

7 March 2014

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Reference EMO0028: Framework for Open Access and Common Communication Standards Review – Regulatory Framework Supplementary Paper

Thank you for the opportunity to respond to the Framework for Open Access and Common Communication Standards Review Supplementary Paper – Regulatory Framework (the Paper).

Simply Energy is a leading energy retailer servicing Victoria, South Australia, New South Wales and Queensland. We have participated in the Energy Retailer's Association of Australia (ERAA) smart meter work group, which has provided representatives to the AEMC stakeholder advisory working group.

The Paper sets out the Australian Energy Market Commission's (AEMC) draft findings on whether access and charges for smart meter functionality should be regulated. The AEMC is seeking stakeholder views on these draft findings.

Overview of Simply Energy's position

Simply Energy supports the key draft findings outlined in the Paper:

- There is insufficient evidence to support regulation of smart meter functionality access and charges.
- A competition review should be undertaken at an appropriate time.
- Network businesses should negotiate and pay for access on a commercial basis.
- Parties that control access to smart meter functionality should be accredited by the Australian Energy market operator (AEMO).

Retail competition and access to smart meter functionality

Our key focus is on ensuring that market-led smart metering roll outs do not inhibit consumers' ability to switch retailers, jeopardising the competition in energy retail that has developed.

We also consider that regulation should only be imposed where there is clear evidence of a market failure, or where a significant market failure is highly probable.

As a result, we support the AEMC's recommendation that a competition review should be undertaken later to consider whether retail competition has been affected, as currently there is insufficient evidence to justify regulation of access and charges.

Network businesses

Distribution network businesses have identified smart meter data that may enable them to improve the efficiency of their networks.

We consider that it is important that all participants, including network businesses, receive a price signal in relation to any services they may seek to receive. This will help to ensure that services are only provided when the benefits outweigh the costs.

Metering providers will have a strong incentive to provide services that are attractive to network businesses, so that they can obtain a revenue stream from networks that enables them to offer more competitive pricing to retailers. This should have a significant impact in roll-out tender processes, giving networks a valuable opportunity to participate as foundation customers for smart meter services.

Additionally, while an individual meter provider may be the sole supplier of smart meter services at a site, this does not mean that network businesses will have no choice of who they obtain smart meter services from. For example, a network business may calculate that it can obtain efficiency improvements if it has smart meter data for 60% of its sites – it can then choose which meter providers it contracts with to obtain those services.

We understand that network businesses would like to provide improved outage services to customers, which cannot be provided unless the network has access to smart meter services at the particular customer's site. If these services are to be provided to all customers, then networks will need to deal with all meter providers as retailers already do in the commercial and industrial marketplace without significant transactions costs.

AEMO accreditation

AEMO accreditation for parties that operate in the National Energy Market (NEM) is an important part of ensuring that the NEM operation is stable and reliable.

Meter providers and meter data providers are required to be accredited given the key role that metering plays in the market. Parties that control access to smart meter functions should also be accredited, and ring-fenced from other businesses, given their pivotal role in controlling who can provide services that rely on smart meter functionality.

These services are expected to drive significant positive change in the energy industry, and it is important that the market for them can develop in ways that facilitate competition and therefore ultimately benefit consumers.

If you have any questions concerning this submission, please contact James Barton, Regulatory Policy Manager on (03) 8807 1171.

Yours sincerely

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