

1 February 2013

Mr Warwick Anderson
General Manager – Network Regulation Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email: NSWACTelectricity@aer.gov.au

Dear Mr Anderson,

RE: Classification of metering services in NSW discussion paper

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments on the *Classification of metering services in NSW discussion paper* (the discussion paper). This submission follows on from our input to the AER's preliminary framework and approach paper, and is included for the AER's reference as **Attachment A**. **Attachment A** outlines the ERAA's support for the unbundling of metering service costs from standard control costs.

The ERAA represents the organisations providing electricity and gas to almost 10 million Australian households and businesses. Our member organisations are mostly privately owned, vary in size and operate in all areas within the national electricity market (NEM) and are the first point of contact for end use customers of both electricity and gas. We refer to the individual submissions of our members to the discussion paper and strongly recommend that the AER has due regard to these submissions.

The ERAA continues to support the unbundling of metering service costs from standard electricity charges. This view is consistent with the approach taken in the Australian Energy Market Commission's (AEMC) Power of Choice review final report, where the AEMC recommends that

"Where the LNSP is the responsible person for type 5 and 6 meters, under our proposed approach, the retailer will have overall responsibility and the LNSP will transit to becoming the metering co-ordinator. This should be a seamless transition for the DNSP/retailer.

- ***There is unbundling of metering costs from the distribution use of system charges.***

We recommend that metering costs (ie meter installation, maintenance, and data management services) are unbundled from DUOS. This will allow smart meters to be installed with the consumer being confident that they are not required to continue paying for the existing meter (that was removed) and that they are only paying for the upgraded metering installation. This will also allow the consumer to consider the costs of smart metering compared to their existing metering charges, and to make informed decisions when considering a smart meter upgrade.¹

¹ AEMC, *Power of choice review – giving consumers options in the way they use electricity final report*, 30 November 2012. p.88.



The ERAA concurs with the AER's conclusion that the potential benefits of unbundling types 5 and 6 meters will, in the long run, outweigh any potential disadvantage.² As highlighted in the discussion paper the benefits of unbundling all metering charges from DUOS charges will

- remove the significant barrier of customers paying twice for metering and metering services, should components of metering remain bundled within DUOS charges
- provide customers with more accurate information about costs
- ensure competition in metering services is not be inhibited by artificial barriers
- allow for harmonisation and consistency across jurisdictions
- address the wider impact of metering services
- assist with implementing national and jurisdictional metering policy reforms being considered.³

The ERAA strongly supports these benefits, and agrees there is a need to change the classification for meter provision, maintenance and reading services to alternative control (unbundled) services.

The ERAA however does not support the AER's revised position of retaining the standard control services classification for types 5 and 6 energy data services (including costs). This contradicts the benefits espoused above and will dampen any initiative for a competitive metering market to flourish in New South Wales. This revised position is not only inconsistent with the Power of Choice recommendations; it would stifle the development of a market led smart meter roll out. This was identified as a risk in the recently released discussion paper from the NSW Smart Meter Task Force Discussion Paper (which supports a market introduction of smart meters)⁴. The NSW Smart Meter Task Force Discussion Paper clearly states that

“A key principle for consumers to benefit from a smart meter rollout is to avoid being ‘charged twice’ for metering. This would occur when consumers are charged by the provider of the smart meter for the new service, while also still potentially being billed under the regulated returns for the recovery of the costs of the old meters, even after they have been removed.”⁵

The discussion paper does not account for the fact that this will make the benefits espoused above and detailed in the discussion paper extremely difficult to achieve and will impede the evolution of a contestable metering market. Energy data services are an intrinsic part of the metering value proposition and excluding them from the contestable market will adversely impact any value proposition proposed under a market driven roll out of smart meters.

