



EnergyAustralia

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Mr John Pierce
Australian Energy Market Commission
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Dear Mr Pierce

Re: Draft Report: – Framework for Open Access and Common Communication Standards Review – Smart Meters

EnergyAustralia (EA) appreciates the opportunity to provide a submission on the Framework for Open Access and Common Communication Standards Draft Report which supports contestability in metering and services enabled by smart meters.

We are one of Australia's largest energy companies, providing electricity and gas to over 2.7 million household and business customers in NSW, Victoria, Queensland, South Australia and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas and wind assets with control of over 5,600MW of generation in the National Electricity Market.

The Draft Report is attempting to resolve the access rights and standards by which existing and new market participants will deliver the multitude of new services that smart metering technologies are likely to provide now and into the future. Industry, government and rule makers have continued to struggle with this conundrum and exhausted significant effort and expense recently under the National Smart Metering Program with minimal success. EA is of the view that past failures have been caused by excessive focus on attempting to fully understand the scope of smart metering technologies and trying to predict and cover every likely occurrence before they even exist. Whereas, EA believes that this market would be best served by an evolving environment where market forces (customer needs) dictate outcomes with minimal regulatory intervention. This philosophy forms the basis of our response to the Draft Report and aligns with the ERAA response.

While EA has not participated directly on the Industry Advisory Working Group, established to provide industry expertise into the Draft Report, we have been in close communication with the progress of and input into this working group via our allocated representatives provided by the Energy Retailers Association of Australia (ERAA). Fortunately our views on the Draft Report are aligned with those put forward in the ERAA submission, in particular ensuring a market based approach and

leveraging existing roles or B2B protocols wherever possible. We seek to reinforce those views in this response.

1. Specific Issues raised in the AEMC Draft Report

a) Allocation of the Smart Meter Provider Role (SMP)

The expected roles and responsibilities of the SMP are almost covered by the existing Metering Provider (MP) and Meter Data Provider (MDP) and these responsibilities could readily be expanded to fulfil any new requirements. Therefore introducing a new role of an SMP will only create additional costs for the market, which are unlikely to be justified under a benefits case when you consider that every participant, whether offering the services or not, and the Australian Energy Market Operator would need to amend their systems to accommodate a new role.

On a secondary note EA is concerned that the continued use of the SMP role in consultations, forums and discussions has the affect of sanctioning the role as a mandatory requirement. This should be avoided going forward as the smart metering benefits case is marginal and as mentioned above if the SMP role is genuinely required in future years then it can be addressed at that time. In the meantime it should be referred to as the MDP/MP as will occur in this submission.

b) Common Market Protocol

Where many participants are required to communicate with each other in order to settle market transactions, that create no competitive opportunities, a least cost approach should be sought and EA agrees that a common market protocol should exist in this situation as recommended in the Draft Report. This will be in the long term interests of customers and industry. This is not unlike the manner in which existing business to business procedures were developed in the national electricity market.

c) Selection of Common Market Protocol

The Common Market Protocol should be flexible and suited to the proposed market driven role out of smart meters in non Victorian jurisdictions of the National Electricity Market (NEM). As smart meter services are progressively enabled the market protocol should be developed accordingly. Selection of an existing international standard such as DLMS/COSEM, as proposed in the Draft Report, for use as the protocol would not suit NEM participants which have already invested in a business to business protocol and this should be leveraged accordingly. Utilising the existing B2B protocol will ensure that it progressively supports the services offered, minimises participant system costs and does not attempt to predict future market directions.

d) Responsible Party to Maintain Common Market Protocol

The Common Market Protocol should be under the control of industry via the Industry Exchange Committee (IEC) similar to existing B2B protocols with the Australian Energy Market Operator (AEMO) responsible for development and implementation. This model has served industry well since the introduction of full retail competition facilitating an appropriate balance of industry control over expenditure responsibility together with ensuring efficient outcomes for consumers. The IEC is currently reviewing its membership structure in order to facilitate the extension of its membership to other interested parties.

e) Common Meter Protocol

EA does not support the proposal in the Draft Report to utilise a common meter protocol as this will restrict competition and limit innovation. The MDP/MP will communicate directly with each meter and deliver these services to its contracted market participant. This is a one to one relationship and does not require a common protocol. This allows innovative newly developed products to be delivered to the contracted market participants' customers without cross market transparency and incentivises early product development. If the customer chooses to change product providers then the MDP/MP has the right incentives to ensure that the meter protocol can be used by other parties with or without suitable translators. Meter churn is unlikely to occur as it will probably be uneconomic for small customers. In any event industry should not be concerned with some meter churn initially as it would be a reflection of a healthy competitive market. Over time, based on commercial incentives, a common meter protocol may emerge but it should not be regulated unless a clear market failure occurs.

As mentioned in the ERAA submission the New Zealand experience, in this area, is very relevant for Australia whereby metering protocols were not mandated and parties chose individual proprietary protocols and this did not impede the development of the market.

f) Rights of Access/Regulated Charges

The AEMC is concerned that with the absence of transparent individual commercial arrangements the levels of access to infrastructure (smart meters) should be regulated. EA believes the framework should be allowed to develop prior to contemplating regulating access rights at particular entry points. Too much emphasis is placed on the supposed need to manage and control access in order for networks to adequately manage their assets. There is no reason why networks cannot be part of the commercial arrangements that will exist for retailers and other parties. Networks will be in an advantageous negotiating position considering that they have an uninterrupted relationship with every customer in their network. EA does not support regulation of access rights or regulated charges until such time as a market failure has been identified and there is a clear cost benefit to support regulation.

Where Networks do claim a need the cost benefit should be clearly stated, and where this is a new activity or capability, then this will be reflected in the charges. Transparency of costs and benefits is critical in the unbundling of metering costs from metering charges, and should flow through to the functional requirements competitors select.

g) Smart Metering Standing Data

The Draft Report suggests that to support metering contestability and the contestability into demand side participation (DSP) products and services that retailers and other parties may need to understand if a particular site's meter is "smart". Smart meters in Victoria are identifiable in the National Metering Identifier (NMI) discovery system and this has supported a retailer's ability to confirm a customer's address and their eligibility for a particular product once a purchase decision has been made. However the use of this discovery system should not be used as a marketing tool or data mining facility as it also contains other site specific and tariff data that

could be deemed as confidential. Energy retailers are highly regulated entities and their use of NMI discovery is monitored and can be audited at any time. The extension of access to independent demand side participation (DSP) suppliers needs to be considered carefully and is another example why these entities should be regulated in a similar manner to retailers.

We note and support the Standing Council on Energy and Resources' (SCER's) intention to investigate further the possibility of bringing third party providers into the broader regulatory framework.

2. Summary

We reiterate our support for minimal regulatory intervention in this developing and complex market as regulation will undoubtedly cause additional costs that will be passed onto consumers. In the past government and industry have attempted to second guess the direction of DSP and smart meter services and design the perfect framework. This has proven to be extremely difficult and EA supports a more pragmatic incremental approach largely driven by market forces.

Should you require further information regarding this submission please call me on 03 8628 1437.

Yours sincerely

[Signed]

Randall Brown
Regulatory Manager