

29 May 2014

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



positive energy

Dear Mr Pierce

**Consultation Paper: Expanding competition in metering and related services (ERC0169)**

Energex Limited (Energex) appreciates the opportunity to provide a submission on the Australian Energy Market Commission's (AEMC's) consultation paper on expanding competition in metering and related services consultation paper (consultation paper). The consultation paper seeks comments on a National Electricity Rule (Rules) change request proposing arrangements to promote competition in metering and related services in the National Electricity Market (NEM).

Energex's responses to the questions raised by the AEMC in the consultation paper are provided in **Attachment 1**. Energex has also contributed to the Energy Networks Association's (ENA's) submission and is supportive of the views contained therein.

Energex supports the AEMC's objectives, which are to promote consumer participation and choice by facilitating the uptake of efficient demand side participation products and energy services and to allow for the benefits of demand side participation to be captured across the supply chain.

However, Energex is concerned that the AEMC's approach is unduly focused on increasing the scope for new metering market participants and that it does so at the risk to safety and operational objectives of the National Electricity Objective. As such, Energex does not support the creation of the new Metering Coordinator role, as establishing an additional market participant role is likely to create greater complexity for consumers and higher cost outcomes to customers and for the market. Rather, Energex recommends that the current metering contestability arrangements are extended and that the proposed responsibilities of the Metering Coordinator role are combined with existing market participant roles.

Energex considers that further work is required to clearly demonstrate that the benefits of the proposed Rule change far exceed the expected costs to customers and the market. In the meantime, Energex looks forward to further engaging with the AEMC on this particular issue. Should you have any queries regarding this submission, please contact Rachel Leaver, Network Regulation Manager, on (07) 3664 4115.

Yours sincerely

Neil Andersen  
Group Manager Regulation and Pricing

**Enquiries**  
Rachel Leaver  
**Telephone**  
(07) 3664 4115  
**Facsimile**  
(07) 3664 9818  
**Email**  
rachel.leaver  
@energex.com.au

**Corporate Office**  
26 Reddacliff Street  
Newstead Qld 4006  
GPO Box 1461  
Brisbane Qld 4001  
Telephone (07) 3664 4000  
Facsimile (07) 3025 8301  
www.energex.com.au

**Energex Limited**  
ABN 40 078 849 055

Issues for Consultation	Energex Response
<p>Question 1: Are there any additional criteria that should be considered in assessing this rule change request?</p>	<p>Energex has noted the AEMC’s proposed assessment criteria and makes the following observations:</p> <ul style="list-style-type: none"> <li> <b><i>Facilitating competition</i></b> <p>Energex supports the intent of the Power of Choice review to implement market and regulatory arrangements that facilitate the uptake of efficient demand side participation to enable the least cost combination of supply and demand side solutions to evolve to meet customer and market participant requirements. However, Energex is concerned that this rule change focuses on facilitating competition in metering services rather than the overall objective of the Power of Choice review.</p> </li> <li> <b><i>Transparency and predictability</i></b> <p>Energex supports the AEMC’s proposed criteria of transparency and predictability and agrees that the new framework should be clear and understandable and that all parties should have access to sufficient information to make efficient decisions.</p> </li> <li> <b><i>Administrative burden and transaction costs</i></b> <p>Energex agrees that the new arrangements should be simple and practical for all parties and that administrative and transaction costs should be minimised. Given that costs for consumers are currently undergoing a high level of scrutiny, Energex considers that care should be taken to limit the imposition of additional administrative and transaction costs.</p> </li> </ul> <p>The AEMC’s model focuses upon maximising the scope for new metering market participants that the key elements of the National Electricity Objective (NEO) have not been addressed in the assessment criteria, in particular, the safety, reliability and security of electricity supply and of the national electricity system. Energex therefore recommends that the assessment criteria for this rule change be expanded to include consideration of these essential objectives.</p>
<p>Question 2: What are the benefits for competition by allowing any registered and accredited party to take on the Metering Coordinator role?</p>	<p>Energex does not consider that the creation of a new Metering Coordinator role meets the AEMC’s proposed assessment criteria and will not achieve more efficient outcomes or significant benefits for competition. Rather, the inclusion of an additional market role may have significant and costly implications for the industry</p>

