Submission to the AEMC 'Power of Choice' Review – *Draft Report*

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Australian Energy Market Commission

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1. Responses to Selected Consultation Questions in the Draft Report

Question 1 -
What should be the minimum standard form and structure of energy and metering data supplied to consumers (or their agents)? Should these arrangements differentiate between consumer sectors (i.e. industrial/ commercial and residential)?

Through their electricity bills, all consumers already pay for the accredited Metering Provider serving their premises to collect and distribute NEM 12 meter data to their distributor, their retailer and AEMO. Therefore, consumers ought to have the right to receive this data from the accredited Metering Provider in the same format and at the same level of frequency as these market participants.

Simple low-cost software tools to translate NEM 12 format data files into a user-friendly, actionable form for consumers exist, and will proliferate if consumers gain rights of access to their meter data.

This would be a simple, empowering change of great significance.

Question 2 –
When do you think it is appropriate for a retailer (or responsible party) to charge a fee for supplying energy and metering data to consumers or their agents?

Any meter data service provided which is *additional* to the minimum market obligations of the accredited Metering Provider cited in our answer to Question 1 above, should have the potential to be priced and charged to the consumer.

It is however necessary that such charging is not able to be used as a barrier to entry. Language in the pricing principles around 'incremental cost' and recovering the main costs of the functionality from the main purposes is necessary.

Question 5 & 6
What specific criteria could be used to determine whether elements of the NECF (i.e. marketing code) apply to third parties providing DSP energy services to consumers? That is, beyond Australian Consumer Law?
What requirements should be in place for these third parties? For example, what should be the form of authorisations/accreditations?

Better Place's position is that all parties offering DSP services directly to consumers should have to obtain explicit informed consent from the customer and comply fully with the ACL. But we see no reason for these businesses to require formal authorisations or licenses from the AER.

Question 7 (from page 49) –
Should the minimum functionality specification for meters be limited to only those functions required to record interval consumption and have remote communication? Alternatively, should the minimum functionality include some, or all, of the additional functions specified in the SMI Minimum Functionality Specification?

The minimum functionality specification for meters should be limited to only those functions required to record interval consumption and to have remote communication.

The other two categories of features identified by the AEMC- 'Energy Management System Features' and 'Smart Grid business functions' - should be not be compulsory and instead, be available as an option if the consumer decides they are worth paying for.

This approach is preferable because it ensures the AMI features which are essential from a market efficiency perspective are ubiquitous, while not imposing the additional cost of extra features on all consumers that only a proportion will decide they need.

Question 8 -
Does the separation of the provision of metering services from retail energy contracts remove the need for meter churn when a consumer changes retailer? Does this cause any unforeseen difficulties or create any material risk? Are there any alternative approaches to reducing the need for meter churn?

Yes, the separation of metering services from retail energy contracts will help to reduce the need for meter churn when a consumer changes retailer. It is likely that this change will stimulate the development of new pricing structures and product packaging approaches from Metering Providers in the NEM. As there would be in any new and complex market, in the early years we may see consumer protection issues like excessive break fees, hidden charges, or third-line forcing arising. Meter churn may occur in some circumstances. But, rather than imposing heavy regulatory control from the outset, we would prefer to see the AER closely monitoring the metering services market in the early years and taking action if inappropriate activity is occurring.

Question 9 –
Are there sufficient potential metering services providers to facilitate a contestable roll out of AMI? Does the proposed model mitigate all the material risks of a contestable roll out? If not, should a monopoly roll out be adopted?

Yes, there are sufficient existing and potential metering services providers to facilitate a contestable rollout of AMI. There are already over 20 accredited providers active in the market. We would expect that once the changes proposed in the Draft Report are confirmed, a range of additional new entrants will move to secure accreditation with AEMO as Metering Providers in the NEM. We strongly *oppose* Government-mandated monopoly roll outs.

Question 10 –
What should the exit fee be when a consumer upgrades its meter from one provided by the local distribution business? Is the proposed fixed 30% of the cost of a replaced meter appropriate?

We see no rationale for the consumer to be charged an exit fee by the distributor. In fact, the introduction of a mandated exit fee regime will act as a significant brake on the penetration of AMI in the NEM because it imposes a direct financial penalty on those customers considering an upgrade to their meter – the very upgrades that AEMC is seeking to encourage!

A better approach is to retain the cost of these old meters in the regulated asset base of the Distributor and allow them to stay there until fully depreciated over their asset life (even if physically removed the customer premises). This smears the cost of the transition away from the previous 'distributor dominated' metering industry model across all customers, rather than narrowly concentrating this cost on the individual consumers who are doing the right thing and seeking to adopt the more efficient new meter technology.

Measures such as the proposed 30% charge are justified as 'user pays', but end up undermining a deliberately chosen policy position.

Question 11 –
Does the option of a government mandating an AMI roll out within its jurisdiction act as a strong disincentive to a commercial roll out? Should the ability for these governments to mandate an AMI roll out be removed from the NEL?

The risk that a future Government-mandated rollout of AMI could strand contestable providers' assets is a major concern which needs to be addressed. It is not reasonable to expect a business to invest capital in a building a base of customers for its metering services without providing regulatory certainty that this investment will not rendered worthless by unilateral Government action in future.

The concern could be dealt with by providing that a future Government mandated roll-out must provide fair compensation.

Questions (page 81) -
15. Do you agree that a new category of market participant should be established for the provision of non-energy services?

16. What types of issues should be considered when developing the registration process, such as eligibility, obligations and liabilities?

17. What metering arrangements need to change to implement this mechanism?

Yes, we agree that a new category of market participant should be established for the provision of non-energy services.

A key issue for consideration in developing the registration process for this new category of market participant is ensuring that monopoly businesses in the market cannot act to stifle innovation in this emerging space.

With regard to metering arrangements, it is too early to tell at this stage of the market development.

Question 25 -
What amendments are required to the current distribution pricing principles as set out in clause 6.18.4 of the national electricity rules?

A critical question when considering changes to the Pricing Principles in clause 6.18.4 is:

- How do we reward distributors sufficiently for deferring capital expenditure?

Right now, each additional dollar spent by a distributor on their network generates 30 years of secure financial returns. We need to find a way to provide the distributor with an even stronger financial pay-off than this, if they choose to invest in a demand-management initiative and defer capex. This financial 'kicker' is absent and so the distributors – quite rationally – have a bias towards capital expenditure.

2. Appendix - Profile of Better Place

Better Place is the world's leading electric car charge network company and has raised over US$750M in equity financing in the last 3 years from investors including HSBC, GE, Morgan Stanley and UBS AG. The company works with all parts of the transportation ecosystem, including automakers, battery suppliers, energy companies, and the public sector and therefore has a detailed and up-to-date knowledge of global developments in this rapidly moving space.

To accelerate the mass adoption of electric cars, Better Place is building an intelligent network of plug-in charge spots at private homes, corporate and public car parks, which will provide most of the energy required. For extended range we will also deploy battery switch stations that allow the driver to swap their depleted battery for a full one in under five minutes and, where applicable, high-voltage quick charge outlets.

For more information visit www.betterplace.com.au