1 October 2015

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

Dear Mr Pierce

Expanding competition in metering and related services rule change – additional consultation on specific issues (ERC0169)

Energex Limited (Energex) appreciates the opportunity to provide a submission to the Australian Energy Market Commission (AEMC) on the further consultation paper relating to the expanding competition in metering and related services (competition in metering) rule change. The purpose of the consultation paper is to seek stakeholder feedback on specific issues where there is likely to be potential material redrafting of the AEMC's draft rule published in March 2015.

Energex welcomes the AEMC's further consultation on the competition in metering rule change and is supportive of a number of the AEMC's proposed approaches to the specific issues raised in the consultation paper.

However, Energex strongly objects to the AEMC's proposed approach to the treatment of network devices when there is limited space on the meter board. This proposed approach is a major departure from the position outlined in the draft determination (and articulated at stakeholder workshops) which was intended to permit distribution network businesses to retain existing network capability, including load control devices, and provide a by-pass option to constrain any exercise of market power by metering coordinators.

The AEMC's change in position on network devices is not only counter to the Council of Australian Governments (COAG) Energy Council's position that existing network businesses' load control equipment must be maintained but will also:

- effectively remove any potential bargaining power network businesses may have had under the draft rule with respect to negotiating for access to network-related services by way of an advanced meter from metering coordinators (who are essentially monopoly suppliers of metering services to networks and third parties); and
- impact upon the effectiveness of existing load control initiatives deployed by network businesses to assist in reducing peak demand and manage other impacts on the network such as renewables (e.g. solar PV) feeding excess generation back into the electricity network.

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Energex therefore recommends that the AEMC should maintain the position put forward in its draft determination, the intent of which is to permit network businesses to retain existing network device capability and provide a by-pass option to constrain any exercise of market power by metering coordinators. In addressing the issue of insufficient space on the meter board where jurisdictional technical standards do not require the meter board to be upgraded, it should be made clear in the final rule that the metering coordinator must not remove the network device without consent and must negotiate and agree an alternative arrangement with the network business before removing the network device. As recommended in Energex's response to the AEMC's draft determination, some form of light-handed regulation may be required to address market power issues.

Given the complexity of this rule change and the far-reaching impacts it will have on the electricity market, Energex is also disappointed that this consultation is only focussing on a limited set of issues and has not included the AEMC's proposed approaches (and associated redrafting) to address other major issues raised by network businesses.

While Energex appreciates the AEMC's extensive consultation with stakeholders to date, it shares the view of the Energy Networks Association (ENA) and other network businesses that there are still fundamental issues with the metering contestability framework which must be addressed before the final rule is made. In particular, network businesses are concerned that insufficient attention has been given to addressing issues associated with network access to advanced metering services, mitigating the exercise of market power by Metering Coordinators and the ability of networks to perform their statutory functions with respect to providing connection services under the National Energy Customer Framework. In Energex's view, these matters must be addressed for the framework to operate effectively and in the long-term interests of electricity consumers.

Further, Energex is disappointed with the AEMC's decision not to provide stakeholders with the opportunity to review the full final rule before it is published on 26 November 2015. To ensure a smooth and efficient transition to metering contestability for both our business and our customers, Energex is supportive of the ENA's recommendation that a short extension of time should be allowed for review of the complete rule prior to its finalisation to minimise the risk of unintended consequences.

Detailed comments on the specific issues raised in the AEMC's consultation paper are provided in **Attachment A**. As a member of the Energy Networks Association (ENA), Energex is also supportive of the views expressed in the ENA's submission on the consultation paper.

Should you have any queries regarding this submission, please contact Leigh Henderson, Acting Network Regulation Manager, on (07) 3664 4118.

Yours sincerely

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Rachel Leaver
Acting Group Manager Regulation and Pricing

Attachment A

Energex

Competition in metering rule change – additional consultation on specific issues (ERC0169)

October 2015

energex

positive energy

Energex Limited (Energex) is a Queensland Government Owned Corporation that builds, owns, operates and maintains the electricity distribution network in the growing region of South East Queensland, including the poles and wires and underground cables used to connect houses and businesses to the electricity network. We provide distribution services to almost 1.4 million domestic and business connections, delivering electricity to a population base of around 3.2 million people.

