Advice to AER from Consumer Challenge Panel sub-panel 8 regarding the ActewAGL Distribution (AAD) Access Arrangement (AA) 2016-2021 Proposal

1. Introduction

ActewAGL Distribution (AAD) has submitted a gas access arrangement (AA) proposal for its ACT, Queanbeyan and Palerang distribution network to the Australian Energy Regulator (AER) for the period 1 July 2016 to 30 June 2021, pursuant to its obligations under rule 52 of the National Gas Rules (NGR).[1] AAD's current regulatory term was initially set at 2010-2015, but was subsequently extended to include the 2015/16 year.[2] We understand that this extension was to accommodate AAD, so that their Regulatory Team would be able to handle matters related to the electricity distribution determination process and the gas distribution determination process at different times. We understand that the AER can take the extra year into account as a 'true up' for the next period, and we advise that this should be the action taken.

The AER's Consumer Challenge Panel (CCP) was established in 2013 to assist the AER to make better regulatory determinations by providing input on issues of importance to consumers. Members of the CCP bring consumer perspectives to the AER to better balance the range of views considered as part of its decisions.

The roles of CCP members include:

- Advising the AER on
    - whether a network business' proposal is justified in terms of the services to be delivered to customers;
    - whether those services are acceptable to, and valued by, customers; and
    - whether the proposal is in the long term interests of consumers.
- Advising the AER on the effectiveness of the network business' engagement with its customers and how this engagement has informed, and been reflected in, the development of the business' proposal.[3]

The CCP is divided into sub-panels. The AAD gas distribution access arrangements for its ACT, Queanbeyan and Palerang distribution network fall under CCP sub-panel 8. Its members are David Prins and Robyn Robinson, who are the authors of this document.

The purpose of this document is to provide our advice to the AER regarding the AAD proposal. In formulating this advice, we have:

- Received a briefing on AAD's Consumer Engagement Strategy;
- Held briefings with AER staff;
- Attended a briefing with AAD management;
- Met with a group of AAD's consumer representatives;
- Reviewed the documentation provided by AAD.

[1] The proposed access arrangements, including all the AAD documents referenced in this paper, can be downloaded from the AER website at http://www.aer.gov.au/node/26561

[2] AAD Access Arrangement Information Overview, P9

[3] For further information on the CCP, see https://www.aer.gov.au/node/19305

2. Overview of Findings

AAD has prepared its access arrangement proposal for 2016-2021 in an environment that is distinguished by several significant changes to the conditions that were in place when the previous five-year proposal was prepared (for 2010-2015). In particular:

- The previous proposal was developed during the period of the Global Financial Crisis (GFC). Both interest rates and perceptions of risk have fallen markedly since that time. This means that the current costs of finance are now significantly lower than the record high cost of capital allowances that the AER set for the 2010-2015 period.
- The availability of new and more efficient technologies in the electricity industry has led to significant improvements in the relative cost efficiency and performance of electric household appliances as opposed to gas household appliances. Cost-reflective electricity network prices may also give further cost advantage to efficient electricity usage. These factors will be likely to combine to cause electricity to replace gas as a fuel of choice in the residential sector, for both potential and existing gas customers. This will impose further downward pressure on the demand for gas over the next regulatory period, and result in an increased level of uncertainty around the forecasts for demand levels over the next five years.
- With the emergence of the east coast Australian gas export market during 2014 and 2015, domestic wholesale gas prices were initially forecast to increase rapidly towards international parity. Subsequent decreases in world oil prices and advances in the US shale oil and gas industry more recently appear to have moderated the forecast rate of price increases. Nevertheless, any resulting increases in retail gas prices are likely to reduce the competitiveness of gas as an energy source in comparison with other fuel sources, and this is likely to lead to lower demand levels for gas.
- In November 2013, the ACT Government established a renewable energy target which will see 90% of electricity used in the ACT in 2020 coming from renewable energy sources, such as solar, wind or biomass.[4] This may constrain the use of gas for electricity generation in this period, and may also encourage consumers with a preference for 'green' energy to move away from gas.
- New Guidelines have been introduced by the AER as part of its Better Regulation program to provide direction to network businesses in the preparation of their proposals. Two of these Guidelines which are of particular relevance are the Rate of Return Guideline[5] (the RoR Guideline), and the Consumer Engagement Guideline for Network Service Providers[6] (the CE Guideline).

