

1 August 2013

Mr Stuart Slack
Australian Energy Market Commission
PO Box A2449
Sydney South, NSW 1235

Submission lodged on AEMC website: <http://www.aemc.gov.au/About-Us/Contact-Us/Lodge-A-Submission.html?RuleChange=ERC0159>

Dear Mr Slack

Consultation Paper National Electricity Amendment (Victorian Jurisdictional Derogation, Advanced Metering Infrastructure) Rule 2013

The Consumer Utilities Advocacy Centre Ltd (CUAC) is a specialist consumer organisation established in 2002 to represent Victorian energy and water consumers in policy and regulatory processes. As Australia's only consumer organisation focused specifically on the energy and water sectors, CUAC has developed an in-depth knowledge of the interests, experiences and needs of energy and water consumers.

We welcome the opportunity to comment on the *Consultation Paper National Electricity Amendment (Victorian Jurisdictional Derogation, Advanced Metering Infrastructure) Rule 2013* ("Consultation Paper") which summarises the issues outlined in the 18 June 2013 rule change request letter by the Hon Nicholas Kotsiras, Minister for Energy and Resources, to Mr John Pierce, Chair of the AEMC. We appreciated the opportunity to meet with the AEMC on 17 July 2013 where we raised our concerns with metering contestability and the expiration of the Victorian AMI derogation on 31 December 2013.

Over several years of involvement in smart meter policy and regulatory issues, CUAC has acquired substantial expertise in this area. We have been actively involved in discussions and consultation processes with the Victorian government through our participation in the Ministerial Advisory Committee (MAC), and the Essential Services Commission ("Commission") around the development of smart meter consumer protections, including flexible pricing protections, and matters relevant to the expiration of the Victorian AMI derogation. With regard to the derogation, CUAC together with Consumer Action Law Centre, and the Victorian Council of Social Service made a joint submission to the Victorian government on 3 April 2013. While the MAC process and this submission are subject to confidentiality, the concerns we raised on smart meter consumer protections are reflected in the Minister's letter.

CUAC strongly supports the Minister's rule change request seeking a jurisdictional derogation in relation to meters installed under the AMI program in Victoria. We agree with the Victorian government that the introduction of metering contestability in January 2014, in advance of the national smart meter framework, could potentially result in a number of detrimental impacts identified in the Minister's letter. In particular, the following:

- Loss of benefits anticipated to flow from the AMI rollout
- Absence of adequate consumer protections to support metering contestability
- Additional costs arising from developing Victorian specific protections to support contestability in advance of national smart meter framework
- Additional layer of complexity and likely confusion for consumers at a time where other changes such as flexible pricing are also being introduced.

These concerns are articulated in the Consultation Paper (page 5 – 9 – Effect of not making the rule and effect of making the rule).

Costs & benefits

Several of the AEMC’s Power of Choice review recommendations, particularly those relating to smart meters, flexible pricing and contestability in metering services, are especially relevant to Victoria, where smart meters are being rolled out to all residential and small business customers as part of a mandated approach.

We are not in a position to comment on whether the estimates given in Table 1 of the rule change request letter are appropriate. It is a matter which we think the AEMC is well placed to assess. We are, however, of the view that before any decision regarding the introduction of metering contestability is made, it is critical that cost benefit (including risk) analysis is undertaken to gauge the extent of a potential additional cost burden on consumers on top of the mandated smart meter rollout.

Victorian consumers have been paying for the smart meter rollout since September 2009 and are yet to realise significant benefits. Specifically, for a single element meter, and depending on the electricity distribution zone, a customer would have paid between \$91.38 and \$136.70 in 2011; \$99.31 and \$153.95 in 2012; and is currently paying between \$107.92 and \$173.38.¹ Consumers will continue to pay for the mandated AMI rollout through regulated charges to at least July 2015, and potentially beyond - until such time as the cost of the AMI infrastructure has been recovered. It is only recently that *some* consumers have realised benefits. Benefits realisation will begin to occur over time.

Introducing meter contestability before these benefits are realised has the potential to generate substantial confusion and dissatisfaction among consumers. Many consumers could question why they have are paying for a mandatory AMI rollout, only to be offered a different meter from their retailer with potentially different or more advanced functionality, where this meter may be marketed as “no cost” as part of a bundled offer.

Consumer confusion – Impacts on consumer confidence

A flexible pricing public communications campaign is currently underway in Victoria. Introducing meter contestability at this time has the potential to add further complexity at a time when consumers are coming to terms with significant changes to the products on offer and this may impact on consumer confidence in the market.

Efficiency impacts - Third parties

¹ <http://www.aer.gov.au/node/2292>

The smart meter environment opens up the possibility for third parties (such as businesses providing energy management services) to be involved in providing a range of smart meter-related services to consumers. Currently these third parties are not covered by the AER framework for retailer authorisation or exemptions, or the Victorian licensing or exemptions framework. Thus, third parties fall outside energy-specific regulation. We are of the view that the regulatory provisions regarding third party meter service provision should be addressed prior to giving third parties access to metering data and metering service provision.

Duration of derogation

We agree that it is appropriate to link the duration of the derogation to the establishment of the national framework for competition in metering and associated services provided these regulatory protections are finalised.

Thank you for the opportunity to participate in the AEMC's consultation. If you have any queries, please contact the undersigned at (03) 9639 7600.

Yours sincerely,



Jo Benvenuti
Executive Officer



Research & Policy
Advocate