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1 Introduction

On 17 September 2015, the Australian Energy Market Commission (AEMC) issued a further consultation paper on the expanding competition in metering and related services (competition in metering) draft rule published in March 2015. The purpose of the consultation paper is to seek stakeholder feedback on specific issues where there is likely to be potential material redrafting of the AEMC's draft rule.

The specific issues addressed in the AEMC's consultation paper are:

- Arrangements for accessing energy and metering data;
- Supply interruptions for the purpose of installing or maintaining a meter;
- Customer consent for provision of network-related metering services;
- Network devices;
- Alterations to Type 5 and 6 metering installations to make them capable of remote acquisition;
- Metering Coordinator obligations where a customer refuses to have a metering installation that meets the minimum services specification installed; and
- Application of the framework to transmission connection points.

It is noted that the AEMC is also considering other issues raised in submissions which are not included in this consultation but which may also result in further amendment of the draft rule.

The purpose of this submission is to provide Energex's feedback on the AEMC's proposed approach to the issues raised in the consultation paper.

2 General comments

Energex welcomes the AEMC's further consultation on the competition in metering rule change and appreciates the opportunity to provide feedback on the specific issues raised in the consultation paper. However, given the complexity of this rule change and the far-reaching impacts it will have on the electricity market, Energex is disappointed that this consultation is only focussing on a limited set of issues and has not included the AEMC's proposed approaches (and associated redrafting) to address other major issues raised by network businesses.

While Energex appreciates the AEMC's extensive consultation with stakeholders to date, it shares the view of the Energy Networks Association (ENA) and other network businesses that there are still fundamental issues with the metering contestability framework which must be addressed before the final rule is made. In particular, distribution businesses are concerned that sufficient attention has not been given to addressing issues associated with network access to advanced metering services, mitigating the exercise of market power by Metering Coordinators (MCs) and the ability of networks to perform their statutory functions with respect to providing connection services under the National Energy Customer Framework. These matters must be addressed for the framework to operate effectively and in the long-term interests of electricity consumers.

Energex is also disappointed with the AEMC's decision not to provide stakeholders with the opportunity to review the full final rule before it is published on 26 November 2015. To ensure a smooth and efficient transition to metering contestability for both our business and our customers, Energex is therefore supportive of the ENA's recommendation that a short extension of time should be allowed for review of the complete rule prior to its finalisation to minimise the risk of unintended consequences.

3 Response to specific issues identified in consultation paper

3.1 Arrangements for accessing energy and metering data

The AEMC has sought to address issues raised by stakeholders associated with access to metering and energy data. Energex supports the AEMC's intention to make it clear that network service providers must have access to data required to perform their market obligations free-of-charge.

However, Energex has a number of concerns with respect to certain aspects of the AEMC's proposed approach and / or redrafting.

3.1.1 Provision of metering data and access to the metering data services database and metering database.

As a registered DNSP and registered Metering Data Provider (MDP), Energex supports the requirement for the MDP to provide metering data to the parties listed in clauses 7.15.5(c)(1) to (5) as the primary concern is for DNSPs to be provided with the data they require to fulfil their regulatory obligations. However, Energex does not consider that the proposal to provide parties with rights to access the metering data services database is practical or efficient. This proposal is also contrary to current industry practice and not supported by existing systems and processes.

Currently, market participants are not provided with direct access to an MDP's metering data services database. Rather, metering data is transferred automatically from the database to other parties via NEM files daily. The proposed arrangement to allow other parties to access the MDP's database would therefore involve considerable changes to existing systems and processes and create access management, data integrity and security issues for MDPs and difficulties for DNSPs in having to establish and maintain access to multiple MDP databases. Therefore, it is recommended that relevant clauses should be amended to entitle listed parties to receive data (or be provided with data) held in the metering data services database, but not to access the database itself.

