

31 March 2016

Mr Chris Pattas  
General Manager – Network Investment and Pricing  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3000

Dear Mr Pattas

**RE: Request for extension – Metering competition cost pass through application**

The Australian Energy Market Commission (AEMC) published its final determination relating to the *Expanding competition in metering and related services in the National Electricity Market Rule* (the rule change) on the 26 November 2015.

This was a key rule change in the suite of Power of Choice reforms and represents one of the more significant rule changes for the National Electricity Market (NEM) in recent history. This rule change is designed to promote competition in metering to enable customers to better manage their energy usage and access new energy services. It involves new obligations, the transfer of responsibilities to a new market role and the revision and creation of several industry protocols and procedures.

These new arrangements will take effect from 1 December 2017, although some provisions will commence earlier to allow a range of parties to prepare for commencement. Market bodies, jurisdictional governments, regulators and industry have a substantial implementation program to complete over the coming months, including:

- The Information Exchange Committee (IEC) and the Australian Energy Market Operator (AEMO) must review and update their procedures by 1 September 2016. Including:
  - Existing Procedures:
    - Service Level Procedures for Metering Providers
    - Service Level Procedures for Metering Data Providers
    - Market Settlement and Transfer Solution (MSATS) Procedures (including Consumer Administration Transfer Solution (CATS) Procedures)
    - Metrology Procedure
    - Meter Churn Procedures
    - B2B Procedures
  - New Procedures:
    - Procedures related to the minimum services specification
    - Emergency priority procedures
    - Procedures related to the installation and removal of a network device
    - NEM ROLR Processes
- The Australian Energy Regulator (AER) must develop and publish distribution ring-fencing guidelines by 1 December 2016.
- AEMO must develop and publish information regarding the application process for registration as a Metering Coordinator by 1 March 2017.
- Jurisdictional safety regulators will review and update their safety requirements.
- The NSW Government will need to review the operations of the ASP scheme.

- Each DNSP must publish the standard terms and conditions under which it will act as an initial MC by 1 September 2017
- Retailers and distributors must amend their standard contracts and model standing offers by 1 December 2017.

Endeavour Energy considers that the necessary system, procedural and operational changes may come at a significant cost to implement. In order for Endeavour Energy to comply with the rule change and associated procedural amendments, inter alia, significant changes will be required to billing systems to handle the increased volumes of smart meters, changes to processes and procedures for disconnections and reconnections and the implementation of B2B procedures.

The rule change is an event beyond Endeavour Energy's control which may result in the incurrence of material costs. These costs will be in addition to those proposed by Endeavour or considered by the AER during the review standard controls services for the 2014-15 to 2018-19 period. As such, we consider the rule change may trigger a positive *pass through event* prescribed under clause 6.6.1(a) of the National Electricity Rules (NER), specifically either a *service standard event* or a *regulatory change event*.

Under clause 6.6.1(c) of the NER, Endeavour Energy is required to seek approval of the AER to pass through the *positive pass through amount* within 90 *business days* of the *positive change event* occurring. The date of the event could be assessed as 26 November 2015, the date the final rule determination was published by the AEMC. In which case, Endeavour Energy would be required to submit a positive pass through proposal by late April 2016.

However, we note the effective date of the rule change is 1 December 2017 and several material aspects of the rule change have been deferred to AEMO through the review and amendment of existing procedures and creation of new procedures by September 2016. We will therefore not be in a position to provide an accurate estimation of the *positive pass through amount* until the actual procedural changes that Endeavour Energy will be required to comply with are finalised and known.

We request that the AER extend the time limit for Endeavour Energy to submit a pass through statement, under clause 6.6.1(k), to 90 business days after 1 December 2017 when the metering rule takes substantive effect.

We would welcome the opportunity to discuss any alternative options the AER may also consider to be appropriate. Further, the issues outlined above are unlikely to be specific to Endeavour Energy, and as such resolution of this issue will be of broader import to the market as a whole in support of giving effect to the metering rule change.

If you have any queries or wish to discuss this matter further please contact Jon Hocking, Manager of Network Regulation at Endeavour Energy on (02) 9583 4386 or alternatively via email at [jon.hocking@endeavourenergy.com.au](mailto:jon.hocking@endeavourenergy.com.au).

Yours sincerely



Michael Ghattas  
Chief Financial Officer