

21 May 2015

Mr John Pierce  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW1235

**Lodged online:** [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Mr Pierce

**Draft Rule Determination – National Electricity Amendment (Expanding competition in metering and related services) Rule 2015**

Momentum Energy welcomes the opportunity to provide comments in response to the Draft Rule Determination – National Electricity Amendment (Expanding competition in metering and related services) Rule 2015 (the draft rule).

Momentum Energy is a second tier retailer authorised to sell electricity in Victoria, New South Wales, South Australia, Queensland and the Australian Capital Territory and gas in Victoria and South Australia. Momentum is fully owned by Hydro Tasmania, the largest clean energy producer in Australia

Momentum commends the AEMC for the general approach of the draft rule and for the extensive consultation process that led to it. The national, market-led approach facilitated by the new framework and new incentives established by this rule change is the approach most likely to drive innovation that creates value to be shared with customers.

We endorse the submission of the Energy Retailers Association of Australia.

In addition, we wish to emphasise the fact that confidence will be critical to the success of the market driven smart meter roll out. Just as it is imperative that the new framework ensures retailer confidence in contracting with metering businesses associated with distribution businesses, it must ensure that retailers can have confidence that they can contract with metering businesses associated with other retailers. If the new framework doesn't give retailers that confidence, it will deliver less benefit and could even present barriers to retail competition.

It is for this reason that we endorse the general direction pursued in the draft rule in respect of metering businesses that are associated with a retailer. However, the draft rule goes too far in relation to a retailer's own metering coordinator that provide services exclusively to the related retailer, and not far enough in relation to a retailer-related metering business offering its services to other retailers.

In relation to a retailer's own metering coordinator providing services exclusively to the related retailer (including contracting with independent metering providers and metering data providers), Momentum's view is that there is little competition benefit to requiring a separate legal entity and such a requirement

would add unnecessary cost. While there is substantial uncertainty regarding how this market will take shape, it is likely at market commencement that, in respect of their own retail customers, many retailers will wish to take on the metering coordinator role themselves. The draft rule requirement that a retailer's metering coordinator must be a separate legal entity is likely to impose disproportionate cost on smaller players in the retail market who wish to take on the metering coordinator role for their own customers only.

In relation to a retailer-related metering business offering its services to other retailers, Momentum's view is that requiring a separate legal entity is insufficient to address the competition risk that this element of the draft rule was intended to overcome.

The risk that a retailer-related metering business's metering roll out could be used to lock in the retailer's customers for extended periods should be viewed with great seriousness, even if that risk is assessed as low. While it's appropriate that this rule change should provide parties investing in the installation of smart meters in a market led environment incentives to invest and a framework to facilitate a return on that investment, there will have been a market failure if the new framework leads to a situation where customers to whom a smart meter has been rolled out no longer receive competitive offers from alternate retailers. This will be the case if a new retailer seeking to win a site from a retailer whose related metering business services the site feels it must churn the meter. In turn, this will be the case if the new retailer seeking to win the site is concerned about the fact that the former retailer's related metering business will still have technical access to the site's data and to innovations introduced by the new retailer.

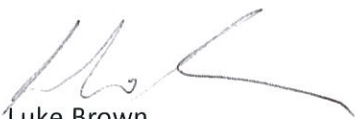
This scenario would be avoided if the rules required proper ring-fencing of the retailer-related metering business, along similar lines to the ring-fencing of distribution businesses' competitive metering businesses. Proper ring-fencing would also ensure greater confidence in metering coordinator pricing offered by retailer-related metering businesses.

If ring-fencing of retailers' metering businesses is not possible or not considered desirable on balance, some sort of more rapid safeguard is required. One option would be to give the Australian Energy Regulator power to introduce ring-fencing if certain circumstances occur. Another option would be to institute a mechanism under which the competition review would be brought forward, either by a specified period or if there is clear evidence of anti-competitive behaviour.

In relation to network devices, in addition to the relevant section of the submission of the ERAA, Momentum believes that the draft rule requires refinement to preclude distribution business use of network devices to enable contestable services, and to preclude distribution businesses from charging customers in respect of network meters that have been kept for network benefit.

If you would like to discuss this submission or any other matter, please contact me on (03) 8612 6437 or [luke.brown@momentum.com.au](mailto:luke.brown@momentum.com.au).

Yours sincerely



Luke Brown  
Regulatory Manager