



Victorian jurisdictional derogation - advanced metering infrastructure

Stakeholder submissions invited on draft rule determination

The Australian Energy Market Commission (Commission) calls for submissions on its draft determination to make a jurisdictional derogation in relation to meters installed under the Advanced Metering Infrastructure (AMI) program in Victoria.

The Commission's draft determination

The Victorian Government has requested a rule change to extend for up to three years the effect of an existing jurisdictional derogation in Victoria. The Commission has made a draft determination to make the proposed rule with some minor amendments. The draft rule would make distribution businesses exclusively responsible for providing advanced metering infrastructure (AMI) to Victorian small electricity customers for the duration of the derogation.

Reasons for the Commission's draft determination

The Commission is satisfied that making the draft rule will, or is likely to, be in the long term interests of consumers because:

- There is not currently a clear and viable framework for commercial contestability in AMI metering and related services in Victoria. In the absence of such a framework, expiry of the existing derogation might limit consumer benefits from the existing investment, without creating benefits from better third party access to related services.
- The incremental benefits of allowing retailers to provide small customer metering services in Victoria are likely to be low over the period until a national framework for competition in metering and related services is established.
- The costs of establishing a Victorian-specific framework for commercial contestability are likely to outweigh the incremental benefits of doing so. These costs could include possible detrimental impacts on the development of a national solution if Victorian-specific arrangements are developed. It is therefore likely to be in the interests of consumers for Victoria to wait until the national framework is established and to transition to competition in both metering and related services then.

Our assessment that there are limited incremental benefits from allowing retailer provision of small customer metering services in Victoria applies only to the short term. It is therefore appropriate that the jurisdictional derogation be limited to three years' duration. If arrangements have not been made by that time for the orderly transfer of Victoria to the national framework then the establishment of Victorian-specific arrangements should be reconsidered.

Background

The existing derogation was put in place to allow the installation of advanced metering infrastructure (AMI) in Victoria. It makes distribution businesses exclusively responsible for metering services (provision of the meter and meter data services) for Victorian small electricity customers, meaning that retailers are prevented from providing these services. Distribution businesses also control related services that are enabled by AMI meters. The existing derogation is due to expire on 31 December 2013.

If the derogation is not extended, the metering rules that are currently derogated away from in Victoria would come into force. That means that - nominally at least - retailers would be able to provide metering services to small customers, and would also control access to the related services that are enabled by AMI meters. The Victorian Government argues that for retailer provision of metering services to occur in practice, a number of processes and systems would need to be developed.

It is intended that such processes and systems will be established as part of the national framework for competition in metering and related services for residential and small business customers, following the AEMC's Power of Choice review, which the Standing Council on Energy and Resources (SCER) has agreed to progress. However, the national framework will not be established before the current derogation expires.

The Victorian Government has stated its concern that, without a national framework in place, allowing retailers to become responsible for small customer metering services in Victoria from January 2014 would have a number of detrimental impacts. These relate to possible loss of benefits from the Victorian AMI program, the lack of adequate customer protection arrangements and the costs of establishing specific Victorian arrangements to enable metering competition.

The Victorian Government has therefore sought a new jurisdictional derogation that would preserve distribution business exclusivity for small customer metering services for another three years, or until national arrangements for competition in metering and associated services are implemented

The draft rule

The effect of the draft rule is:

- Distribution businesses would continue to have the exclusive right to act as the responsible person for AMI meters for Victorian small customers.
- AMI meters would continue to be designated as type 5 or type 6 metering installations. In the absence of the derogation, AMI meters would be classified as type 4 metering installations as they can be remotely read.
- To make clear that retailers are not responsible for costs associated with AMI meters at their connection points, to the extent that these costs can be recovered by distribution businesses in accordance with the AMI Cost Recovery Order (a Victorian Order in Council).
- For the purposes of the rules, the metering data performance standards for market settlement for AMI meters would continue to be those that apply to manually read meters, despite these meters being remotely read. However, distribution businesses would be required to meet the Minimum AMI Service Levels Specification (Victoria) which governs the standards for daily remote collection of metering data.
- The derogation would continue until the rules are amended to provide a national framework for competition in metering and related services for residential and small business customers and regulatory arrangements are made to provide for the orderly transfer of Victorian metering arrangements to this framework. If these requirements are not met by 31 December 2016, the derogation would expire.

Submissions

The AEMC invites submissions on its draft determination, including the draft rule, by 31 October 2013.

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