

Submission to the Australian Energy Regulator

Response to Draft Decision: Victorian Distribution Determinations 2026-31

Opposition to Monopoly Meter Replacement Programs

Submitted by:

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Date: 2 February 2026

Executive Summary

Green Metering opposes the AER's draft decision approving monopoly meter replacement programs for Victoria's 2.8 million aging smart meters. The AER accepted CitiPower, Powercor, and United Energy's (CPU) proactive programs as "reasonable and efficient" based solely on comparing Victorian monopolies to each other, without benchmarking against competitive market outcomes.

Our Position

Green Metering recommends the AER approve only reactive meter replacement for 2026-31, providing a 5-year window for the Victorian Government to enact legislative reform and enable competitive market opening by 2031.

Financial Outcome (10 years):

- Monopoly proactive now: \$1,154M (locks in monopoly until ~2045)
- Reactive then competitive: \$1,078M (opens market permanently)
- **Net benefit: \$76M savings + competition**

If proactive replacement must proceed immediately, the AER must mandate competitive procurement to deliver the same outcome at \$770M instead of \$1,154M—a \$384M saving.

The Evidence Gap

The AER approved CPU's costs without competitive benchmarking:

Meter Replacement	CPU (AER-Approved)	Competitive Market	Premium
Proactive	\$412/meter	\$250-300/meter	37-65%
Reactive	\$640/meter	\$300-350/meter	83-113%

The AER concluded proactive replacement delivers "lower costs to customers over the long term"—but only compared monopoly options. **No analysis assessed whether competitive provision would deliver even lower costs.**

The Opportunity

This is Victoria's only opportunity until ~2040-2045 to introduce competition. Once monopoly programs replace 2.8 million meters by 2031, market structure is locked for another generation.

1. What the AER Approved

The September 2025 draft decision accepts CPU's proactive meter replacement programs with minor adjustments:

Approved Expenditure:

- CitiPower: \$58.3M (280,000 meters)
- Powercor: \$180.1M (881,000 meters)
- United Energy: \$121.0M (648,000 meters)

AER's Adjustments:

- Reduced Year 1/2 volumes by 50%/25% due to deliverability concerns
- Reduced reactive labour rate from \$263/hour to \$219/hour
- Cut communications capex by 33-39% as "materially higher" than efficient

Critical Finding: The AER accepted CPU's meter replacement costs and labour efficiency as the benchmark for Victorian networks, stating CPU demonstrated "the highest labour efficiency in proactive meter replacements."

What the AER Did Not Do: Benchmark costs against competitive market outcomes from NSW, Queensland, or South Australia—jurisdictions where competition has operated successfully since December 2017.

2. The Competitive Market Alternative

2.1 Green Metering's Considered Costs

Operating in NSW, Queensland, and South Australia since Power of Choice reforms, Green Metering delivers:

Proactive Bulk Deployment: \$250-300/meter

- Street-by-street planned rollout
- 8-12 meters per crew per day
- Bulk hardware procurement (20-30% discounts)
- No fault diagnosis time
- Optimised logistics

Reactive/Ad-Hoc Replacement: \$300-350/meter

- Single-site visits
- 2-3 meters per crew per day
- Individual dispatch
- Includes all costs: hardware, labour, travel, compliance, warranty, margin

2.2 Why Competition Achieves Lower Costs

Hardware: Competitive suppliers negotiate volume discounts (20-30%) vs. CPU's single-unit \$296 cost

Labour Productivity: Specialised metering operations achieve 8-12 meters/day vs. CPU's 8-9 meters/day estimate

Commercial Pressure: Multiple bidders compete on price and service quality vs. regulated monopoly recovery

Operational Focus: Dedicated metering providers without distribution network conflicts

2.3 The Cost to Victorian Customers

CPU's AER-Approved Proactive Programs (2.8M meters):

- Monopoly cost: $2,800,000 \times \$412 = \$1,154 \text{ million}$
- Competitive cost: $2,800,000 \times \$275 = \770 million
- **Customer overpayment: \$384 million**

