



19 May 2015

Richard Owens
Senior Director
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

AEMC Reference: ERC0169/RRC0002

Dear Mr Owens

RE: Expanding competition in metering and related services, Draft Rule Determination

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) Draft Determination on the rule change request *Expanding competition in metering and related services*. We would like to thank the AEMC for their open and engaging consultation process, where we felt our views and concerns were welcomed and considered in a balanced and pragmatic manner.

About ERM Power Limited

ERM Power is an Australian energy company that operates electricity generation and electricity sales businesses. Trading as ERM Business Energy and founded in 1980, we have grown to become the 4th largest electricity retailer in Australia, with operations in every state and the Australian Capital Territory. We are also licensed to sell electricity in several markets in the United States. We have equity interests in 497 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, both of which we operate.

A subsidiary of ERM Power, Powermetric Metering Limited (Powermetric) gained accreditation as a Metering Provider and Metering Data Provider in 2014.

Overall view of the Draft Determination

ERM Power supports the framework to support competition in metering services outlined the AEMC's Draft Determination.

Our retail business was founded in the large customer market, where advanced metering enables the recording and provision of accurate and timely energy data. As well as facilitating highly efficient retail operations, this enables a range of energy management solutions that empower our customers to make informed choices about their energy use. As we continue to expand our small business customer base, we are encouraged that the AEMC's framework will enable this sector to access similar benefits. Additionally, the AEMC's Draft Determination provides new opportunities for our meter provision and meter data provision subsidiary, Powermetric Metering. The development of a competitive market for small customer metering services will drive innovation at lowest cost, as businesses like Powermetric compete to service retailers, distribution businesses, large customers and new energy service providers.

National consistency

In our previous submission to the AEMC on its proposed metering framework, we highlighted the importance of nationally consistent rules and processes to enable industry to access greater economies of scale. We are very pleased that the AEMC has not recommended provisions for jurisdictional new and replacement metering policies, minimum services specifications or exclusivity arrangements. This supports the development of streamlined systems and processes for participants operating in multiple jurisdictions, and will reduce the costs of our operations.

While there has been some debate about whether special arrangements should be applied in Victoria, we believe that the transition to a national framework will ultimately benefit all consumers by reducing the barriers to entry in all jurisdictions. Notwithstanding the expectation that the proposed metering framework will not lead to material numbers of small customer meter replacements in Victoria in the short term, new competitive pressure in this market (i.e. the threat of meter replacement) is likely to drive efficiencies and innovation that otherwise may not exist.

Access to services

We applaud the AEMC's proposal to not regulate the services or prices of services offered by a Metering Coordinator to other parties. This proposal aligns with good regulatory practise to only regulate where a market failure can be clearly demonstrated. We support the AEMC's proposal to undertake a review of competition in metering and related services three years after the framework's commencement to assess whether a market failure exists and whether access or price regulation is required.

Access to services has been a contentious aspect of the proposed metering framework for distribution businesses and energy service providers in particular. They have raised concerns that a Metering Coordinator has the characteristics of a monopoly provider, because distribution businesses and energy service providers have no viable choice but to negotiate with Metering Coordinators for access to services. They contend that this is likely to drive up the price of access to metering services.

ERM Power does not believe that this justifies access or price regulation. Our understanding of the framework is that distribution businesses and energy services providers will have a number of options for accessing services at the meter, including:

- negotiating with a range of Metering Coordinators;
- negotiating directly with the Metering Provider/Meter Data Provider;
- partnering with retailers (we note such partnerships already exist today);
- developing solutions outside the meter; and
- distribution businesses may apply to the AER for funding under a demand management program (including for a meter deployment).

Further, if a distribution business or energy service provider is offering consumers a service that they value, than consumer demand for their services should drive Metering Coordinators to work with them to deliver those services to consumers. With consumer demand established, competitive pressures can be expected to play a critical role in minimising access prices.

Minimum services specification

ERM Power is generally supportive of the minimum services requirements outlined in the Draft Determination. We believe these requirements strike the right balance between providing investment certainty and scope for innovation. However we do have some questions about the implications in specific instances, as described below.

Remote de-energisation for small business customer sites with current transformers

The Draft Determination requires metering systems for all new and replacement metering installations at small customer sites to be capable of delivering the minimum services. These services include the remote de-energisation and re-energisation of the premises. We are concerned the requirement to have remote de-energisation and re-energisation capability may represent a disproportionate cost barrier to those small sites that utilise current transformers (CTs) as part of their metering installation.¹

Sites with CTs can only be capable of delivering a remote de-energisation or re-energisation service where an additional supply contactor is also installed external to the metering installation. While installing an external supply contactor is a technical solution that would enable these sites to meet the proposed minimum services requirement, it is an expensive solution; in many instances the installation of an external supply contactor would exceed the cost of the metering installation itself.

Where a retailer or other participant seeks to undertake a new meter deployment, or offers a customer a new meter to enable a demand-side service, the additional cost of installing an external supply contactor in order to comply with the AEMC's proposed requirements is likely to make the deployment at these small business sites unviable.²

While these sites don't necessarily fall within a specific consumption range, in general their annual consumption is likely to be in the higher range of the small consumer classification. This customer group is therefore expected to be best placed to benefit from advanced metering and the energy management services these meters enable; electricity is likely to account for a significant proportion of their cost base and therefore the potential benefits of engaging in demand-side services is likely to be higher than other small customers. However the higher cost to this group of installing a minimum-specification meter means that it may be less viable to install meters for these small business customers than any other customer segment.

We believe it would be a significant failing of the proposed metering reforms if those who have the greatest potential to benefit from competition in metering faced the greatest cost barriers.

ERM Power recommends the AEMC considers an exemption from the requirement for remote de-energisation and re-energisation capability in new and replacement meters at small customer sites that utilise CTs as part of the metering installation (perhaps similar to the type 4A exemption proposed in the Draft Determination). This would allow these customers to access the other benefits of advanced metering without facing the cost-barrier of requiring the installation of an external supply contactor.

¹ CTs are installed as part of a metering installation on sites where the current may exceed the level that can be accurately measured by a whole-current metering installation. When a greenfield site is being established in a commercial-use zone, it is common for CTs to be installed. This is because the potential level of consumption at the site is unknown, and it is deemed more economical to install a CT (even though it may not be required) than to install a CT in the future (if consumption exceeds the required threshold). As a result, there are a significant number of small businesses that operate at sites with CTs.

² Note that in new and replacement scenarios, the customer will have no choice but to face this additional cost.

Classification of existing type 4 metering installations

The Draft Determination introduces new minimum requirements for all small customer meters installed in new and replacement scenarios.³ The AEMC proposes that metering installations that meet these requirements should be classified as type 4.

The proposed minimum requirements specify greater capability than the current requirements for type 4 metering installations. Many of these meters will remain in place at the commencement of the new National Electricity Rules. This means that from that time, there will be some type 4 metering installations that meet the old requirements, and some that meet the new requirements.

In addition to this being problematic from a compliance monitoring and enforcement perspective, it would also be difficult for industry to ascertain the capabilities of the meter, and therefore the products and services that may be offered to these customers. We recommend the AEMC work with AEMO to ensure there is a means to easily differentiate these classes of type 4 metering installations in the market.

Please contact me if you would like to discuss this submission further.

Yours sincerely,

[signed]

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³ Except where a customer has opted out, or AEMO grants an exemption due to the absence of a telecommunications network.