May 2014

Project reference code: ERC0169

Consultation Questions

Question 1. Are there any additional criteria that should be considered in assessing this rule change request?
A1:
i) The proposal should have a specified reduction in electricity prices (in $ per annum saved) for electricity users determined prior to its implementation. This price reduction should be verified and audited by a public audit firm. All electricity users irrespective of their size (large or small) should have a reduced electricity bills (including any additional costs) following the implementation of this proposed rule change.

ii) There should be not be any additional costs imposed upon any electricity users by the rule change. (i.e. this rule change should not result in electricity users having to spend any additional time or money to maintain their electricity supply service.)

iii) Prior to implementation it should be determined whether or not the proposed rule change could result in an increase in complaints by electricity users. Prior to the proposal's implementation it should be verified that there will be an increase in electricity user satisfaction after the proposal is implemented.

iv) The proposed rule change should not reduce electricity user's existing service levels or services in any way.

v) The proposal should not inhibit or place limits on the uptake of new technology by electricity users, such as the installation of Photo Voltaic distributed generation and the recharging of electric Vehicles at home by electricity users. The adopted system should place minimal limitation on the operation of either electric vehicles or Photo Voltaic installations.

vi) Electricity users should retain the choice of a regulated metering service. Removing this choice would eliminate electricity user's option of a basic low cost regulated service. The type 5 metering service should remain as the regulated service for electricity users who choose to have a regulated interval metering service. (Type 5 metering services would not be required to have a Metering Coordinator and could be an AMI service if the existing prohibition on type 5 meter AMI services is reversed.)

Question 2 What are the benefits for competition by allowing any registered and accredited party to take on the Metering Coordinator role?

A2: The key benefit of introducing the Metering Coordinator role is that it could allow electricity users the choice of directly engaging the Metering Coordinator. This should increase competition in the contestable metering services market which may result in lower costs for some electricity users.

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?

A3: The Metering Coordinator role would help to bring smart metering services to the existing contestable type 4 metering market. The contestable type 4 metering services would benefit from having a Metering Coordinator because the Metering Coordinator could manage the smart services that are available with smart meters. The Metering Coordinator role is unnecessary for regulated distributor AMI services based upon type 5 meters.

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?

A4: All responsible participants in the electricity supply system should be classified as registered Participants under the NER.

Question 5 Are any specific arrangements required in the event that a Metering Coordinator fails?

A5: If a Metering Coordinator fails then there should be a designated Metering Coordinator of last resort. The costs of failures of Metering Coordinators should be included in the calculation of the costs of the proposal as these costs will be ultimately borne by the electricity users. One option would be to place a levy on electricity users who use type 4 metering services to cover the costs related to Metering Coordinator failures. If this is not done, then other customers would have to bear the costs associated with Meter Coordinator failures.

Question 6 Should there be any specific changes to the ROLR arrangements regarding metering?

A6: The ROLR arrangements will need to be changed to accommodate Metering Coordinator failures.

Question 7 How would the proposed jurisdictional arrangements impact on the proposed approach for competitive provision of metering and related services?

A7: Jurisdictional arrangements will need to be changed to allow for the implementation of the proposed arrangements.

Question 8 Should SCER's proposal for prescribing Metering Coordinator exclusivity be limited certain metering types? If yes, what are the metering types that should be considered?

A8: Type 5 meters should be excluded from this proposal as the Australian Energy Regulator has already prohibited the remote retrieval of metering data from type 5 meters.

(This prohibition effectively makes the deployment of AMI systems by distributors illegal). Only type 4 meters should be required to have a Metering Coordinator so as to allow for increased competition and the delivery of smart metering services in the existing contestable market. Type 5 metering is a low cost interval metering system developed by the Australian electricity industry or small electricity users (such as residential and small businesses). Type 5 metering is suitable for distributor based AMI services. Electricity users should have the choice of a regulated AMI service.

Question 9 What information and consent requirements would be appropriate under the competitive model for provision of metering and related services?

A9: Electricity users should be allowed to revert to a regulated metering service at no cost for up to two years after signing a contract for a constable type 4 smart metering service. This would limit the number of complaints since electricity users could revert to a regulated service without cash costs to them. All cash costs should be borne by the contestable electricity metering service providers.

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?

A10: Electricity users should have choice in their electricity services. This choice should include a regulated metering services. Government should not impose systems upon electricity users that electricity users do not want and then call it choice. This will only result in electricity user dissatisfaction, an increase in complaints and increased costs.

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?

A11: Retailers should be required to inform electricity users of their the metering services charges. This metering services charges should be included in all retail electricity bills. Electricity users should have choice as to their metering service, including the choice of a regulated metering service. (i.e. non contract required but the regulated cost also appearing on the user's bill.)

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?

A12: The relationship should be commercial as presently applies for type 4 metering services. A contestable metering service should not be restricted by standard contracts. Electricity users should be able to have the choice of a direct commercial relationship with their Metering Coordinator.

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?