The discussion paper states that the only reason for not classifying energy data services as alternative control (unbundled) services is

“because the NSW DNSPs cannot directly attribute the costs of providing these services to individuals.”⁶

The NSW DNSPs in their submission to the AER expressed concerns that they have invested in fixed costs that cannot be avoided even if a customer switches to an alternative provider. This does not preclude these costs from being limited to (and shared equally among) those customers who have type 5 and 6 meter installations. The auspices of

² AER, Classification of metering services in NSW Discussion paper, December 2012, p. 2.

³ AER, Classification of metering services in NSW Discussion paper, December 2012, p. 3-6.

⁴ NSW Government, NSW Smart Meter Task Force Discussion Paper, p.9.

⁵ NSW Government, NSW Smart Meter Task Force Discussion Paper, p.13.

⁶ AER, Classification of metering services in NSW Discussion paper, December 2012, p. 9.

metering contestability have always been tabled as the eventual evolution of the market and distribution businesses should have accounted for this in past investment decisions. The argument proposed by distributors is fundamentally flawed as when smart meters⁷ are eventually rolled out in NSW the challenges faced by distributors in sunk fixed costs will still have to be accounted for. Under the revised position proposed by the AER these sunk costs will now be protected, increasing the difficulty of the roll out of smart meters. Furthermore, the model proposed by the AEMC in its Power of Choice final report, does not limit distributor involvement in the contestable metering market, as long as that business is appropriately ring fenced.⁸ This approach would facilitate the benefits of unbundling, whilst allowing energy data services to be attributed (equally) to individual customers.

The discussion paper concluded that the potential benefits from reclassifying meter provision, maintenance and reading services would, in the long run, outweigh the administrative costs.⁹ However, the paper did not conclude that the potential costs from reclassifying energy data services would outweigh the potential benefits. The ERAA recommends that the AER base its energy data services classification decision on the long term benefits that will result from the unbundling of all metering components from DUOS charges, and questions the notion that the NSW DNSPs cannot directly attribute the costs of providing these services to individual customers.

Should you wish to discuss the details of this submission, please contact me on (02) 8241 1800 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely,



Cameron O'Reilly
CEO
Energy Retailers Association of Australia

⁷ Smart meters are classified as Type 4 meters

⁸ AEMC, Power of choice review – giving consumers options in the way they use electricity final report, 30 November 2012.

⁹ AER, Classification of metering services in NSW Discussion paper, December 2012, p. 9.



Energy Retailers Association
of Australia Limited

24 August 2012

Mr Warwick Anderson
General Manager, Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email: NSWACTelectricity@aer.gov.au

Dear Mr Anderson

RE: Framework and approach paper – Ausgrid, Endeavour Energy and Essential Energy

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comments on the Ausgrid, Endeavour Energy and Essential Energy Framework and Approach Paper (the Paper). Also, the ERAA thanks the AER the extension granted for this submission.

The ERAA is the peak body representing the core of Australia's energy retail organisations. Membership is comprised of businesses operating predominantly in the electricity and gas markets in every State and Territory throughout Australia. These businesses collectively provide electricity to over 98% of customers in the National Electricity Market and are the first point of contact for end use customers of both electricity and gas.

The ERAA will limit its comments to metering service types, covered in section 2.4.5 of the Paper, referring to the individual submissions of our members for input on other sections. The ERAA supports the AER's preliminary position outlined in section 2.4.5, agreeing that the unbundling of metering service costs from standard control service costs is essential. Further rationale for our support for this policy position is outlined in the attached paper ERAA Paper, *Enabling a market-driven smart meter rollout*.

Should you wish to discuss the details of this submission and the related attachment further, please contact me on (02) 9241 6556 and I will be happy to facilitate such discussions with my member companies.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cameron O'Reilly', written in a cursive style.

Cameron O'Reilly
Chief Executive Officer
Energy Retailers Association of Australia

Energy Retailers Association of Australia Limited
Suite 3, Level 5, 189 Kent Street, SYDNEY NSW 2000
T (02) 9241 6556 F (02) 9251 5425 www.eraa.com.au

ABN 24 103 742 605