Each of these factors has played a part in influencing the development of AAD's proposal.

AAD is proposing an initial price reduction of (CPI – 2.23%) on 1 July 2016, followed by CPI price increases for the following four years,[7] with no reduction of current high safety and service levels. The AAD proposal reflects a total revenue requirement for the 2016-21 AA period of $332.9 million.[8] This is around 1% higher than the allowed revenue in the current period.

We consider instead that a reduction in the total allowance is achievable through business efficiencies, and that this is the preferred outcome for consumers. This is discussed in more detail in the following sections of this advice to the AER.

[4] http://www.cmd.act.gov.au/open_government/inform/act_government_media_releases/corbell/2013/act-sets-90-renewable-energy-target-in-law7
[5] See http://www.aer.gov.au/node/18859
[6] See http://www.aer.gov.au/node/18894
[7] AAD Access Arrangement Information Overview, P7
[8] AAD Access Arrangement Information Overview, P51

The CCP is also required to advise the AER on the effectiveness of AAD's consumer engagement. We have found that AAD has implemented a comprehensive Gas Consumer Engagement Program in accordance with the CE Guidelines, and has demonstrated a genuine commitment to consumer engagement as part of the process of developing the 2016-2021 proposal. Our views on the effectiveness of the consumer engagement, and the extent to which the engagement activities have informed and been reflected in the development of the proposal, are presented in the applicable sections throughout this report.

3. Consumer Engagement

Consumer Engagement Program

AAD has stated that consumer engagement is not a new endeavour for this network service provider. AAD has stated that is has demonstrated a longstanding and ongoing commitment to understanding its consumers and meeting their needs through a range of mechanisms including:

- Willingness-to-pay studies in 2003 and 2011;
- Annual customer satisfaction surveys;
- Community consultation on major projects; and
- Consultations with major customers.[9]

Following publication of the AER's CE Guideline in 2013, AAD developed its *Consumer Engagement Strategy (2014/15 – 2016/17)*[10] to improve its understanding of its consumers, and to develop proactive initiatives to engage more effectively with consumers into the future.[11] The AAD Gas Consumer Engagement Program was developed within this framework with the following objectives:

- to inform, consult and involve gas consumers and other members of the community in developing the 2016-21 gas access arrangement proposal; and
- to collaborate with the AAD Energy Consumer Reference Council (ECRC) in the development of the proposal.[12]

These objectives refer specifically to levels of consumer engagement described in the IAP2 Public Participation Spectrum.[13]

Overall, the Consumer Engagement Program is well-designed and comprehensive, and aligns closely with the AER's CE Guideline. Our observations indicate that AAD has demonstrated a genuine commitment to meaningful engagement with its stakeholders.

AAD's Consumer Engagement Program has received high level support within the business as demonstrated by participation in ECRC meetings by senior managers, including regular attendance by the CEO, and representation on the AAD 2016-21 Access Arrangement Project Board and Steering Committee. We endorse the appointment of an independent chair of the ECRC as a means of ensuring that council discussions are not unduly constrained, and that feedback, both positive and negative, can be reported transparently to AAD.

Energy Consumer Reference Council

The ECRC was established by AAD in 2014 to provide a long-term mechanism to engage with representatives of a range of key customer segments. It comprises representatives from a cross section of key community groups, including representatives from Community Councils, the Master Builders Association, the Property Council of the ACT, the Canberra Business Chamber, Engineers Australia, the ACT Council of Social Services and SEE - Change.[14] Within the Gas Consumer Engagement Program, the ECRC fulfilled two key roles:

- providing input and guidance to the CE Program; and
- collaborating with AAD on key areas and priorities to be included in the 2016-2021 proposal.[15]

Meeting records[16] and feedback reports[17] confirm that the ECRC provided substantial input and guidance to the Gas Consumer Engagement Program. Although the ECRC was invited to collaborate on key areas and priorities