Issues for Consultation	Energex Response
	<p>and is likely to create complexity, inefficiencies and greater consumer confusion.</p> <p>Practically, the introduction of a new category of market participant will require extensive further definition of protocols and interactions as well as a clear definition of the framework for the new market participant. Substantial additional costs will also be incurred due to the significant changes that will be required to current systems and processes.</p> <p>Energex does not consider that the benefits of the proposal to create a new market role have been clearly defined, including how additional market efficiencies and benefits will be realised. Further work is required to clearly demonstrate the costs and benefits of this proposal, particularly as it relates to facilitating competition in demand side services, and how it is envisaged these will flow on to consumers.</p>
<p>Question 3: Are there alternatives that are preferable to creating a separate Metering Coordinator role? For example, would it be appropriate to combine the proposed Metering Coordinator responsibilities with the existing Metering Provider role? If so, what advantages would this alternative deliver?</p>	<p>Energex would prefer that the current metering contestability arrangements are extended and that the responsibilities of the proposed new Metering Coordinator role are incorporated into existing market participant roles, i.e. Responsible Person, Metering Provider and Metering Data Provider. The current arrangements are working effectively and efficiently and Energex does not envisage there will be any benefits to be gained from including additional complexity.</p>
<p>Question 4: If established, should the new Metering Coordinator role be classified as Registered Participant under the NER or should other arrangements be put in place? If so, what accreditations may be required?</p>	<p>Metering is crucial to the operation of the NEM and the Rules currently place important obligations on the Responsible Person, including overall responsibility for provision, installation and maintenance of metering installations and collection, processing and delivery of metering data. The Responsible Person is required to be registered by AEMO as a Market Participant and must satisfy AEMO that it is able to comply and complies with the relevant obligations associated with the role.</p> <p>Therefore, while Energex does not support the creation of a new Metering Coordinator role, if the role is established to take on those responsibilities, it should be subject to the same obligations and responsibilities, including compliance requirements and breach processes, which currently apply to the Responsible Person. Consequently, if this new role mirrors the existing responsibilities of the Responsible Person, Energex questions the need to establish an additional market role.</p> <p>If the role of Metering Coordinator is created, it should also be noted that sufficient funds and resources will</p>

Issues for Consultation	Energex Response
	<p>be required by AEMO and the AER to undertake accreditation, compliance monitoring and enforcement activities with respect to an increased number of market participants.</p>
<p>Question 5: Are any specific arrangements required in the event that a Metering Coordinator fails?</p>	<p>If the role of Metering Coordinator is established, Energex agrees with the proposal that the retailer should be responsible for arranging another Metering Coordinator to be appointed or ensure that the customer appoints a new Metering Coordinator in the event that the Metering Coordinator fails.</p> <p>Prospective Metering Coordinators should be assessed to ensure they have adequate financial capacity to provide reliable services to consumers and maintain the integrity of the NEM.</p> <p>Under the AEMC's proposed framework, critical services such as disconnection / reconnection and load control may be affected by the failure of a Metering Coordinator. Further consideration and arrangements would be required to ensure continuity of such critical services.</p>
<p>Question 6: Should there be any specific changes to the ROLR arrangements regarding metering?</p>	<p>If the Metering Coordinator role is created, the current Retailer of Last Resort (ROLR) arrangements under the National Energy Retail Law would need to be expanded to include metering.</p> <p>As already noted, metering is crucial to the operation of the NEM. In a worst case scenario where, for example, the failure of a Metering Coordinator coincided with a large volume of faulty meters that were not providing data to the market and/or caused damage to property, it is vital that appropriate ROLR arrangements are in place to ensure continuity of supply for consumers and ongoing market settlement.</p>
<p>Question 7: How would the proposed jurisdictional arrangements impact on the proposed approach for competitive provision of metering and related services?</p>	<p>Energex supports the proposal that jurisdictional arrangements should allow jurisdictions to prescribe exclusivity for coordination of metering services for basic accumulation meters (Type 6) and unmetered installations (Type 7). Energex does not consider that there would be any benefits in opening the provision of metering services for these metering types to competition.</p>
<p>Question 8: Should SCER's proposal for prescribing Metering Coordinator exclusivity be limited to certain metering types? If yes, what are the metering types that should be considered?</p>	<p>Energex supports SCER's proposal for prescribing Metering Coordinator exclusivity to certain metering types, particularly basic accumulation meters (i.e. Type 6) and unmetered connections (i.e. Type 7).</p> <p>Energex supports the ongoing role for networks to continue to offer regulated metering services subject to new and replacement standards imposed by the jurisdiction.</p>

Issues for Consultation	Energex Response
Question 9: What information and consent requirements would be appropriate under the competitive model for provision of metering and related services?	<p>The incoming Metering Provider will need the consent of the incumbent Metering Provider to remove their meter. Distributors would need to be advised of the pending removal and provide their consent. This consent requirement could be driven through the current transfer objection process.</p> <p>In the event that a new meter is installed in series with the existing meter, the existing network-owned meter would become a smart network device with metrology and customer functions delivered via the new meter.</p>
Question 10: Should opt-in / opt-out provisions apply where a party seeks to upgrade a consumer's metering installation to achieve business operational efficiencies that may lead to reduced costs for consumers?	<ul style="list-style-type: none"> <li>• No comment - refer to ENA submission</li> </ul>
Question 11: Should retailers be required to inform consumers of their metering services charges? If so, what is an appropriate means for retailers to fulfil this obligation?	<ul style="list-style-type: none"> <li>• No comment - refer to ENA submission</li> </ul>
Question 12: Should the relationship between the retailer and the Metering Coordinator be based on a commercial arrangement? If not, what alternatives should be considered? What are considered the costs and benefits of a standard contract for this relationship?	<ul style="list-style-type: none"> <li>• No comment – refer to ENA submission</li> </ul>
Question 13: Should residential and small business consumers be able to exercise a right to appoint their own Metering Coordinator? If so, what arrangements would need to be put in place to govern that relationship?	<ul style="list-style-type: none"> <li>• No comment – refer to ENA submission</li> </ul>