3. The Flawed Benchmarking Process

3.1 Monopoly-to-Monopoly Comparison

The AER compared CPU only to other Victorian distributors (AusNet, Jemena) and historical approved costs. This approach:

- Accepts "best monopoly" as "efficient"
- Ignores 8 years of competitive market outcomes in other NEM jurisdictions
- Provides no incentive to achieve competitive market efficiency
- Fails to test whether monopoly provision itself is the problem

3.2 The AER Can Do Better—And Has

The AER **rejected** CPU's communications capex proposals, reducing them by 33-39% because costs were "materially higher than those proposed by other Victorian distributors" and "not prudent and efficient."

Critical Question: If the AER can benchmark communications costs and reject them as too high, why hasn't the AER benchmarked meter installation costs against competitive market outcomes?

3.3 The Missing Analysis

The AER's draft decision contains no examination of:

- Competitive tender pricing for bulk meter replacement
- Independent Metering Coordinator costs from NSW, QLD, SA
- Market-based alternatives to monopoly provision
- Whether competitive procurement would deliver lower costs

CPU's cost-benefit analysis compared only monopoly options (reactive vs. proactive vs. delayed proactive). The AER accepted this analysis without questioning whether a competitive alternative would outperform all monopoly scenarios.

4. Green Metering's Recommendation

4.1 Primary Position: Reactive Replacement for 2026-31

Approve only reactive meter replacement during the 2026-31 regulatory period.

Rationale:

- Maintains service reliability as meters fail (~25% annual failure rate = ~700,000 meters over 5 years)
- Provides Victorian Government time to enact legislative reform removing AMI derogation
- Enables AEMC rule changes and AEMO system preparation for market opening
- Allows competitive proactive replacement in 2031-36 at \$250-300/meter
- Avoids locking in monopoly structure for another 15-20 years

Financial Comparison (10-year outcome):

Period	Monopoly Proactive Now	Reactive Then Competitive
2026-31	\$1,154M (2.8M meters @ \$412)	\$448M (0.7M @ \$640)
2031-36	\$0 (complete)	\$630M (2.1M @ \$300)
Total	\$1,154M	\$1,078M
Net Benefit		\$76M + competition

Reform Timeline:

- **2026-2027:** Victorian Government policy development, pilot programs
- **2027-2029:** Legislative process, AEMC rule changes, AEMO preparation
- **2029-2031:** Market framework finalisation, transition planning
- **2031-2036:** Competitive proactive replacement at market rates

Benefits:

- Saves money over 10 years vs. monopoly proactive now
- Opens Victorian market to permanent competition
- Enables proper legislative reform without rushed decisions
- Delivers innovation and service quality benefits from 2031
- Maintains regulatory flexibility

4.2 Alternative Position: Mandate Competition Immediately

If the AER determines proactive replacement must proceed in 2026-31:

Require competitive procurement for meter replacement programs, open to:

- Independent Metering Coordinators
- Specialist metering providers
- Any qualified party meeting Victorian requirements

Outcomes:

- Delivers \$384M savings immediately vs. monopoly provision
- Tests competitive capability within existing framework
- Provides market discipline without legislative reform
- Enables gradual transition to full competition

Implementation Options:

- Full competitive tender for all volumes
- Hybrid model: 50% competitive, 50% distribution business
- Pilot programs: 20% competitive in 2026-27, scaling up

4.3 What the AER Must Not Do

Do not approve monopoly proactive programs based solely on monopoly-to-monopoly benchmarking when:

- Competitive markets deliver the same service at 33% lower cost
- No analysis of competitive alternatives has been conducted
- Approval locks in market structure for 15-20 years
- Victorian customers will pay \$384M more than necessary

5. Why This Decision Matters

5.1 Once-in-a-Generation Timing

Victoria's 2.8 million smart meters (installed 2009-2013) are 12-16 years old and reaching end-of-life. This natural replacement cycle occurs every 15-20 years.

The AER's Q1 2026 final determination will set market structure until ~2040-2045.

