

17 August 2012

Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Framework and Approach Paper — Ausgrid, Endeavour Energy and Essential Energy

Thank you for the opportunity to comment on the Australian Energy Regulator's (AER's) framework and approach paper for the next distribution price reset in NSW.

Simply Energy strongly supports the AER's preliminary position that it is more appropriate to classify types 5 to 7 metering services as alternative control services.

One of the key barriers to competition in metering services for residential and small business customers is the bundling of metering charges in network charges. Bundling of the two services into one charge means that if a retailer replaces a household's manually read meter with a more sophisticated smart meter, the retailer would still be required to pay the bundled network charge. In other words, the network charge would not be reduced as a result of the distributor's meter being removed from the premises and the retailer ends up paying for a service they no longer use.

This undermines the incentives that retailers have had to provide small customers with smart metering services because it has damaged the business case for doing so.

As a result, there has been reduced opportunity for NSW customers to access the range of products and services that innovative metering services could provide them, such as more timely and accurate billing, reduced bill shock and products and services that allow customers to better manage their energy consumption and costs. It has also restricted the potential for more efficient and lower cost metering services, such as remote re-energisation and de-energisation.

The unbundling of metering charges from network charges was a key recommendation of the Joint Jurisdictional Review of Metrology Procedures undertaken in 2004.¹ The Joint Jurisdictional Review held that metering competition would facilitate innovation both in terms of the type of meter installed and the way in which meters were read and the unbundling of metering charges from network charges was essential if that innovation were to occur.

Please don't hesitate to contact me on (03) 8807 1132 if you wish to discuss this submission or whether any additional information would assist the AER in its deliberations. We look forward to participating further in this review.

Yours sincerely

Dianne Shields
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¹ Essential Services Commission (Victoria), Essential Services Commission of South Australia, Independent Competition and Regulatory Commission (ACT), Independent Pricing and Regulatory Tribunal (NSW), Office of the Tasmanian Energy Regulator, Queensland Competition Authority, 2004 *Joint Jurisdictional Review of Metrology Procedures: Final Report*, p. 41