Issues for Consultation	Energex Response
Question 14: Are any additional consumer protections required to support a direct relationship between a consumer and a Metering Coordinator?	<ul style="list-style-type: none"> <li>No comment – refer to ENA submission</li> </ul>
Question 15: Do the NER require any changes to facilitate unbundling of metering charges from distribution use of system charges? If so, what factors should be considered?	The AER's reclassification of metering services to an alternative control (as proposed for New South Wales and Queensland distributors) will facilitate the unbundling of metering services from distribution use of system charges as clause 6.5.1 of the NER requires that a regulatory asset base only include those assets used to provide standard control services.
Question 16: Should the AER have a role in determining exit fees for accumulation and manually read interval meters?	<p>If metering services continue to be a distribution service classified by the AER, then the AER should have a role in approving the exit fees. The development of an exit fee should not be treated any differently to the development of other fees which are approved by the AER as part of the Pricing Proposal process. Therefore, exit fees should be developed specific to each distribution business.</p> <p>Energex supports SCER's proposal that a transparent exit fee be approved by the AER where a consumer, retailer or other party on behalf of the consumer chooses to upgrade an accumulation or manually read interval meter that is owned and managed by a network business.</p>
Question 17: If so, are SCER's proposed criteria for determining exit fees appropriate, and should a cap on fees be considered?	<p>Energex broadly agrees with SCER's proposed criteria for determining exit fees, with the following exceptions:</p> <ul style="list-style-type: none"> <li>The fee must be cost-reflective; and</li> <li>Exit fees should apply for all meters that were installed prior to the date of commencement of the final rule, regardless of whether they are compliant with the new and replacement policy and minimum functionality required by that jurisdiction.</li> </ul> <p>A cap on fees stipulated by legislation will be unnecessary and inappropriate as distributors should be compensated for the written down value of their metering assets. AER approved fees will be published to provide transparency and certainty to third parties and customers.</p>

Issues for Consultation	Energex Response
<p>Question 18: Are the existing arrangements under the NER appropriate to enable a distribution network business to allow for advanced metering technology as part of a regulated DSP business case / program?</p>	<p>The current regulatory framework does not provide for distribution businesses to install, own and maintain advanced metering technology as part of a regulated DSP business case/ program. Consequently, distribution businesses are restricted in their ability to pursue, influence and implement energy consumption behaviours. Whereas financially responsible market participants (FRMP) are responsible for type 1-4 metering installations.</p> <p>It is unlikely that a FRMP will invest in advanced metering technologies to facilitate a distributor to effectively deliver a DSP program. In some instances, Energex may therefore be reliant on retailers and/or other accredited meter providers to provide the appropriate smart meter technology to deliver DSP outcomes in conjunction with an effective network tariff. Energex's previous experience with our Rewards Based Tariff trial has indicated that retailers have little interest in providing these services.</p> <p>However, Energex already has an extensive load control system that is not reliant on advanced metering technology that should continue to be able to operate as part of the regulated demand management program. It is imperative that existing Audio Frequency Load Control (AFLC) services delivered either by separate devices or embedded within an electronic meter are not compromised by new meter rules. These new rules must enable the effective implementation of new demand management opportunities in parallel with the existing services. This is essential to lock in existing benefits of increased network utilisation and allow for innovative solutions to meet emerging customer energy use requirements.</p>
<p>Question 19: If not, what additional arrangements might need to be put in place to allow sufficient certainty to distribution businesses to do so?</p>	<p>Refer to ENA submission and above.</p>
<p>Question 20: Are changes required to the AER's ring fencing guidelines to accommodate a distribution network business seeking to take on the role of Metering Coordinator?</p>	<p>There is already a range of ring fencing arrangements in place that stipulate that costs of providing regulated services are accounted for separately to contestable services and that services provided to specific customers are cost reflective. Therefore existing ring fencing requirements are adequate and if additional ring fencing requirements were to be imposed it would only serve to increase distributor costs.</p> <p>Energex considers that in the event that a separate Metering Coordinator role is created, any necessary ring fencing requirements should be consulted on by the AER as part of the process in establishing national</p>