[9] AAD Access Arrangement Information Overview, P32
[10] See www.actewagl.com.au/consumerengagement
[11] AAD Access Arrangement Information Overview, P32
[12] AAD Access Arrangement Information Overview, P33
[13] IAP2 at http://www.iap2.org.au/resources/iap2s-public-participation-spectrum
[14] AAD Access Arrangement Information, Attachment 1, P12
[15] AAD Access Arrangement Information, Attachment 1, P13
[16] www.actewagl.com.au/consumerengagement
[17] AAD Access Arrangement Information, Attachment 1, P14

of the AAD proposal, its impact on the proposal has been less substantial. From the AAD summary of ECRC feedback and corresponding response by AAD, there appear to be just two topics where ECRC feedback has been incorporated into the proposal:

- AAD has adopted a smooth price path, with steady increases each year, rather than sharper adjustments across the five year period; and
- AAD recognises that consumers place a high value on reliability and safety. Therefore, AAD will continue to prioritise reliability and safety.[18]

The ECRC expressed a strong desire to engage with AAD on the issue of AAD's capital expenditure and long-term financial structure:

"ActewAGL Distribution's long-term planning needs to take into consideration the impacts of new technologies, continuing decline in per customer gas consumption and implications for the network as alternate renewable energies become more viable."[19]

This issue was also raised in the community and business workshops, and was re-iterated when the CCP met with a group of AAD's consumer representatives on 28 July 2015. AAD proposes to have further discussion with the ECRC on this subject in 2015/16. However, consumer representatives are concerned that the issue was not adequately addressed in the AAD proposal.

Therefore, we consider that engagement with the ECRC was effective in some areas, but was not so effective in shaping AAD's Access Arrangement proposal.

Retailer Engagement

AAD has conducted individual engagement sessions with each gas retailer on its network, to discuss:

- the proposed changes to the 2016-21 access arrangement;
- how the proposed changes could impact the retailers; and
- how the proposed changes can be adopted by retailers in their retail offers to keep gas competitive.

A further meeting was held with all retailers to discuss transition processes and the proposed tariffs for 2016/17.[20]

While retailers were reported as being "generally supportive" of the proposed changes, the engagement with retailers appears to have been largely conducted at the Inform level of the IAP2 spectrum.

Major Customer Engagement

Individual engagement sessions were held with the top 10 major customers on AAD's network to discuss their forecast demand, any forecast changes in their gas requirements or gas consumption behaviour over the 2016-2021 access arrangement period, any other aspects of their energy needs that they wanted to discuss.[21] They were also invited to attend business workshops. Subsequently, major customers were invited to discuss billing impacts from proposed 2016/17 tariffs, and a representative of major customers has been invited to participate in the ECRC.

Engagement with major customers has been conducted at the Consult and Involve levels of the IAP2 Spectrum, and appears to have been effective.

Community Engagement

A consultation paper – "*The Gas Network – Our 5 Year Plan'* was issued to seek feedback from the community and business sector on:

- cost/reliability trade-offs;

[18] AAD Access Arrangement Information, Attachment 1, P16
[19] AAD Access Arrangement Information, Attachment 1, P17
[20] AAD Access Arrangement Information Overview, P35
[21] AAD Access Arrangement Information, Attachment 1, P 20

- operational services and capital investment; and
- potential tariff structures.

ECRC provided advice on the preparation of the consultation paper, and care was taken to present the material in a form suitable for the intended audience.

The consultation paper was advertised in local media and on the AAD website, and was used as the basis for discussion in four community and business workshops. Workshops were also promoted through ECRC members and on social media. In spite of these efforts, attendance at the workshops was low. In total, 10 people attended the community workshops, and 16 attended the business workshops. Feedback from the workshops was reviewed by AAD and the ECRC. Due to the small number of participants, the effectiveness of this engagement was limited.

In an effort to extend the reach of its community consultation, AAD introduced a new initiative – the Power Panel.[22] Through this mechanism, feedback from 200 people was received within 10 days, and was used to complement the discussions undertaken at the community and business workshops. This channel appears to have provided an effective addition to AAD's consumer engagement toolset.

