



5 June 2006

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 16
1 Margaret Street
SYDNEY NSW 2000

Dear Dr Tamblyn

NEMMCO National Electricity Rule Change proposal: Metrology Harmonisation

The Energy Networks Association welcomes the opportunity to comment on NEMMCO's proposed National Electricity Rule changes to harmonise metrology across the National Electricity Market. In addition to this letter, a number of ENA members have made submissions to this process on key details of the proposed Rule changes.

In the past few months, and since this proposed Rule change was developed by NEMMCO in consultation with ENA members and forwarded to the AEMC, a number of key issues have emerged that have relevance to the current Rule change proposal. Most importantly,

- the Council of Australian Governments (COAG) has agreed to the national rollout of "smart" electricity meters from 2007, where benefits outweigh costs for residential users; and
- a decision is expected shortly from the Victorian government on whether to add communication and other advanced metering infrastructure elements to the previously regulated rollout of manually read interval meters.

While the COAG agreement document does not include any further detail as to what is meant by smart meters or the party to undertake the rollout, it would appear likely that:

- the decision is referring to interval meters with capacity for remote communications; and
- responsibility for the rollout (and associated costs) will fall on electricity distributors.

Therefore these decisions will have considerable implications for those aspects of the metrology Rule changes currently before the AEMC dealing with the technical details of the new type 4 Small meter type and for metering responsibility.

The ENA considers that the AEMC must ensure that the final metrology Rules (and resulting metrology procedure developed by NEMMCO) are able to accommodate these policy decisions. It is also critical that the Rules are consistent with the pricing principles that Ministers have announced will be included in the updated *National Electricity Law*.¹

The new pricing principles in the NEL will require the AEMC to make and maintain Rules that “provide a reasonable opportunity for a network operator to recover at least the efficient costs of providing services that are the subject of the network pricing determination and complying with a regulatory obligation”.² The ENA considers that a Victorian rollout of remotely read interval meters, or a national rollout of smart meters as envisaged by the COAG decision, will raise several revenue issues for network businesses relevant to these pricing principles. Most notably, these revenue issues include:

- the capital costs of any smart meter infrastructure, including systems costs, and their treatment in the regulated asset base of the network business, particularly if they are replaced by next generation technology or future regulatory decisions before the infrastructure is fully depreciated; and
- the regulatory treatment of current metering stock (manually read interval or accumulation meters) that could potentially be stranded through an accelerated smart meter rollout.

These issues will have implications for the current metrology Rule changes being considered by the AEMC, in particular whether the new type of remotely read interval meters will be contestable (as currently provided in the jurisdictional derogations to the Rules).

The ENA considers that this aspect of the proposed metrology Rules should be reconsidered by the AEMC in light of the COAG announcement on a national rollout of smart meters. It may be appropriate to delay this specific aspect of the proposed Rule change until further details of the COAG decision are available.

This issue also has implications for the current NEMMCO consultation process of a draft metrology procedure, and the ENA will be writing to NEMMCO shortly on this matter.

Yours sincerely



Andrew Blyth
Chief Executive
Energy Networks Association

¹ Ministerial Council on Energy, 19 May 2006 Darwin Meeting Communiqué.

² Expert Panel on Energy Access Pricing, Report to the Ministerial Council on Energy, April 2006, p. 116.