Three Pathways:

1. **Monopoly proactive now:** Locks in monopoly, costs \$1,154M, forecloses reform
2. **Reactive then competitive:** Enables reform, costs \$1,078M over 10 years, opens market
3. **Competitive now:** Immediate savings of \$384M, tests market opening

Missing this window means waiting 15-20 years for the next natural replacement cycle.

5.2 Victoria's Market Anomaly

Since December 2017, customers in NSW, Queensland, South Australia, Tasmania, and the ACT have benefited from competitive metering under Power of Choice reforms. Victoria remains excluded through a jurisdictional derogation.

Competitive markets in other jurisdictions deliver:

- Efficient installation at \$250-350/meter
- Next-generation meter technology
- Innovation in data services
- Market discipline without detailed regulatory oversight

Victorian customers deserve the same benefits.

5.3 National Electricity Objective

The National Electricity Objective requires "efficient operation of electricity services for the long term interests of consumers."

Approving monopoly provision at \$412/meter when competitive provision delivers \$250-300/meter fails this objective. The AER's responsibility is to ensure efficient costs—not to accept "best monopoly" as adequate.

6. Our Specific Requests

The AER should:

1. **Approve only reactive meter replacement for 2026-31** at forecast failure rates
2. **Engage with Victorian Government** on legislative reform timeline and market opening by 2031
3. **Require competitive proactive replacement** in the 2031-36 regulatory period
4. **Provide policy certainty** that reactive approach enables reform, not indefinite delay

Alternatively, if proactive replacement must proceed:

5. **Mandate competitive procurement** for all or substantial portion of 2026-31 volumes
6. **Benchmark costs against competitive market outcomes** from NSW, QLD, SA
7. **Condition approval on competitive tender results** demonstrating value for money
8. **Establish pilot programs** to test competitive capability

At minimum:

9. **Defer final determination** pending analysis of competitive alternatives
10. **Commission independent review** of competitive market costs for Victorian application
11. **Consult with Victorian Government** on market reform opportunities and timeline

7. Conclusion

The AER's draft decision approves monopoly meter replacement at \$412/meter as "reasonable and efficient" based on comparing Victorian monopolies to each other. This approach fails Victorian customers in three critical ways:

First, it ignores competitive market benchmarks showing the same service costs \$250-300/meter in other NEM jurisdictions—a 37-65% premium for monopoly provision.

Second, it locks in market structure for 15-20 years during the only natural opportunity to introduce competition or enable legislative reform.

Third, it costs Victorian customers \$384M more than necessary if proactive programs proceed, or forgoes \$76M in 10-year savings plus permanent competitive benefits if reactive-then-competitive approach is adopted.

Our Position

Green Metering recommends approving only reactive replacement for 2026-31, enabling the Victorian Government to enact legislative reform and open competitive markets by 2031. This delivers better financial outcomes over 10 years, opens the market permanently, and maintains service reliability during the transition.

If proactive replacement must proceed immediately, mandate competitive procurement to deliver the same outcome at \$770M instead of \$1,154M.

The fundamental question: Why should Victorian customers pay monopoly premiums when competitive markets can deliver the same service more efficiently?

Green Metering has proven capability across NSW, QLD, and SA competitive markets and stands ready to serve Victorian customers at competitive rates. We respectfully request the AER provide Victorian customers the same competitive benefits enjoyed by customers in other NEM jurisdictions.

Contact & Credentials

Green Metering Pty Ltd:

- Independent Metering Coordinator operating in NSW, Queensland, South Australia
- 4+ years experience in competitive metering markets since Power of Choice reforms
- Forecast cost delivery: \$250-300/meter bulk proactive, \$300-350/meter reactive
- Professional installation meeting all regulatory requirements
- Standing AEMO accreditation pursuing Metering Data Provider accreditation

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We request:

- AER acknowledgment and confirmation this submission will inform final determination
- Opportunity for technical briefing on competitive market operations and costs
- Engagement before final determination on transition pathways and reform options

References

Australian Energy Market Commission (AEMC). (2024). *Accelerating Smart Meter Deployment Rule - Final Determination*. November 2024.

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Date Submitted: 2 February 2026