

9 April 2009

Mr C Pattas
General Manager, Network Tariff Regulation South
Australian Energy Regulator
GPO Box 520
MELBOURNE
Vic 3001

Dear Mr Pattas,

Interval Meter Reassignment Requirements

Thank you for the opportunity to comment on the AER's draft decision on Interval Meter Reassignment Requirements arising from the introduction of advanced interval metering in Victoria.

Principles for network tariff reassignments

Red Energy accepts the principle that local distributors be permitted to assign time of use network tariffs to new interval meters. However, we believe the industry would benefit from a tighter definition and clarity of the rules and scenarios for such reassignments. This will ensure there is a common understanding and will assist efficient and timely implementation of any new systems and processes required by retailers to manage the consequences of what could be significant movements in their cost of sales for some customers.

Red therefore requests that the AER confirm the following in its final determination:

1. Network tariff reassignments will not be permitted if an advanced interval meter is installed as a basic (type 6) meter, as is currently expected during the early stages of the AMI roll out.
2. The AER should also make clear that the definition of a network tariff reassignment includes removal of a network tariff currently applicable at a site. This is required because customers in some networks are currently assigned two separate network tariffs, one for general household use and one for controlled loads (hot water and/or slab heating) but the minimum functional specification for new advanced meters does not provide for separate measurement of controlled loads. If advanced meters are installed initially as basic (type 6) meters therefore, customers' controlled loads could in effect be reassigned from an off peak network tariff to a general single rate network tariff. This would result in substantial cost increases for these customers and inevitably a high cost of complaints for retailers. We do not believe it is reasonable to allow this network

tariff reassignment to occur when a basic meter is being replaced by an “advanced meter” with a lower capability than the old meter(s) it is replacing.

3. Any reassignment of network tariff at the time of a subsequent “conversion” of one of these basic meters to an interval meter (type 5, manually or remotely read) should be subject to the same notification and information requirements for Retailers as if it were the installation of a new interval meter. The notice period of a pending change to network tariff remains just as important for the Retailer as if it were to occur at the time of a meter change because it may require a price change for the customer.
4. We believe that the AER should further define the meaning of a time-of-use network tariff for the purpose of the network tariff reassignment rules. We believe this would assist retailers in their preparation for potential tariff reassignments, systems requirements and pricing implications for customers and therefore assist in minimising implementation risks in the AMI programme. “Time of use” is defined in the Electricity Distribution Price Review 2006-10 as “a tariff that has varying components for the time that consumption occurs”. We consider this definition excludes the introduction of demand charges since consumption is measured in kWh which requires demand (kW) over a period of time. However it could permit the introduction of critical peak pricing tariffs when consumption during a critical peak period is charged at a significant premium to charges at other times. These are significantly more complex for retailers to bill than fixed time of use structures because of the dynamic definition of peak and off peak periods.

Notification and Information Requirements

Red Energy welcomes the objective of the AER in its draft decision to streamline the communication of any pricing implications for a customer arising from a network tariff reassignment. We support the proposal that distributors be required to notify retailers of any reassignment of network tariffs, rather than the customer. Network charges are a cost of supply to the retailer and of no relevance to a customer on a bundled tariff.

Red Energy has two principle objections to the notification and information requirements set out in the AER’s draft decision.

Firstly, retailers require more certainty in the network tariff reassignment process than currently proposed. The draft decision requires that the distributor’s notice to the retailer need only specify that the meter change *may* lead to a network tariff reassignment. Retailers however are only interested in whether a reassignment is occurring, the specific tariff change and when it will become effective.

Red Energy is comfortable with the proposal that retailers be provided 45 days notice of a network tariff reassignment. However, we would welcome confirmation in the AER’s final decision that no retrospective network tariff reassignments will be permitted given the likelihood that a network tariff reassignment will require a retail price change.

Secondly, we disagree with the proposal that retailers should be required to notify a customer within ten business days of receiving notice from a distributor of a network tariff reassignment. Retailers are responsible for paying the distributors' network charges and recovering these costs (and others) through their retail tariffs. Just as it will be at the distributors' discretion to decide whether to reassign network tariffs to new meters, it should remain at the retailers' discretion whether a customer's retail prices need to change as a consequence. We believe retailers' current obligations under the Retail Code regarding retail price changes are already sufficient in this regard.

Finally, we recommend that the AER require the distribution businesses to publish a network tariff reassignment table, providing a mapping of all their current network tariffs for small customers to one or more time of use network tariff(s) that they intend to adopt for interval meters. This information should be published at least 90 days prior to the commencement of any network tariff reassignments and mapping rules be changed only on an annual basis. This information is essential to enable retailers to prepare a smooth transition of retail pricing (if required) for their customers.

Yours sincerely,



Martin Exelby
General Manager Corporate Development

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