

31 January 2013

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

**Discussion Paper - Classification of metering services in NSW  
Matters relevant to the framework and approach for NSW DNSPs 2014-19**

Dear Warwick,

Thank-you for the opportunity to comment on the proposed revision of metering services classifications for the NSW distribution price determination 2014-19.

The provision, installation, maintenance and repair of meters, and the collection, validation, storage and distribution of metering data are not classed as Distribution services, and therefore the AER cannot allow any costs associated with providing metering and energy data services to be recovered through network charges.

All costs and charges related to the delivery of type 5 & 6 metering services by NSW Distributors must be unregulated, or at the very least regulated as alternative control services.

### **Metering Services Are Not Distribution Services**

The NSW Licence Conditions for Distribution Network Service Providers defines the distributor's business as the "operation and maintenance of the Licence Holder's distribution system for the purposes of conveying electricity for retail suppliers"<sup>1</sup>.

The NSW Distribution Licences do not refer to the provision of meters or the management of data, which are not required for the conveyance of electricity. Electricity networks convey electricity quite independently of meters, which measure the flow electricity that is conveyed.

As such, the provision, installation, maintenance and repair of meters is undertaken by AEMO accredited Metering Providers, and the collection, validation, storage and distribution of metering data by AEMO accredited Metering Data Providers, neither of which need hold a NSW Distribution license in order to provide metering services.

In other words, metering services are not distribution services and must not be bundled with distribution services in any way.

### **Type 5 & 6 Metering Services Are Competitive**

Under the National Electricity Rules the only exclusivity conferred upon Distributors is to act as the Responsible Person for type 5 & 6 metering installations<sup>2</sup>. Distributors are not exclusively the Metering Provider or Metering Data Provider. Distributors, acting as Responsible Person, must engage the Metering Provider and Metering Data Provider subject to procurement processes<sup>3</sup>.

Accordingly, the provision of type 5 & 6 metering services is entirely competitive.

There can be no greater illustration of this than the fact SPAusnet (formerly TXU) contracted Ausgrid (formerly Energy Australia) to provide type 5 & 6 energy data services across its Victorian network.

The table in Appendix A lists 62 connections points on the SPAusnet network (MSATS designation EASTERN) where Ausgrid (MSATS designation TCAUST) provided energy data services for type 5 & 6 metering installations prior to Metropolis installing Type 4 meters.

---

<sup>1</sup> Available at [http://www.ipart.nsw.gov.au/Home/Industries/Electricity/Licensing/Licence\\_Conditions](http://www.ipart.nsw.gov.au/Home/Industries/Electricity/Licensing/Licence_Conditions)

<sup>2</sup> Clause 7.2.3(a)(2) of the National Electricity Rules

<sup>3</sup> Clauses 7.2.5(a) to (c1) of the National Electricity Rules

This is but a small sample and, as can be verified with AEMO, such services provided by Ausgrid to SPAusnet extend to hundreds-of-thousands of sites for well over a decade.

On this basis alone the AER cannot justify its consideration “that types 5 & 6 energy data services should remain standard control services”<sup>4</sup>.

The NSW Distribution businesses have chosen to use their energy management systems and processes to compete in the national market for metering services and they cannot be allowed to have it both ways – earning unregulated revenues across a broad customer base outside their own network areas on the one hand while seeking to recover costs from a limited number of NSW energy users through bundled network charges on the other.

Nor does their claim that the National Electricity Rules “impose a regulatory restriction on opening the market for both metering provider services and metering data provider services to increased competition”<sup>5</sup> carry any weight.

Clearly this is not the case as the NSW Distributors have themselves proved by providing contestable metering services for type 5 & 6 metering installations in other jurisdictions for many, many years.

The AER must also consider that the same energy data systems used in NSW for type 5 & 6 service delivery, being as they are capable of interval metering data management, are used for the provision of contestable type 4 metering services – noting that all three NSW Distribution businesses have substantial contestable metering services interests throughout Australia operating as Testing & Certification Australia (Ausgrid), National Metering & Data (Essential Energy) and Infomet (Endeavour Energy).

