



# Retailer Regulatory Presentation

## AEMC Framework for Open Access and Communication Standards Review Public Forum

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## Agenda

1. How access should be regulated
2. How competitive forces will make the market act
3. The implications of a market-led roll out of smart meters
4. What will be the competitive forces / incentives that will provide access to smart meter functionality to all required parties
5. What are the risks to efficient outcomes
6. What factors will influence pricing outcomes.



## 1. How access should be regulated

- Market forces should be allowed to deliver the optimal solution. There is no need for price regulation
- Levels of access and charges should be determined by participants
- The framework should allow participants to negotiate with the MP/MDP for a level of access to data and services that is consistent with their offer to the end consumer
- If the market for these services is working efficiently and there is effective competition, price regulation should not be introduced to address issues where access-seekers claim it is too expensive for them to enter the market
- Regulation for prices or access should be reserved for situations where there is a significant market failure



## 2. How competitive forces will make the market act

- A market-led approach is heavily dependent on capital investment in a piece of infrastructure that provides value to customers
  - The party that has made the initial capital investment in a smart meter roll out has the incentive to provide access to the data and services its meter provides, at a sensible price
    - Otherwise it risks having its meter (and the capital investment) churned
- Competition in metering services incentivises businesses to:
  - Drive for efficient outcomes
  - Improve services
  - Develop products that meet consumer needs
  - Find ways to lower the cost of providing these services
- No retailer will engage with a MP/MDP that they believe will create unnecessary costs or risk to their customers or business
  - Therefore they will ensure that the risks from vendors exiting the market or failing to develop proprietary protocols to support new functions are addressed in their commercial arrangements



### 3. The implications of a market-led smart meter roll out

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- Smart meters will be rolled out when businesses have a business case to do so
- Businesses will compete to offer smart-meter enabled services to consumers
- The role of regulation is not to “pick a winner” in a fast-changing technology-driven environment
- A light-handed approach aimed at developing the right policies, rather than seeking to impose detailed specifications and rules
- A requirement to include all new functionality in specifications and common protocol would limit service differentiation, reduce incentives for service innovation, and delay the introduction of new services. It would also increase costs and introduce uncertainty, which limits commercial investment due to risk



#### 4. Competitive forces/incentives that will provide all required parties with access to smart meter functions

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- Meter providers face costs and lost revenue if their meter is replaced by a rival meter provider's meter
- The potential for meter replacement gives the meter provider and meter data provider the incentive to offer competitive pricing and services
- Meter providers and meter data providers will be able to offer the most competitive pricing if some of the costs of providing the metering are recovered from other parties (including distribution businesses and third party energy service providers)
- This gives meter providers and meter data providers an incentive to develop their metering and services so that services can be offered to distribution businesses and third parties at prices that they are likely to take up



## 5. What are the risks to efficient outcomes?

### **Regulatory and policy:**

- Lack of firm commitment from individual states to the market-led approach
- Lack of certainty about meter charges unbundling in QLD and NSW
- Delay in introduction of metering contestability rules
- Regulatory implementation does not reflect the original policy intent
- Jurisdictional policies that create differences, such as new and replacement programmes and specification differences
- Introduction of high exit fees for distribution metering charges

### **Over-regulation:**

- Compliance complexity and costs
- Reduced incentives to innovate
- Business case could be compromised if required to provide services below cost

### **Over-specification:**

- Unused functions
- Lack of protocol innovation
- Lack of innovation in functions and services



## 6. What factors will influence pricing outcomes?

- Meter specification (especially software)
- Services specification
- Market protocol
- Meter protocol
- Installation complexity and site information accuracy
- Any requirement to provide services below cost – costs will be recovered through prices for other services
- The number of metering providers competing in the market
- The number of meter and software manufacturers competing in the market
- The economies of scale achieved by roll outs
- And the risks identified in the previous slide