Similarly, the redrafted rule requires AEMO to provide the parties listed in clauses 7.15.5(c)(1) to (5) with access to AEMO's metering database. This proposed arrangement is also contrary to current practice and is not supported by existing systems and processes. Currently, market participants send data to AEMO's metering database via B2B transactions and reports are provided by AEMO to parties entitled to receive data. This proposed change would therefore impose a new obligation on AEMO and involve significant changes to existing market systems and processes. Therefore, it is

recommended that relevant clauses should be amended to entitle listed parties to receive data (or be provided with data) held in the metering database, but not to access the database itself.

Following are further issues identified with respect to the redrafting generally:

- Clause 7.10.3(a) requires the MDP to provide "metering data and relevant NMI standing data" to the persons listed in clauses 7.15.5(c)(1) to (5). While it is noted that "settlements ready data" is not referenced in this clause on the basis that it is included within the definition of "metering data", it is also noted that "data from the metering register" has not been referenced. However, clause 7.15.5(c) specifically entitles parties to access or receive "data from the metering register".

- All references to "financially responsible Market Participant" have been amended to "retailer". However, this amendment may potentially lead to confusion as the terms are not always interchangeable. Consequently, to avoid unintended consequences, such as all retailers being provided with access to customer data to which they are not entitled, Chapter 7 should clearly distinguish between the customer's retailer (i.e. the retailer that is the FRMP) and other retailers (i.e. any retailer in the market) as appropriate.

3.1.1 Strengthening delineation between discretionary and regulatory obligations

Energex supports the AEMC's intention to clearly articulate in the draft rule which services must be provided by the MC / Metering Provider (MP) / MDP without charge to enable other parties, such as DNSPs, to fulfil their regulatory obligations and which services are to be provided on commercial terms. However, as relevant redrafting of Chapter 7 has not been provided, it is not possible to provide any further feedback.

3.2 Supply interruptions for the purpose of installing or maintaining a meter

In response to concerns raised in submissions, the AEMC has reviewed the responsibilities and obligations associated with supply interruptions for the purpose of installing, replacing or maintaining a meter under the new framework and has acknowledged that the arrangements proposed in the draft rule would be inefficient for industry and confusing for customers.

Energex supports the AEMC's proposal to permit a retailer to arrange an interruption to their customer's supply without the involvement of the DNSP for the purposes of installing, maintaining, repairing or replacing a metering installation and, most importantly, inclusion of provision in clause 7.3.2(4)(iii) that a retailer planned

interruption must not be arranged at a metering installation except in accordance with jurisdictional electricity legislation. It is essential that any party performing an interruption to electricity supply must be appropriately accredited and trained and required to comply with jurisdictional electricity legislation and technical and safety standards. In this regard, Energex also recommends that clause 91A, requiring the MC and distributor to assist and cooperate, should also be in accordance with jurisdictional electricity legislation.

Energex is also of the view that stronger obligations should be placed on MCs and retailers with respect to coordinating with DNSPs in organising distributor planned interruptions for the installation, maintenance, repair or replacement of metering equipment. Under the NERR, DNSPs must meet specified timeframes, i.e.:

- provide customers with at least 4 business days' notice of a planned interruption;
- provide life support customers with at least 4 business days' written notice of a planned interruption; and
- restore customers' supply as soon as possible.

To reduce costs and impacts on workforce productivity, it is therefore important that sufficient time is provided for DNSPs to not only provide notification to customers of the planned interruption but also to plan and schedule the outage efficiently. Therefore, Energex recommends that rule 91A(a) should be amended to read:

> "the metering coordinator must provide such information and assistance as the distributor may reasonably require within the timeframe reasonably specified by the distributor to enable the distributor to efficiently plan and schedule the outage and carry out its obligations under jurisdictional electricity legislation and rules 90 and 91".

Finally, while Energex notes that retailers will be responsible for notifying customers, including life support customers, of the retailer planned interruption, the AEMC has not given any indication that civil penalty provisions applied to distributor planned interruption obligations under the National Energy Retail Rules (NERR) will be applied to retailers. It is therefore recommended that civil penalties should be applied to relevant retailer planned interruption provisions (i.e. rules 59C and 99A(4)) to ensure customers have the same protections under both arrangements. Further, provision should also be made to the effect that DNSPs are not liable for any compensation for loss or damage suffered by customers as a result of a retailer planned interruption to supply.