Willingness to Pay Studies

The CCP as a whole has previously raised concerns with the AER regarding the use of Willingness-to-Pay surveys to justify business expenditure proposals.[23] In its proposal, AAD has referred to willingness to pay studies which were conducted using choice modelling techniques in 2003, and updated in 2011.[24] Although detailed information on the content and findings of these studies has not been provided, we commend AAD for adopting a sound theoretical basis for the conduct of this research. Furthermore, the findings from the willingness to pay studies have not been used to justify individual expenditure proposals.

Online Communication Channels

AAD employed both a stakeholder engagement website and an on-line survey for its broader community engagement. The fact that both of these tools were based on on-line communication channels would have precluded those without Internet access and those who do not have the technology or skills to engage through a website from participating. This would include some older consumers, those with accessibility issues and some segments of vulnerable consumers. In addition, the absence of options for community engagement in other languages presents a further impediment for consumers whose first language is not English. These customers and community segments may not have had adequate opportunities for engagement with AAD.

Measurement and Review

AAD has developed Key Performance Indicators to measure the performance of its Consumer Engagement Program, and has assessed its performance against those measures.

AAD has not yet undertaken a review of its Consumer Engagement Program to assess the costs and benefits, and to identify how the program might be improved.

[22] http://www.actewagl.com.au/Product-and-services/Power-panel.aspx
[23] http://www.aer.gov.au/sites/default/files/Consumer%20engagement%20advice_140707.pdf
[24] AAD Access Arrangement Information, Attachment 1, P11

4. Operating Expenditure (Opex)

AAD has forecast opex for the 2016-21 AA period to be $143.8 million.[25] This represents a 7% increase (or $9.9 million) over the actual opex for the 2010-15 period, and a 10.7% increase (or $13.9 million) over the AER approved opex for the current period.[26] These increases are proposed at a time of declining gas usage. We advise the AER to consider in general terms whether it is prudent and in the long term interests of consumers for opex to be increasing as gas usage is decreasing.

The main drivers of the increase are identified as:

- Forecast rate of change ($4.5 million);
- Proposed step changes ($12.1 million);
- Increase in Utilities Network Facilities Tax ($8.4 million); and
- Reduction due to change in classification from opex to capex ($6.6 million).

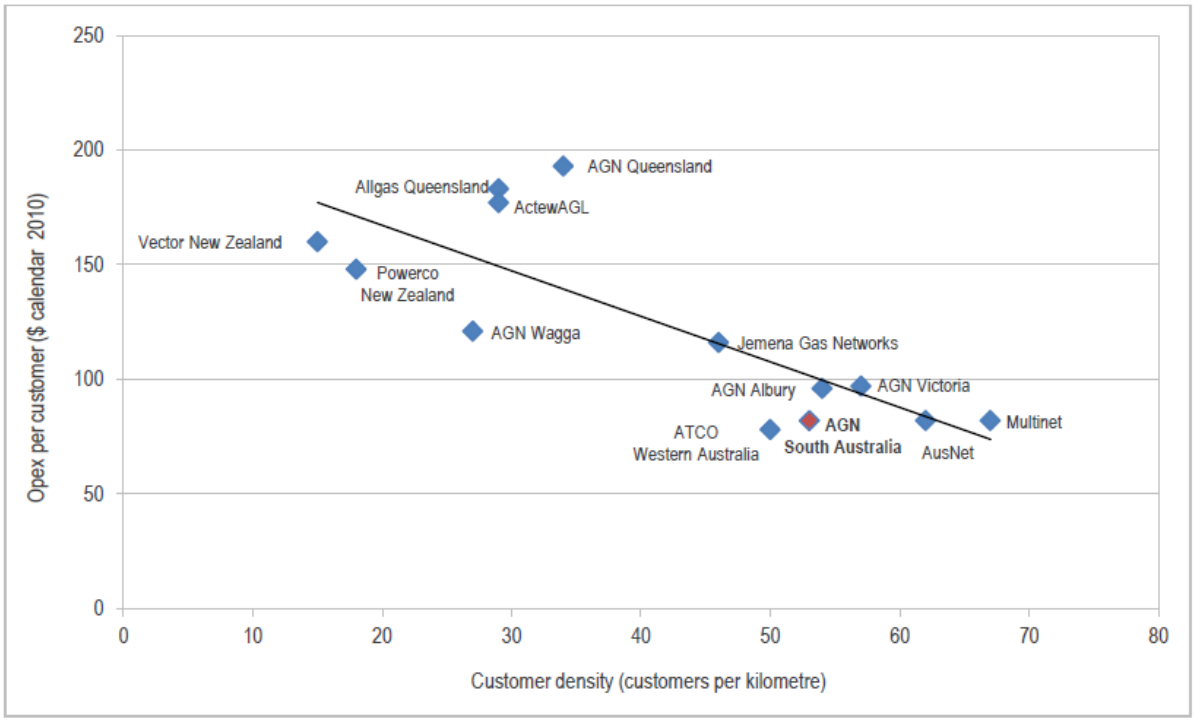
To demonstrate its opex efficiency, AAD points out that despite the 7.4 per cent increase in opex compared to the previous period, real total opex per customer has decreased from $208 per year on average, during the 2010-15 period, to $188 per year on average during the 2016-21 period.[27]