Any service that is provided by NSW Distributors in competition with other service providers, as metering services are, must, if at all, be regulated as alternative control services.

It is very clear that the only appropriate classification for types 5 & 6 energy data services is as alternative control services fully unbundled from network charges.

---

<sup>4</sup> Discussion Paper, Classification of metering services in NSW, Matters relevant to the framework and approach for NSW DNSPs 2014-19, AER, December 2012 – page 9

<sup>5</sup> NSW DNSPs’ Response To The AER’s Preliminary Framework And Approach Paper, Ausgrid, Essential Energy & Endeavour Energy, 17 August 2012 – page 13



### **National Electricity Rules Require That Metering Services Be Unbundled**

To fulfil their role as Responsible Person the National Electricity Rules specifically requires that the local Distributor provide Retailers “with an offer.....setting out the terms and conditions on which it will agree to act as Responsible Person”<sup>6</sup>.

Each Retailer’s choice is to accept the offer or opt to become the Responsible Person (with implementation of type 4 metering).

The offer required by the National Electricity Rules must clearly include pricing separate to network charges.

Bundling metering charges within network charges (whether for meter provision or meter data provision, as proposed by the AER) directly violates the National Electricity Rules.

Bundling prevents Distributors, acting as Responsible Person, from including pricing within their offer. Accordingly they are unable to provide Retailers with a complete set of terms and conditions as required by the National Electricity Rules.

This, in turn, denies Retailers the opportunity to dispute an offer in accordance with Clause 7.2.3 (h) of the National Electricity Rules or to invoke its right to be the Responsible Person in accordance with Clauses 7.2.2 (a) & (b)(1) of the National Electricity Rules, on effective commercial terms.

In fact Chapter 7 of the National Electricity Rules does not contemplate any form of economic regulation to ensure a free flow of metering services competition.

The AER has no option but to fully unbundle all metering services costs and charges from network costs and charges so that Retailers are afforded full price transparency within the terms & conditions on offer by the Distributors for type 5 & 6 metering services.

### **NSW Distribution License Conditions Require That Metering Services Be Unbundled**

Section 4 of the Licence Conditions for (NSW) Distribution Network Service Providers<sup>7</sup> directs that each NSW Distribution business must keep its distribution system operations separate from other affairs, including the maintenance of separate accounting and business records, and resource cost allocation as between separate unrelated legal entities on a commercial arms length basis.

---

<sup>6</sup> Clause 7.2.3(d-f) of the National Electricity Rules

<sup>7</sup> Available at [http://www.ipart.nsw.gov.au/Home/Industries/Electricity/Licensing/Licence\\_Conditions](http://www.ipart.nsw.gov.au/Home/Industries/Electricity/Licensing/Licence_Conditions)

As already stated, metering services are not distribution services and, as such, there can be no administrative burden in applying a different form of control as claimed by the NSW Distributors<sup>8</sup>. Nor is it relevant that “the NSW Distributors cannot directly attribute the costs of providing (energy data) services to individual customers”<sup>9</sup>.

It is already a condition that each NSW Distribution license holder maintain separate accounting records and resource allocations for their metering services interests. Including the provision of type 5 & 6 metering services, which it has already been noted have been provided by NSW Distributors on a competitive basis outside their network areas.

### **Electricity Supply Act 1995 (NSW) Requires That Metering Services Be Unbundled**

Metropolis agrees with the AER’s classification of type 5 & 6 metering installation as an unregulated service insofar as there is no need for the AER to regulate the actual pricing of installation services as provided by Accredited Service Providers. But the AER must ensure metering installation and other field services costs incurred by the Distributors, acting in their capacity as AEMO accredited Metering Providers, are not bundled within network charges.

