



9 September 2008

Mr Chris Pattas  
General Manager  
Network Regulation South  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3000

Dear Mr Pattas

### **Preliminary framework paper - ETSA Utilities 2010-15 Price Determination**

Origin understands the formal submission process for commenting on the preliminary framework paper has now closed; however, we would like to raise some matters in connection with the paper and the AER's considerations going forward. In particular, we would comment specifically on the treatment of metering provision and data services.

A key barrier to choice of meter providers and meter data providers has been the bundled nature of cost recovery for metering services (regardless of the meter type as classified under the National Electricity Rules). A retailer has limited incentive to seek out improved metering technology or solutions where metering costs have been bundled.

In South Australia, Origin is undertaking the Adelaide Solar Cities project as one member of a consortium of participants. This federally funded project includes the provision of type 4 meters to some 5,000 small customers. Origin has faced challenges with installation of such meters and, specific to meter charges, will pay its vendors for meter provision and meter data services, as well as paying the smeared cost of basic meter provision and meter data services, which ETSA Utilities will not provide once their meter has been replaced.

As we believe should be the case in any jurisdiction, meter services (which include both meter and data provision as separate services) should be unbundled from network use of system charges, as the smearing of such costs is a significant barrier to entry for alternative provision of such services. The bundling of metering service costs into use of system charges is at odds with the National Electricity Rule provisions allowing retailers to choose their meter provider and meter data provider for type 1 to 4 installations.

At present, Victoria is the only jurisdiction to have unbundled basic meter costs from use of system charges and Origin believes that this approach to cost allocation could be improved (the costs of meter reading for example is uniform across a network area; clearly these costs are dependent on the geographic location of the customer).

Origin is of the view that advanced meter installations (AMI, that satisfy type 4 and above specifications) will become more common in the mass market, and offer customers improved service through increased information provision, additional services such as gas



and water meter reading, and new technology applications that will increase retail market competition.

Therefore, Origin does not agree with the AER that:

...metering services should be classified in a manner which is consistent with the previously applicable regulatory approach, as no other classification is clearly more appropriate.<sup>1</sup>

ESCOSA's previous decision to bundle meter services has significantly and unnecessarily increased the cost of the Adelaide Solar Cities project as well as any commercial deployment of AMI to small customers. Origin is firmly of the view that retailers must have the option of accessing contestable metering services where there are commercial and competitive incentives to do so. While Origin has previously heard from a number of different sources that the cost of South Australian basic meter services are among the lowest in the Australia, it has not reviewed any data or evidence to support this. Regardless of the cost of basic meter provision, retailers should still be able to access contestable meter services for their customers in a fully competitive market such as South Australia.

Therefore, Origin would recommend that the AER reconsider its preliminary decision to classify metering services in a manner consistent with ESCOSA's previous determination. Origin's position on this matter in South Australia applies equally in New South Wales and Queensland, where the cost of basic meter service provision remains bundled, despite it being clear that metering services are not naturally monopolistic in nature and contestability being provided for under the Rules.

If you wish to discuss this response further, or have any queries, please contact David Calder on (03) 9652 5701.

Yours sincerely

A handwritten signature in black ink, appearing to read "Randall Brown".

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<sup>1</sup> AER (2008), Preliminary positions Framework and approach paper ETSA Utilities 2010-15, page 36.