AAD has commissioned ACIL Allen Consulting to undertake productivity analysis including estimation of the opex cost function, and forecast partial factor productivity growth, as well as historical productivity growth rates using unilateral total factor productivity and opex and capex partial factor productivity analysis. AAD claims that the opex cost function analysis suggests that AAD's opex is efficient relative to its peers.[28]

AAD is operating a modern network located largely in a modern city with strict environmental controls. This makes the network easier to maintain, and facilitates speedy response to incidents. It should also lead to lower costs. Given these factors, AAD's opex should be efficient relative to its peers, who do not operate in such favourable conditions.

We wish to draw the AER's attention to the following graph from *Benchmarking Australian Gas Networks' South Australian Business Operating and Capital Costs using Partial Performance Indicators* report prepared by Economic Insights,[29] and submitted to the AER as part of Australian Gas Networks' South Australia Access Arrangement 2016-2021 proposal.

[25] AAD Access Arrangement Information Overview, P54
[26] AAD Access Arrangement, Attachment 5, Table 5.3
[27] AAD Access Arrangement, Attachment 5, P8
[28] AAD Access Arrangement, Attachment 5, P23
[29] AAD Access Arrangement Information, Attachment 4.2



Note: All numbers in Figure 7.2 are averages 2007/08 to 2012/13.

Source: Economic Insights 2015, "Benchmarking Australian Gas Networks' South Australian Business Operating and Capital Costs Using Partial Performance Indicators", May 2015, pg. 9. Provided as Attachment 4.2.

The Economics Insights analysis appears to present a different view to AAD's claim. We advise the AER to investigate the apparent different views of AAD's opex efficiency.

Step Changes

One of the step changes proposed by AAD is $4.18 million for a non-recurring IT Asset Utilisation Fee.[30] We advise the AER to scrutinise the proposed fee to ensure that:

- All quoted costs are reasonable.
- Consumers are not paying twice for the same assets, i.e. through both the IT Asset Utilisation Fee and return on capital.
- AAD is not funding the establishment of IT systems such as work management systems which the service provider should be funding.

[30] AAD Access Arrangement Information, Appendix 5.04, Table 1.1

5. Capital Expenditure (Capex)

AAD is proposing to invest $115.7 million in capital expenditure over the next AA period, which is 17% higher than the AER allowance in the 2010-15 period ($98.7 million), and 27.5% higher than the expected actual expenditure in the 2010-15 period ($90.8 million).[31] Approximately $6.6 million of the difference can be attributed to change in capitalisation policy. However, this growth in capex expenditure is contrary to the projection for annual demands for gas on the AAD network, which are forecast to decline from 7.58 PJ to 7.12 PJ over the course of the next AA period.

The breakdown of proposed capex is shown in the following table.[32]

Table O.15 Forecast capex 2016-21 ($million, 2015/16)

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Market expansion (net cap-cons)	11.72	12.70	12.80	12.51	12.05	**61.78**
Capacity development	3.21	5.56	2.91	6.99	1.22	**19.89**
Stay in business	7.23	8.18	8.60	4.59	4.83	**33.43**
Non-system	0.21	0.11	0.22	0.00	0.00	**0.55**
Total	**22.38**	**26.55**	**24.53**	**24.09**	**18.10**	**115.65**

By far the largest contributor to the capex forecast is market expansion (net of capital contributions). Forecast market expansion capex has increased by 46% over the previous AA period.[33] The main driver for this increase is a forecast 52% increase in the number of connections of medium density residential connections in the ACT over the 2016-21 AA period. AAD consumer representatives told us that this is considered to be highly optimistic.