3.3 Customer consent for provision of network-related services

In response to concerns raised by the ENA that DNSPs may not be able to access advanced meter services in addition to those specified in the minimum services specification without the customer's consent, the AEMC has proposed to clarify in the final rule that network businesses will not require customer consent for the provision of network-related metering services supporting the safe, secure and reliable operation of the network, provided the service does not involve curtailment of a customer's supply. Energex welcomes the AEMC's proposed approach to this issue.

3.4 Network devices

The AEMC is seeking feedback on its proposed approach to addressing two specific issues related to network devices raised in submissions, namely, the purposes for which a network device can be used and practical restrictions to the installation of network devices. Following is Energex's feedback on the AEMC's proposed approach to each of these issues.

3.4.1 What network devices can be used for

Energex endorses the AEMC's proposal to allow DNSPs to "use network devices for purposes that support the safe, secure and reliable operation of the network"[1] and is also supportive of the AEMC's proposals to:

- permit DNSPs to use network devices to temporarily interrupt a customer's supply to support the safe, secure and reliable operation of the network; and
- allow DNSPs to use network devices to de-energise / re-energise customer's premises where permitted to do so under the National Electricity Rules (NER) or the NERR.

It is noted, however, that DNSPs will not be permitted to use network devices to on-sell services to third parties unless that service is provided to a customer and is incidental to the provision of network services that support the safe, secure and reliable operation of the network.

Energex also supports a revised definition for "network device" and notes the proposed definition suggested by the AEMC. However, Energex recommends the adoption of a definition that more clearly and succinctly articulates the AEMC's intent, such as "apparatus or equipment associated with supporting the safe, secure and reliable operation of the network and which may include devices for switching, measurement, protection and control".

[1] AEMC, Additional Consultation Paper on Specific Issues: 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, 17 September 2015, p. 21.

3.4.2 Course of action when space on the meter board is limited

In response to concerns raised by stakeholders regarding the treatment of network devices when there is limited space on the meter board, the AEMC is proposing to permit an MC or MP to remove a network device without the DNSP's consent where it "reasonably determines that there is insufficient space to house both the network device and the metering installation"[2] .

Energex strongly objects to the AEMC's proposed approach to this issue as it is a major departure from the position outlined in the draft determination (and articulated at stakeholder workshops) and which was intended to:

- permit DNSPs to retain existing network capability, including load control devices;
- allow Victorian DNSPs to continue to realise the benefits of AMI meters; and
- provide a by-pass option for DNSPs to constrain any exercise of market power by MCs.

The AEMC's change in position on network devices is not only counter to the Council of Australian Governments (COAG) Energy Council's position that existing DNSP load control equipment must be maintained but will also:

- effectively remove any potential bargaining power DNSPs may have had under the draft rule with respect to negotiating for access to network-related services by way of an advanced meter from MCs (who are essentially monopoly suppliers of metering services to networks and third parties); and
- impact upon the effectiveness of existing load control initiatives deployed by DNSPs to assist in reducing peak demand and manage other impacts on the network such as renewables (e.g. solar PV) feeding excess generation back into the electricity network.

As the AEMC is aware, demand management initiatives involving load control devices are deployed by DNSPs to limit the need for network investment and higher electricity costs for customers. To maintain existing load control capability in the event network devices are removed, DNSPs would need to either:

- source alternative, and potentially higher cost, solutions for managing peak demand; or
- seek to negotiate access to load control services through advanced meters, but from a position of weakness due to load control services being excluded from the minimum services specification and the prior removal of the existing network devices (the DNSP's by-pass option intended to constrain the MC's market power).

[2] Ibid, p. 23.