A13: Electricity users should have the right to choose their metering service. This should include the choice of a regulated service as well as the choice of their Metering Coordinator for contestable metering via a direct contract with their Metering Coordinator. The relationship between electricity users and the Metering Coordinator that they choose should be a standard commercial arrangement.

Question 14 Are any additional consumer protections required to support a direct relationship between a consumer and a Metering Coordinator?

A14: A direct relationship between electricity users and their Metering Coordinator could minimise the cost of the service as it eliminates the cost of a third party in the commercial relationship. This relationship should be allowed to be determined by the parties involved, however, those electricity users who are given the choice of a regulated metering service should be able to revert to a regulated service at no cost to the electricity user (apart from the on going cost of the regulated service.)

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?

A15: Metering charges are already planned to be unbundled from distribution use of system charges.

Question 16 Should the AER have a role in determining exit fees for accumulation and manually read interval meters?

A16: The AER should review all costs associated with this proposed rule change. Electricity users should have the choice of a regulated metering service. Electricity users should be able to revert to a regulated metering service on a no regrets basis which means there should not be any exit costs from the contestable service and free restitution of a regulated metering service. The restitution costs should be included in the distributor's exist fees (based upon the number of electricity users who subsequently revert to a regulated metering service.)

Question 17 If so, are SCER's proposed criteria for determining exit fees appropriate, and should a cap on fees be considered?

A17: The Australian Energy Regulator should apply its standard arrangements for setting exit fees for regulated services.

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?

A18: The existing rules prohibited DNSPs from deploying type 5 meter based AMI systems. There is no point in DNSPs developing business cases for AMI systems while the Australian Energy Regulator maintains a prohibition on DNSPs deploying such AMI systems. (If the prohibition on the deployment of AMI systems by DNSPs were to be

reversed, then DNSPs could justify developing AMI business cases.)

Question 19 If not, what additional arrangements might need to be put in place to allow sufficient certainty to distribution businesses to do so?

A19: While the deployment of type 5 meter AMI solutions by distributors remains illegal (note the Victorian derogation), DNSPs will not develop business cases or consider deploying AMI systems.

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?

20: Distributors should only supply regulated services. The Metering Coordinator role should be separate from distributor businesses.

Question 21 What do you consider are the appropriate governance arrangements for allowing for a new smart meter minimum specification in the NER?

A21: The smart meter specification developed under SCER should be part of the type 4 metering specification for the supply of contestable smart metering services. A separate AMI specification based upon type 5 meters should be allowed so that DNSPS can deploy AMI systems. The AMI specification would be developed by DNSPs and be based upon the type 5 metering standard. DNSPs would be prohibited from supplying type 4 metering base smart metering services so as to allow for the development of a competitive contestable market but still giving electricity users the choice of a regulated service.

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?

A22: The proposed smart meter specification (based on a type 4 metering service) should be developed and maintained by AEMO, while a type 5 meter service based AMI specification should be developed and maintained by DNSPs while being regulated by the AER. (The AER would firstly need to reverse the existing prohibition on type 5 meter AMI deployments by DNSPs.)

Question 23 Should there be arrangements that allow for jurisdictions to determine their own new and replacement polices or should all new and replacements meet a common minimum functionality specification?

A23: The smart meter functionality for type 4 contestable metering services should be the national specification using the existing SCER smart meter specification. A national type 5 AMI service should also meet a standard determined by DNSPs for regulated AMI services. Electricity users should be able to choose the service that they receive.

Question 24 Is it appropriate that the Victorian distribution network businesses would become the Metering Coordinator for the smart meters they have deployed?

A24: The Victorian smart meter deployment does not meet the proposed smart meter specification and is not consistent with a type 5 AMI system. Since the Victorian system is neither a type 5 meter AMI system or meets the proposed SCER smart meter specification, it should probably remain a derogated system until replaced with either an AMI solution or the SCER smart meter (type 4) system.

Question 25 Should an exclusivity arrangement be put in place to allow Victorian distribution 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?

A25: See A24

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?

A:26 See A24

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?

A27: The Metering Coordinator should only apply for type 4 smart metering services. Type 5 based AMI services should be regulated services supplied by distributors and as such do not require a Metering Coordinator. Distributors should not be involved in the Metering Coordinator role.

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?

A28: The Metering Coordinator role should be established as an entity that is independent of existing industry players such as distributors. Electricity users should have choice as to who they choose as their Metering Coordinator.

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?

A:29 The Metering Coordinator role should be established as an entity that is independent of existing industry players such as retailers. Electricity users should have choice as to who they choose as their Metering Coordinator.

Question 30 Are there any other systems, procedures or guidelines that might need to be amended to support competition in metering and related services?

A30: The AER prohibition on the deployment of type 5 based AMI systems by DNSPs should be reversed. Electricity users who choose a type 4 smart meter service should be able to directly choose their Metering Coordinator. The cyber security implications of any proposed system should to be considered given the ever increasing risks associated with digital systems.