We advise the AER to review this forecast, considering issues in the ACT such as metering concerns in high rise developments, the propensity of developers of medium density developments not to invest in gas appliances, the increased penetration of new efficient technology such as reverse-cycle electric heating, and the move towards renewable energy.

Because 2015/16 was an extension year, AER did not approve a capex amount for this year. AAD estimates that capex expenditure will be higher than in the preceding years ($33.2 million). This is in marked contrast to the annual average capex spend in 2010-2015 ($18.2 million) and the forecast annual average capex spend in 2016-21 ($23.13 million). AAD explains that the increase is due to steady growth in customer connections (market expansion), new mains in Gungahlin and Molonglo areas (capacity development); the commencement of inlet piping rectification, and the continued growth in meter replacement (stay in business).[34] We find the significant increase in capex in 2015/16 to warrant investigation. We advise the AER to carefully consider both the prudency and the timing of the 2015/16 capital investment program.

[31] AAD Access Arrangement Information, Table O.4
[32] AAD Access Arrangement Information, Table O.15
[33] AAD Access Arrangement Information, Table O.16
[34] AAD Access Arrangement Information, Attachment 6, P17

Regulated Asset Base (RAB)

The proposed capex investment program over the next AA period will have the effect of increasing the RAB from $367.5 million to $466.5 million, an increase of 27%.[35] This high rate of growth is occurring at a time of decreasing gas demand across the network. These two trends result in higher prices for consumers being 'locked in' for both the next and future AA periods.

A high rate of growth in capex does not sit well with declining demand for gas. We do not consider that the proposed rate of increase of the RAB, and hence prices, is in the best long term interests of consumers. We therefore urge the AER to consider carefully both the prudency and the timing of the proposed capital investment program in the next period.

6. Rate of Return

AAD is proposing a rate of return or Weighted Average Cost of Capital (WACC) of 7.15%. AAD is also proposing departures from the AER's RoR Guideline. This approach has not been endorsed by AAD's customers and stakeholders.

While we recognise that the proposed WACC is a significant reduction from the 10.28% approved for the current period, we consider the proposed WACC to be inappropriately high, and do not support any departures from the RoR Guideline. The CCP as a whole has provided the AER with a paper outlining its views on rate of return.[36] We incorporate the contents of that paper by reference in this submission as providing our views as a sub-panel on how the AER should address AAD's proposed rate of return. In addition, we are aware that the AER's 2015 decisions on rate of return for the NSW and ACT electricity distribution networks are currently a matter for consideration by the Australian Competition Tribunal. The Tribunal's determinations on rate of return will also be relevant for AAD.

7. Incentive Mechanisms

AAD has reported a total carryover amount of $11.7 million from the opex incentive mechanism in place for the 2010-2015 AA period. AAD has proposed retaining the opex incentive mechanism for 2016-21.[37]

The opex incentive mechanism only has value for driving true efficiency, and for consumers' long-term interests, if the allowed opex is set at an efficient and prudent level. We therefore advise the AER to confirm that AAD's opex forecasts are set at an efficient and prudent level prior to adopting this proposal. We also recommend that the AER consider implementing a complementary Capital Expenditure Sharing Scheme on the basis that the opex incentive mechanism and the capex incentive mechanism work together to ensure that there no bias towards one form of expenditure over another.

[35] AAD Access Arrangement Information, Attachment 7, Table 7.4
[36] http://www.aer.gov.au/sites/default/files/CCP%20report%20prepared%20for%20AER%20Board%20-%20Rate%20of%20Return.pdf
[37] AAD Access Arrangement Overview, P70

8. Demand Forecasts

Throughput for the volume customer group is forecast to reduce by 1.59 per cent per annum on average over the 2016-21 access arrangement period. This decline in throughput is greater than the 0.51 per cent average annual decline in weather-normalised throughput observed over the past four years.