Metropolis draws your attention to Essential Energy’s intention to replace approximately 100,000 type 6 electricity meters by the end of the current AER regulatory period, which ends on 30 June 2014. Essential Energy has a tender (RFP037-2012) seeking contractors to perform the meter installation and commissioning work.<sup>10</sup>

In this regard the ASP scheme offers “no difference between NSW and other jurisdictions”<sup>11</sup> in that, as Metering Provider, Essential Energy must contract qualified electricians to perform metering installation and commissioning work and pass costs on to consumers.

In classifying installation costs as an unregulated service it is implicit that Essential Energy, and the other NSW Distributors, never be allowed to bundle metering installation and other field services costs within network charges.

In this regard, we draw your attention to Market Operations Rule (NSW Rules for Electricity Metering) No.3, which is made under Section 63C of the Electricity Supply Act 1995 (NSW)

---

<sup>8</sup> NSW DNSPs’ Response To The AER’s Preliminary Framework And Approach Paper, Ausgrid, Essential Energy & Endeavour Energy, 17 August 2012 – page 17

<sup>9</sup> Discussion Paper, Classification of metering services in NSW, Matters relevant to the framework and approach for NSW DNSPs 2014-19, AER, December 2012 – page 9

<sup>10</sup> Technical Specification RFP037-2012 Meter Replacement Services, Essential Energy, Final Version – November 2012

<sup>11</sup> Discussion Paper, Classification of metering services in NSW, Matters relevant to the framework and approach for NSW DNSPs 2014-19, AER, December 2012 – page 9



and commenced from 1 January 2002 to the extent that metering in NSW is not regulated by the National Electricity Rules or the Metrology Procedures.

The Rule requires that new metering equipment be installed in compliance with the NSW Service and Installation Rules, which requires that the individual (or entity) who makes use of the Distributor's network must arrange to provide and install at their cost the service protective devices, service fuses, service circuit breakers, neutral/active links, metering and load control devices, enclosures, wiring and other equipment.

Rule No. 3 operates much like Clauses 7.2.3 (d) to (g) of the National Electricity Rules in that it is intended to allow individual customers (rather than the Retailer) to "elect to have (the Distributor) or an accredited person provide electricity metering services to (customer) premises".

Clearly the need for unbundling of metering charges from network charges is paramount in order to allow such customer choice and, under Rule No. 3, the Electricity Supply Act 1995 (NSW) does not allow the costs for the provision of meters and ancillary hardware, and metering installation and other field services labour to be bundled into network charges.

If the AER cannot guarantee that costs will not be bundled within network charges then installation costs must also be regulated as alternative control services.

### **AER Recommends That Metering Services Be Unbundled**

Metropolis draws your attention to the AER's own position paper outlining the need for "the identification and separation of business activities, costs, revenues and decision making within an integrated entity that are associated with a monopoly element, from those that are associated with providing services in a competitive market."<sup>12</sup>

The position paper goes on to state:

Ring-fencing protects the long term interests of consumers by ensuring efficient costs for regulated services provided by DNSPs. This aligns with the National Electricity Objective. Ring-fencing also limits the ability of DNSPs to discriminate against upstream and downstream competitors. Ring-fencing therefore protects the long term interests of consumers more broadly by promoting competition in contestable markets. For example, a DNSP may be able to provide non-regulated services, and possibly gain an advantage over other service providers through its provision of regulated services. Ring-fencing aims to prevent this. Ring-fencing levels the playing field in markets for contestable services, by eliminating the advantage that a DNSP may otherwise have in

---

<sup>12</sup> Position Paper, Electricity Distribution Ring-fencing Guidelines, September 2012, AER – page 1

providing that service, and facilitating competition in the provision of contestable services.<sup>13</sup>

By its own words the AER makes a compelling case as to why type 5 & 6 metering services, including energy data services, must be unbundled from network charges.

Ring-fencing is important to ensure that monopoly interests are separated from competitive business interests.

