

Australian Energy Market Commission
PO Box A2449
Sydney South
New South Wales 1235
Australia

18th May 2015

Dear Sirs

Reference: ERC0169/RRC0002

Draft Rule Determination - National Electricity Amendment (Expanding Competition in Metering and Related Services) Rule 2015 and National Energy Retail Amendment (Expanding Competition in Metering and Related Services) Rule 2015

Calvin Capital is one of the leading Meter Asset Providers for both traditional and smart metering in the United Kingdom. We have valuable expertise in asset sourcing, provision, and asset financing alongside extensive experience of setting up and operating the commercial operations to support these activities.

The proposed rule change to expand competition in metering and related services has been made to promote competition in the National Electricity Market (NEM). Calvin has extensive experience implementing processes and procedures that are needed to support the unbundling of the metering market in the UK and has worked closely with the UK industry to implement the changes required, not only in financing and asset provision, but in IT infrastructure, governance and regulation. We believe some of the lessons learned in the UK may be applicable to the unbundling of the Australian metering market with a particular focus on Meter Asset Ownership.

Calvin Capital does not propose to respond to each question in the consultation but is seeking to provide some insight into how the UK market evolved and how this can be reflected if required in the competitive Australian metering market.

Calvin supports the proposed operating model and responsibilities as described in Figure 4.1 of the Consultation. This model will allow all parties to appoint a Meter Coordinator and we agree that this would increase competition and innovation in the range of functions and services as well as facilitating the ability for consumers to churn from retailer to retailer as required.

Under the proposed rules the Meter Coordinator is responsible for the Meter Provider and Meter Data Provider Roles. The Meter Provider role currently offers Asset Ownership and Asset Maintenance/ Installation as one service and while you don't currently proposed to unbundle these services, it may be prudent to make provision for the future separation of these roles; this has gradually happened in the UK until these services are now separated as the norm. This allows the rental to be recovered directly from the Retailer utilising that meter strengthening the credit risk for any asset funding arrangements from 3rd parties.

As the potential role of the Meter Asset Owner is un-regulated and may be utilised as an separate service offering from the bundled Meter Provider role we would propose that provision is made within the central registration system at the AEMO to hold a Meter Asset Owner identifier, this would allow the Meter Coordinator to offer the Meter Asset rental as a separate service to the operational activities of Installation and Maintenance.

Keeping meter assets 'in situ' and the ability to recover rental for those assets is a key principle of the commercial market model. That means the avoidance of meter replacement on the change of Retailer which, in turn, makes it essential that the ownership of the meter is fully aligned and identified across the industry. If this does not happen then the risk of ownership increases which then in turn increases the cost of providing the meters.

As the accelerated rate of meter exchanges increases as the industry embarks on the smart meter programme this makes it more critical that the Meter Coordinator has access to the Meter Owner data (possibly via the AEMO) and that the Meter Owner or Meter Coordinator must be informed of any changes to those assets. This information would support a fully unbundled market which would allow a market participants to interact with the correct market participant's.

The consultation also needs to consider the impact of innovative service offerings that may be offered by Retailers as the market develops for instance the establishment of an 'in-house' workforce, which will not be offering Meter Provider services to other Retailers, will mean that the relatively widespread practice of appointing the incumbent Meter Provider on changes of Retailer will no longer be available on customer acquisition as some Retailers may choose not to provide those Meter Provider operational services on churn.

The additional requirement of a minimum specification of the smart metering equipment would also assist to reduce the costs of the physical metering system. Calvin recognize that not all jurisdictions may have the same minimum specification and open access requirements. However, we feel it would be beneficial for those specifications to be as similar as possible to enable benefits of scale both in terms of manufacturer and the provision of funding.

We fully support the aims of the Draft Determination and believe that the proposed unbundling of the metering market is a very important step to introducing completion and providing value and choice for the end consumer.

If you have any questions or would like to discuss any aspect of our submission please contact Kay Houghton on +44 161 220 1906 or +44 77486 74126.

Yours sincerely

Kay Houghton
International and Regulation Director