

7 August 2008

Dr John Tamblyn  
Chairman,  
Australian Energy Market Commission  
Level 5, 201 Elizabeth Street  
SYDNEY NSW 2000



**BY EMAIL:** [submissions@aemc.gov.au](mailto:submissions@aemc.gov.au)

Dear Dr Tamblyn

**VICTORIAN GOVERNMENT RULE CHANGE PROPOSAL  
ADVANCED METERING INFRASTRUCTURE ROLLOUT**

The Energy Users' Association of Australia (EUAA) welcomes the opportunity to provide a submission to the AEMC's consultation process on the National Electricity Rule (NER) rule change proposed by the Victorian Government on the Advanced Metering Infrastructure (AMI) rollout.

The EUAA is a non-profit organization focused entirely on energy issues. Members determine the EUAA's policy and direction; and our activities cover both national and state issues. The membership represents a wide spectrum of end users located in all states, and the EUAA has over 100 members. EUAA members are predominantly larger business users of energy with activities across all states and many sectors of the economy.

Our members have a keen interest in ensuring that market forces drive technological innovation and delivery of customer-focused metering solutions in the National Electricity Market (NEM) at both the commercial / industrial and domestic end of the market. A number of EUAA members have smaller sites that continue to be denied access to 'smart meters' and some have quite large sites that are still on regulated tariffs (eg in some parts of Queensland). Developments that occur at the domestic consumer level also inevitably affect the larger end of the market, with a lack of price signals (and meters that facilitate responses to price signals) for smaller customers driving demand growth that, in turn, affects the costs of supplying electricity to our members.

The linkages that exist across the various parts of the NEM mean that, inevitably, derogations or a new approach adopted even for one part will have a strong chance of flowing through to others.

We have an interest in advancing cost reflective pricing and competition in the domestic / small user market as competition in this market can drive competition and lead to better cost-reflectivity in the wholesale market. Without both smart meters and cost reflective pricing, it is virtually impossible to unlock these forces. A reliance only on smart meters, without improved price signals in both the electricity distribution and electricity retail sectors, will only result in higher costs for users without any offsetting benefits. The failure of most states

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involved in the NEM to remove price controls may be seen as politically expedient in the short term, but it is unsound from a policy perspective.

Our members collectively consume a significant amount of power, have significant investments in place and create significant job opportunities. They are already required to ride the market in negotiating electricity purchasing contracts, and they are seeing very large increases in their power bills due to a range of factors. More cost increases are in prospect. In recent surveys, our members report average contract price increases of around 50 per cent compared to previous contracts. This compares to much smaller price increases in regulated tariffs for domestic consumers. This two-tiered approach is unfair, and it is unrealistic to expect it to continue in the medium term. Retailers report that they inevitably end up attempting to pass through some of the resultant costs pressure (brought about by limited headroom in retail price caps) to larger users. The smearing of costs that is promoted by a combination of a lack of price signals and advanced meters for domestic consumers increases these pressures and is not welcome at a time of other heightened energy price pressures extending from electricity to gas, to carbon and to networks.

We do not support the proposed rule change. We consider that the proposed rule change only serves to reinforce the interests of the incumbent monopoly distributors and does not facilitate competition in the metering services and metering provision sectors of the domestic electricity market. We are aware of evidence that the prices being charged by Victorian distributors for the roll out of interval meters are extremely high – much higher than others who are locked out of the meter-provision business would propose to charge. The lack of competitive pressure on pricing means that consumers will be the big losers in this process.

We are also aware that significantly more meters could be rolled out more quickly than under the Victorian distributors' monopoly if other meter providers were allowed to tender for this work, and that meters with more functionality could be provided at lower cost per meter – including functions of a kind that would promote greater energy savings and facilitate a domestic response to climate change – if competition for the provisions of these services was embraced. Finally, and most importantly, consumers, the parties ultimately proposed to be paying for this proposal, have little or no capacity under the current proposal to determine what type of metering services are right for them.

To highlight some of the points made above in relation to providing the distributors with a mandated monopoly on advanced meters, the Victorian distributors were provided with a large sum of money to undertake an interval meter roll-out in the current regulatory period (amounting to capital expenditure of \$444.8 million)<sup>1</sup>). As we understand it, they have been collecting this money via distribution charges, and have also earned a return on the funds, and received depreciation on this sum of money for that past two and a half years but have failed to deliver one interval meter, outside of a limited 'testing' program.

We consider that the provision of metering and associated data services to domestic users should:

- Be considered a service that is capable of being delivered on a competitive basis
- Allow for more customer choice
- Allow for greater functionality, including for energy savings and climate change responses
- Incentivize and facilitate innovation in service delivery

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<sup>1</sup> Essential Services Commission, Victoria, *Electricity Distribution Price Review 2006-10, October 2005 Price Determination as amended in accordance with a decision of the Appeal Panel dated 17 February 2006, Final Decision Volume 1, Statement of Purpose and Reasons*, Table 13.24

Competitive processes should be used to determine who can most efficiently and effectively install metering technology that meets AMI standards. Providing a monopoly to the distributors on installation will only increase costs, deny competition in supply of meters and associated services, stifle innovation and lead to the provision of less functional meters. This will lead to a reduction in competition in price /service offerings at the retail level and is likely to act as a barrier to retailer competition. On the other hand, competition will ensure that domestic users do not have to bear 'uncompetitive' prices for new services and infrastructure, and have access to a range of services (including value-added services) that are appropriate for their circumstances.

We strongly urge that the AEMC reject the Rule Change Proposal and support an AMI rollout that is undertaken on a competitive basis. Parties other than the distributors should be given the chance to introduce competing technology into the domestic retail market.

You are welcome to contact me on (03) 9890 3900 if you have any further questions in relation to this submission.

Yours sincerely

A handwritten signature in black ink, appearing to read "Roman Domanski", with a stylized flourish at the end.

Roman Domanski  
**Executive Director**