### **AEMC Recommends That Metering Services Be Unbundled**

Metropolis also draws your attention to the Power of Choice recommendations tabled by the AEMC in its final report:

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.<sup>14</sup>

We emphasise that the AEMC has recommended that all metering services, including energy data management services, be unbundled.

### **SCER Agrees That Metering Services Be Unbundled**

On 14<sup>th</sup> December 2012 the Standing Council on Energy & Resources “agreed to progress work on the recommendations in the AEMC Power of Choice Review”<sup>15</sup> which includes the expectation that “the AER is proposing that unbundling be introduced for the New South Wales distribution businesses with metering becoming an alternative control service at their next revenue determination”.<sup>16</sup>

### **Conclusion**

There is no compelling reason to continue bundling type 5 & 6 metering services, including energy data services, within network charges.

---

<sup>13</sup> Position Paper, Electricity Distribution Ring-fencing Guidelines, September 2012, AER – pages 1-2

<sup>14</sup> Power of Choice Review - giving consumers options in the way they use electricity, Final Report, AEMC, 30 November 2012 – page 88

<sup>15</sup> Refer Standing Council on Energy and Resources Meeting Communique, Hobart/14 December 2012

<sup>16</sup> Power of Choice Review - giving consumers options in the way they use electricity, Final Report, AEMC, 30 November 2012 – pages 88-89

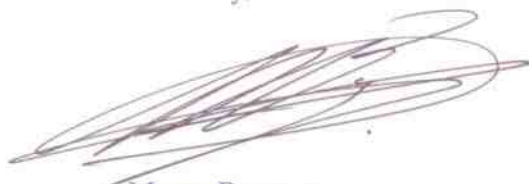
In fact, the AER is compelled to fully unbundle metering services from network charges, as required by Chapter 7 of the National Electricity Rules and the NSW Distribution license conditions, as recommended by the AEMC and endorsed by the SCER, and as recommended by the AER itself, so as to enable competition where it naturally occurs – noting that providers compete for type 5 & 6 metering services and Retailers may assume the role of Responsible Person at any time.

Competition, price transparency and consumer choice is essential across all aspects of metering services – provision, installation, maintenance, testing, reading and data collection, validation, storage and delivery.

All costs and charges related to the delivery of type 5 & 6 metering services by NSW Distributors must be unregulated, or at the very least regulated as alternative control services.

Thank-you again for the opportunity to respond.