Demand management has been a critical component in the efficient design, construction and operation of the Energex network (from the LV network through to bulk supply substations) for decades and has helped contribute to the record low levels of forecast growth-related augmentation in 2015-2020. Energex has managed residential hot water load as part of its business-as-usual operations for several decades and this program has been developed and refined over the years. This hot water load management program provides a significant reduction (over 550 MVA diversified) for winter peak demand and, if this load control capability did not exist, Energex would have needed to build additional network capacity to meet this demand. Large scale or localised removal of network devices providing this load control capability could therefore involve significant network investment. Moreover, if a DNSP's load control equipment is removed, customers will lose the benefits but continue to bear the costs as the value of the load control equipment assets will remain in the DNSP's regulated asset base.

The AEMC should also bear in mind that it is not only DNSPs and electricity consumers generally who may be impacted by the removal of a network device but also individual customers who are currently benefitting from load control capability. Under the AEMC's proposed approach, it is unclear whether there will be any requirement for customers to be consulted and / or advised of the potential financial implications of the loss of load control and / or asked to provide their informed consent for removal of the network device.

Further, in addressing this issue, the AEMC does not appear to have taken into consideration local technical standards and access and safety requirements for metering installations and how they relate to local supply connection requirements. Technical standards for connection of supply and metering of customer's installations that are connected to or about to be connected to the Energex and Ergon Energy supply networks are currently specified in the Queensland Electricity Connection and Metering Manual (QECMM). The QECMM requires that where a customer-initiated change in meter is requested, the meter board must be upgraded to provide sufficient space to house both the metering installation and any distributor load control device. While it is appreciated that the QECMM will need to be revised in readiness for the new metering framework, the requirement for technical standards will no doubt remain and it is Energex's understanding that MCs and MPs will be obliged to comply with those standards.

Energex recommends that the AEMC should maintain the position put forward in its draft determination, the intent of which is to permit DNSPs to retain existing network device capability and provide a by-pass option for DNSPs to constrain any exercise of market power by MCs. MCs / MPs should therefore not be permitted to remove network devices without the DNSP's consent. In addressing the issue of insufficient space on the meter board where jurisdictional technical standards do not require the meter board to be upgraded, it should be made clear in the final rule that the MC must negotiate and agree an alternative arrangement with the DNSP before removing the network device. As recommended in Energex's response to the AEMC's draft determination, some form of light-handed regulation may be required to address market power issues.

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

In response to recommendations made by the ENA and DNSPs regarding the ability to upgrade Type 5 and 6 metering installations to make them capable of remote acquisition, Energex notes that the AEMC has proposed to extend the ability for DNSP MCs to upgrade in two scenarios, i.e. where there are practical difficulties in reading the meter manually or where it is required to meet obligations associated with providing a safe, secure and reliable network. It is also noted that the definition of "operational difficulties" has been expanded.

While Energex is disappointed that the AEMC has determined that upgrades should not be permitted for "efficiency" reasons due to competition concerns, the proposed amendments are welcomed.

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

Energex notes the AEMC's assessment that it is not practical for small customers to opt out of the installation of an advanced meter in new and replacement scenarios but that, to address situations where a small customer refuses to have a Type 4 meter installed due to concerns about remote communications, the customer will be permitted to have a Type 4A meter installed as an alternative.

While this may be an effective solution for situations where the customer's refusal is based on concerns about the meter's ability to be read / managed remotely via a telecommunications network, it does not address situations where the customer's refusal is based on perceived health and safety issues associated with electronic devices generally, e.g. electromagnetic hypersensitivity disorder. Consequently, there is the risk that customers who refuse to have a Type 4 advanced meter installed may also refuse to have a Type 4A advanced meter installed, particularly where it is replacing an existing electro-mechanical (disc) meter. The AEMC's proposed approach may therefore need to be revised to take this additional scenario into consideration.

Energex is also concerned that a relaxation in the ability to opt out of the installation of a Type 4 meter may lead to unintended consequences and inefficiencies in the long-term.

3.7 Application of the framework to transmission connection points

The AEMC has proposed that the metering contestability framework should not apply to transmission connection points. Energex does not have any concerns with the AEMC's proposed approach.