Issues for Consultation	Energex Response
	distribution ring fencing guidelines.
Question 21: What do you consider are the appropriate governance arrangements for allowing for a new smart meter minimum specification in the NER?	Energex supports the development and maintenance of a minimum smart meter functionality specification in accordance with current governance arrangements for Chapter 7 and B2B procedures.
Question 22: Is AEMO the appropriate body to develop and maintain the proposed minimum functionality specification to support competition in metering and related services, or are there alternative options that could be considered?	<p>AEMO is looking to address open access and interoperability separately to developing the minimum functionality specification. Energex would support the development and maintenance of a minimum smart meter functionality specification by AEMO if it:</p> <ul style="list-style-type: none"> <li>• is aligned with an open access regime to the information and services for all parties that have a relationship with the customer, including network businesses;</li> <li>• is not complex and beyond what is currently available from metering vendors in hardware or firmware;</li> <li>• addresses interoperability and customer supply (safety) monitoring; and</li> <li>• does not limit innovation and prevent parties from leveraging off global specifications.</li> </ul>
Question 23: Should there be arrangements that allow for jurisdictions to determine their own new and replacement policies or should all new and replacements meet a common minimum functionality specification?	Energex supports the proposal to codify that jurisdictions will have the ability to define new and replacement policies to meet specific jurisdictional metrology requirements.
Question 24: Is it appropriate that the Victorian distribution network businesses would become the Metering Coordinator for the smart meters they have deployed?	<ul style="list-style-type: none"> <li>• No comment.</li> </ul>
Question 25: Should an exclusivity arrangement be put in place to allow Victorian distribution	<ul style="list-style-type: none"> <li>• No comment.</li> </ul>



Issues for Consultation	Energex Response
network businesses to continue in the Metering Coordinator role for a specified period of time? If so, should this be determined by the Victorian Government or defined in the NER?	
Question 26: Should Victoria's local distribution network business be required to take on the Metering Coordinator role as a ring fenced entity after the exclusivity period has ended?	<ul style="list-style-type: none"> <li>No comment.</li> </ul>
Question 27: Is it appropriate that as part of the transitional arrangements, the local distribution network business would become the initial Metering Coordinator for existing meters for which it is the Responsible Person?	While the establishment of a separate Metering Coordinator role is not supported, Energex would support the proposal for the local distribution network business to become the initial Metering Coordinator for all existing meters for which it is the Responsible Person (i.e. Type 6 meters) as part of any transitional arrangements. Energex agrees that this approach would limit transaction costs, ensure service levels are maintained and ease the transition to the competitive model.
Question 28: If so, should the local distribution network business be required to take on this role as a ring fenced entity? And by what stage of the transition would the ring fenced entity need to be established?	<p>No, Energex does not consider that the local distribution network business should be required to take on this role as a ring fenced entity. Energex currently performs the role of Responsible Person without the requirement to be ring fenced.</p> <p>Energex considers that it will be costly and inefficient to establish a separate, ring fenced legal entity to take on the role of Metering Coordinator for existing regulated meters until the market develops.</p> <p>Any transitional period should align with the regulatory control period for the distribution network business to ensure certainty of funding arrangements.</p>
Question 29: Is it appropriate that as part of the transitional arrangements, retailers would become the initial Metering Coordinator for existing meters for which it is the Responsible Person?	In the event that a separate Metering Coordinator role is established, Energex would support the proposal for retailers to become the initial Metering Coordinator for existing meters for which they are the Responsible Person during the transitional period. Energex agrees that this approach would be appropriate as the retailer is currently the Responsible Person for Type 1-4 meters.
Question 30: Are there any other systems,	Energex considers that the following aspects will need to be adequately addressed in any changes to systems,

Issues for Consultation	Energex Response
<p>procedures or guidelines that might need to be amended to support competition in metering and related services?</p>	<p>procedures and guidelines:</p> <ul style="list-style-type: none"> <li>• Communications systems and fair and reasonable access;</li> <li>• Non-meter related functions, e.g. disconnection and reconnection which will preferably be enabled to extract maximum value;</li> <li>• The establishment of appropriate tariffs and systems by network businesses and retailers to extract meaningful value from advanced metering (i.e. billing, market transactions, customer information, etc.);</li> <li>• Retention of the integrity (i.e. safety and security) of the customer's premises; and</li> <li>• Accessing network related data provided by smart meters, i.e. the methodology, the process by which it is accessed and the costs for provision of this service.</li> </ul> <p>As noted in answer to Question 2, there is likely to be a requirement for significant process and system changes as a result of this rule change. Energex recommends that a full analysis of the implications of the proposed rule change be undertaken to determine whether the changes will result in benefits that will facilitate competition in demand side services and whether those benefits will outweigh the significant costs involved.</p>