The increased rate of decline reflects independent third-party projections of slowing growth in new housing starts and the economy in the ACT, which are expected to ease the growth in new gas connections from 3.7 per cent per annum over the past four years to 2.5 per cent in the 2016-21 period.

The decline in throughput despite growth in connections over the past four years is a product of falling throughput per connection. Throughput per connection is forecast to continue to decline at a similar rate due to:

- the greater availability and affordability of energy efficient appliances;
- stronger competition from alternative energy sources;
- the changing housing density mix; and
- changing customer preferences and incentives to adopt renewable energy.

The demand customer group is expected to stabilise, with no new customer connections anticipated in the 2016-21 access arrangement period. Forecast growth rates in annual contract quantity and maximum daily demand are 0.52 per cent and 0.47 per cent per annum, respectively, over the 2016-21 period.[38]

We agree with AAD that accurate and reasonable forecasts of connections, throughput and demand ensure that the average price path is set at the appropriate level – no higher or lower than necessary to allow ActewAGL Distribution to recover its efficient costs of providing the services consumers want.[39]

We are concerned that the new residential connections forecast that AAD has used is based on an assumption that 90% of new dwellings will connect to the gas network on an ongoing basis, as shown in the table extract below, which we have inserted from a consultant's report on which AAD relied in its regulatory proposal.[40]

	2015	2016	2017	2018	2019	2020	2021
New Dwelling Forecast	4,100	3,741	4,054	4,031	4,031	4,031	4,031
Gas connection rate	90%	90%	90%	90%	90%	90%	90%
Total New Connections	3,690	3,367	3,648	3,628	3,628	3,628	3,628

While it may have historic basis, this assumption of 90% take-up does not appear to have been subject to any discussion as regards to its applicability going forward. It is in contrast to the evidence that gas is a fuel of choice, and fewer households are choosing to connect to gas. There is evidence from research such as that which was undertaken by the Alternative Technology Association (ATA), which found that it is not cost effective to connect a new home to mains gas when efficient electric appliances are an option.[41]

This take-up rate is important, because it drives capex (and to some extent opex) requirements for new connections. We suggest that the AER should consider whether this take-up rate is appropriate. We suggest that it might more accurately decline rather than stay constant during the next AA period.

[38] AAD Access Arrangement Information Overview, P47
[39] AAD Access Arrangement Information Overview, P47
[40] AAD Access Arrangement Information, Appendix 3.01 Core Energy gas demand forecast report, public version, P41
[41] *Are we still cooking with gas?*, ATA, 2014, P26, available at http://www.ata.org.au/ata-research/new-report-on-economics-of-gaselectric-appliances. Note: the two authors of this advice were acknowledged as stakeholders who contributed to the ATA project (see P10 of the ATA report).

9. Services Policy

For the 2016-21 Access Arrangement, AAD is proposing to consolidate seven existing reference services into one single haulage reference service. This is consistent with approaches now taken by most other gas distribution businesses in Australia.[42]

The haulage reference service will include provision and maintenance of a standard metering installation, as well as meter reading and associated data services.

For electricity distribution businesses in the NEM, provision and maintenance of meters, and meter reading and associated data services have been progressively separated from standard control services to facilitate the introduction of contestability in metering. As new metering and meter data businesses emerge to serve the needs of electricity consumers, opportunities will arise to extend those services to gas consumers. The current inconsistencies between the approach to metering and meter data services in electricity and gas networks will however, create barriers to the potential introduction of competition for gas consumers. Gas businesses are already exploring new technologies such as remote meter reading, smart meters and in-home displays. AAD is progressing a Multi Utility Smart Meter Trial.

We consider that contestability in energy metering and meter data services is in the long term interests of all energy consumers in the NEM. In dual fuel areas, we envisage synergies for meter data service providers across electricity and gas meters. We advise the AER to consider moving towards a consistent approach to the issue of contestability of metering and meter data services across the NEM, across electricity and gas distribution businesses.

10. Conclusion

In conclusion, we wish to thank AAD for the opportunity to meet with them to discuss their proposal. In general we would like to acknowledge the assistance provided to the subpanel by AAD staff.

David Prins and Robyn Robinson

CCP sub-panel 8

26 August 2015

[42] AAD Access Arrangement Information Overview, P44-46