Sincerely,

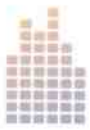


Marco Bogaers  
Chief Executive Officer





NMI	Basic Meter Serial Number(s)	Address
6305002517	1424979	61 Lusher Road, Croydon VIC 3136
6305003304	6277717	9A Willow Road, Upper Ferntree Gully VIC 3656
6305004498	7272216	2 Armstrong Grove, Yarra Glen VIC 3775
6305008239	7289639	Shop 38, Epping Plaza, Epping VIC 3076
6305118800	7337279	10 Hiscock Court, Benalla VIC 3672
6305125411	7379148	13 Sheridan Avenue, Rowville VIC 3178
6305131608	6790267	2 Goulburn Drive, Rowville VIC 3178
6305136641	7489229	7 Tarana Avenue, Upper Ferntree Gully VIC 3156
6305148669	1123406 & 1223081	56 Jeeves Avenue, Kalorama VIC 3766
6305149749	165427 & 165428	8 MacNamara Street, Ferny Creek VIC 3786
6305153751	1045709 & 6386695	2 Ivy Street, Kallista VIC 3791
6305157840	1177467 & 6456543	13 Glen Road, Cockatoo VIC 3781
6305158856	1179487 & 6672701	6 Maisie Street, Emerald VIC 3782
6305161382	379183 & 384720	267 Mt Morton Road, Belgrave Heights VIC 3160
6305171424	6302658	30 Heatherlea Crescent, Narre Warren VIC 3805
6305174215	6568019	6 Chiltern Court, Berwick VIC 3806
6305198685	6638465	25 Azalea Avenue, Mill Park VIC 3082
6305205773	6713810	61 Milborne Crescent, Eltham VIC 3095
6305231195	299906 & 299907	32 Lea Crescent, Bundoora VIC 3083
6305237864	6032267 & 6795845	105 Sellars Street, Greensborough VIC 3088
6305239872	6581381	177 St Helena Road, Greensborough VIC 3088
6305240608	6784482	14 Lesay Drive, Diamond Creek VIC 3089
6305252172	6180068 & 6180072	70 Duffs Road, Panton Hill VIC 3759
6305254266	145022 & 145038	16 Wensley Street, Diamond Creek VIC 3089
6305261080	1069457 & 6638300	451 Seventh Avenue, Eden Park VIC 3757
6305276994	1384609	4 Dobell Place, Mooroolbark VIC 3138
6305279079	77576 & 100420	68 Diane Crescent, Croydon VIC 3136
6305280881	79755 & 183481	8 Honeysuckle Way, Chirnside Park VIC 3116
6305295088	353168	82 Corriedale Crescent, Park Orchards VIC 3114
6305295121	1300070 & 6298183	21 Rainbow Valley Road, Park Orchards VIC 3114
6305295369	6535890	17 Dalry Avenue, Park Orchards VIC 3114
6305295409	6776805	175 Berringa Road, Park Orchards VIC 3114
6305295605	6464084 & 1072149	328 Warrandyte Road, Warrandyte VIC 3113
6305295790	378789 & 378811	104 Webb Street, Warrandyte VIC 3113
6305295791	6726399	98 Webb Street, Warrandyte VIC 3113
6305295930	6825788	34 Trezise Street, Warrandyte VIC 3113
6305296142	7340583	2 Opossum Rise, Warrandyte VIC 3113
6305296231	1297113	24 Harris Gully Road, Warrandyte VIC 3113
6305296588	6117545	4 Margaret Court, Warrandyte VIC 3113
6305300872	6237161	9 Cobain Court, Ringwood VIC 3134
6305357746	6188318 & 1118929	1909 Healesville-Kinglake Rd, Toolangi VIC 3777



# Metropolis

NMI	Basic Meter Serial Number(s)	Address
6305361712	6090348	88 Maroondah Highway, Healesville VIC 3777
6305380104	6178157 & 135747	50 Betka Road, Mallacoota VIC 3892
6305380171	6095829 & 6095830	10 Stanley Avenue, Mallacoota VIC 3892
6305385966	6473283	80 Fitzgeralds Road, Bena VIC 3946
6305457674	6748325	56 Princes Avenue, Longwarry VIC 3816
6305462798	6555669 & 6555670	4 Neptune Street, Venus Bay VIC 3956
6305474534	6597561	245 Stanley Road, Grantville VIC 3984
6305597408	2127822 & 2127834	0 Stanley Road, Beechworth VIC 3747
6305623467	7381461	130 Milawa-Bobinawarra Rd, Milawa VIC 3678
6305625193	7338133	343 Clugs Road, Springhurst VIC 3682
6305653721	7400220	26 Old Hume Highway, Glenrowan VIC 3675
6305667867	7432770	8 Jacob Court, Berwick VIC 3806
6305674679	7344386	1 Lilac Street, Violet Town VIC 3669
6305726875	7520158	54 Gehreys Lane, Kilmore VIC 3764
6305728289	7523539	41 Britton Lane, Yackandandah VIC 3749
6305731444	7529718	16 Ernest Crescent, Narre Warren South VIC 3805
6305793454	7562151	1 Luscombe Drive, Diamond Creek VIC 3089
6305805811	7572980	5 Egret Way, Cowes VIC 3922
6305806501	7580270	17 A North Road, Lilydale VIC 3140
6305808069	7579291	79 Botanica Boulevard, Bundoora VIC 3083
6305808739	7582970	11 Calais Circuit, Cranbourne West VIC 3977