Flying Doctor Service.

EEQ generally supports the intent of the Draft Rule Determination to promote competition in metering and related services however concerns remain around several aspects of the implementation. As a member of the Energy Retailers Association of Australia (ERAA) EEQ is supportive of the views contained in the ERAA's submission. In addition, EEQ's comments in relation to specific issues are outlined below.

### **Retail Pricing issues as a Non-competing retailer**

Under Queensland legislation<sup>1</sup>, EEQ is a non-competing retailer which means that it is restricted to a standard retail contract (SRC) offering the Notified Prices determined each year by the Queensland Competition Authority under delegation from the Queensland Government. EEQ can only charge the Notified Prices and the distributor's charges for provision of connection services as determined in

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<sup>1</sup> *Electricity Act (Qld) 1994 s. 55*

accordance with energy laws. EEQ cannot pass on to customers the distributor's unregulated charges.

### **Timeframes for implementation**

EEQ notes that there is a considerable amount of preparatory work to be undertaken by the AEMC, AEMO and the Information Exchange Committee along with the AER, which impacts on all market participants prior to the commencement date of 1 July 2017.

This work includes the development by AEMO of the new Emergency Priority Procedures<sup>2</sup> which will contain the criteria for how the MC will prioritise access when an emergency condition is present and which metering installations will be affected. Also, AEMO must develop the new procedures setting out the requirements for each service specified in the minimum service specification<sup>3</sup>. This will include minimum service levels, service availability and completion timeframes, completion rates and accuracy requirements

In addition, AEMO is required to prepare explanatory material on the role of MC<sup>4</sup> and to update the AEMO Service Level Procedures, Market Settlement and Transfer Solution procedures, B2B procedures, Metrology Procedure, Meter Churn procedures and RoLR procedures.

While the AEMC has previously consulted on the implementation timeframes and some of the above-mentioned work will be carried out concurrently, EEQ remains concerned that sufficient time should be allowed after all of these changes are finalised to allow for market participants to build/test and implement their own updates to systems, interfaces and processes to comply with the new requirements. The AEMC has now indicated that the final determination and final rule may not be published till mid-August 2015 further shortening timeframes. EEQ strongly recommends the need for a further review of the implementation plan, which has been flagged by the AEMC.

### **Ring Fencing**

The draft rule requires that the AER must develop national distribution ring-fencing guidelines by 1 July 2016 to replace the jurisdictional guidelines which pre-date the introduction of the National Electricity Market and development of the National Electricity Rules (NER). As noted in the draft determination, the focus of ring-fencing has been 'on the accounting and operational separation of DNSPs from generation, retail and other contestable works including, connections, extension and/or meter installation.' There is provision however under Chapter 6 of the NER for application of ring-fencing guidelines more broadly.

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<sup>2</sup> New NER Chapter 7, clause 7.8.5(b)

<sup>3</sup> clause 7.8.3(c)

<sup>4</sup> clause 7.3.1(c)

EEQ considers that the extent to which the new ring-fencing guidelines are broadened and the form that they take, will play an important part in the decision making of DNSP's as to what roles will be economic and feasible for them to undertake in the competitive market and how they will structure these parts of their business to meet the ring-fencing requirements. The costs and time to restructure and establish legal separation should be taken into account.

The importance of the development of the national ring-fencing guidelines should not be under-estimated. The parties will need to ensure compliance with the new procedures prior to implementation. For this reason EEQ urges that consideration is given to bringing this work forward to provide direction and certainty to participants.

#### **Regulation of Meter Co-ordinator**

EEQ suggests that regulation of meter co-ordinator arrangements is not required at this stage. EEQ notes the requirement for a review of the effectiveness of the new arrangements 3 years from commencement - i.e. mid-2020 which should allow sufficient time to gauge the level of competition in the market and any impediments to competition. EEQ takes the view that regulation or price monitoring should only be contemplated when market failure is evident.

Should you have any queries or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6395 or Michelle Norris on 073851 6222.

Yours sincerely



**Mark Easton**  
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Retail Strategy and Regulatory Affairs