



28 January 2016

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By electronic lodgement

ERC0182 Draft rule determination – National Electricity Amendment (Meter Replacement Processes) Rule 2015

Origin Energy (Origin) welcomes this opportunity to comment on the Australian Energy Market Commission's (AEMC) draft rule determination on ERM Power's rule change proposal on the meter replacement process.

Origin supports the AEMC in making its more preferable draft rule. The draft rule provides certainty for incoming and outgoing retailers, metering coordinators, meter providers and meter data providers. Given recent changes to participant systems and processes to comply with new procedures (administered by the Australian Energy Market Operator) consistent with the current National Electricity Rules (NER), the draft rule provides additional capacity for meter churn to occur (for example on the date the retail transfer becomes effective), while resulting in minimal disruption to customers and market participants.

We recognise the objectives of ERM's original rule change request, however the industry and AEMO will need to dedicate significant resources over the next 18 months to implement complex procedures and system changes to support a number of Power of Choice reform related rule changes (competition in metering and related services, embedded networks and implementing a new B2B framework). As such, further changes beyond those proposed in the draft rule (for example in line with the original proposed rule change) would have a deleterious impact on the work program and commitment of resources in these other areas.

With respect to the AEMC's Alternative Option, Origin would agree that its costs of implementation are likely to outweigh its benefits at this time. Aligning the physical installation of a new meter as closely as possible to the date a retail transfer completes may result in the incumbent retailer facing administrative and contractual challenges; for example, in the absence of commercial arrangements being in place with the incoming retailer and its nominated meter service providers (the Metering Coordinator, Meter Provider and Meter Data Provider). These risks are exacerbated if the retail transfer fails to complete.

We discuss further below our views on a number of matters set out in the draft rule determination and would welcome further discussion with the AEMC on this response. In the first instance, please contact David Calder on (03) 8665 7712.

Yours sincerely

A handwritten signature in blue ink, appearing to read "K. Robertson".

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1. Draft rule determination

Origin agrees with the AEMC's view that the more preferable rule improves clarity for Metering Coordinators (MCs) with respect to their rights and obligations and by association other market participants including retailers, metering providers (MPs) and meter data providers (MDPs).

Providing the option in the market settlement and transfer system (MSATS) for an incoming retailer to nominate its preferred MC, MP and MDP roles will signal the incumbent parties of future arrangements and provide the potential for a meter exchange to occur on the date of retail transfer.

Complexity and transaction costs were a concern with the prospective roles originally proposed and would have triggered further changes to market and participants systems. Origin agrees that the benefits of the proposal would likely be outweighed by the implementation costs.

2. Changing meters on or before the day of retail transfer

Draft rule

Origin would refer the AEMC to its previous comments made on its consultation paper and directions paper regarding the materiality of benefits associated with allowing a meter change to occur on or before the date of retail transfer. As noted throughout the consultation, large customers will be in a position to select their MC at any time following the start of the competition in metering and related services rule change. This can occur independently of a retail transfer.

The policy position and the draft rule strike a balance between facilitating the more timely change of metering related roles and the complexity of the original proposal. Origin notes that the decision for a retailer to nominate prospective metering roles is entirely voluntary and expects that consumer preferences and the market will determine the value of meter churn over time, including the timing of changes in providers of meter services at a customer site.

Alternative option

Origin supports the AEMC's decision to not support the Alternative Option considered, primarily because it recreates some of the previous problems experienced where the incumbent retailer has no relationship with incoming metering service providers. We agree that changing metering service providers prior to the change in financially responsible market participant (FRMP) could impact on the incumbent FRMP's ability to meet its obligations and to continue providing services to its customer under its supply contract. These services may depend on the presence of the incumbent metering service providers.

We further agree that implementing the Alternative Option will take some period of time relative to the draft rule and given the resources required to implement the competition in metering rule change and associated changes to the NER, do not consider the alternative model worth pursuing at this time.

3. Treatment of large and small customers

Origin acknowledges the AEMC's analysis of stakeholder views regarding the definition of large customers and the aggregation of small loads required by a single business customer to qualify as a large customer. Increasingly, the type of meter installed at multiple sites for business customers (where consumption levels would define the site as a small, rather than large customer), will increasingly be an advanced meter with capabilities to meet most products and services sought by customers. Additional services (such as software provided to the customer) would ideally be provided from the first day of a supply agreement with a retailer coming into force. The draft rule improves the likelihood of this where the incoming FRMP elects to nominate alternative meter service providers

ahead of retail transfer. For these reasons, Origin agrees with the AEMC's conclusion in relation to considering the aggregation of small customer sites.

4. Commercial arrangements

Origin notes there is nothing preventing commercial agreements being formed between various incumbent and incoming parties in relation to metering services. We agree with the AEMC's conclusion that specifying the way interaction should take place in the NER would result in potentially restrictive and onerous constraints on the formation of arrangements between incumbent and incoming parties.

5. Implementation

Origin supports the commencement of the draft rule to align with the competition in metering rule change (1 December 2017). We also support the provision in the draft rule for AEMO to amend procedures relating to the rule by 1 September 2016.