

14th March 2014

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1255

Framework for Open Access and Communication Standards Market Review

Dear Mr Pierce,

This letter forms a submission by Metropolis Metering Services Pty Ltd (Metropolis) in regard to the AEMC's Supplementary Paper – Regulatory Framework relating to the Framework for Open Access and Communications Standards¹

In general Metropolis is supportive of the conclusions and recommendations made by the AEMC in its Supplementary Paper. However regarding the Victorian transitional arrangements, we believe any measures must be light-handed with the objective of immediate restoration of competition, and no barriers introduced which would prevent Victorian consumers from exercising their right of choice.

It is worth reminding that in 2009 when the derogation was implemented, it was made very clear to the market, and the distributors that the derogation was temporary. When the derogation was to be lifted in December 2013, the market rules would return to normal, and no further exclusivity would exist on any connection point from that point forward. Therefore it ought to be concluded that the distributors planning and cost recovery was set up in the full awareness that from 1st

¹<http://www.aemc.gov.au/Media/docs/Supplementary-paper---regulatory-framework-5b14fd6e-aea1-4458-971d-4f773afa0315-0.pdf>

January 2014, its meters could be removed by competitive Meter Providers on instructions from an RP (which could have been a retailer).

It would be unwise when considering transitional arrangements in Victoria, by accident or by design, to ensure that prices are kept artificially high, or that services are kept artificially low, by allowing unnecessary cost or red tape to be imposed where competitive metering service providers wish to operate in Victoria.

The ultimate arbiter should be: Will Victorian electricity consumers be able to benefit by the activity of a competitive market nationally ? If too many concessions are made to distributors in their cost recovery, or too many restrictions are placed on normal competitive metering activity in Victoria, then the answer to this question may well be in the negative.

All competitive metering providers in Australia have to engage in normal commercial mechanisms to manage risk, and churn risk in particular, and set up their businesses to operate in an environment where there is no certainty. Distributor controlled meter providers in Victoria should be playing on the same level playing field, or not be playing at all.

Metropolis would propose that the (extended) derogation simply be lifted immediately, and that the AER regulated metering service charges be made unregulated. Where a retailer (or an MC in the future) wishes to replace a meter due to either improved service or reduced cost, then there should be no impediment to this. If the distributors have made technology choices that appear to be unwise then they will have to wear the consequences of these choices. As stated earlier, they had plenty of time to prepare for the return of competition.

We would also propose that in Victoria that the Meter Provider and Meter Data Provider activities of the distribution businesses be fully ring-fenced from their distribution activities. In particular where a distribution business makes use of its metering network for distribution purposes, then this be separately and appropriately accounted for by that business. If, for example, a distributor can use a smart meter network for large scale disconnections, it should be paying service charges to its meter provision arm for those services. It should then also internally be justifying how that additional expense can be offset by savings, for example, by making other distribution switching equipment redundant.

It is important in the future that metering and distribution become separate and distinct activities so there is no longer any confusion about where responsibility lies for the provision of smart metering services.

Yours Sincerely

Chris Boek

Director and CTO