

Wednesday, February 13, 2008

**Dr John Tamblyn
Chair
Australian Energy Market Commission
Level 5, 201 Elizabeth Street
Sydney NSW 2000**

ABN 70 006 480 431

80-82 Bell Street,
Heidelberg Heights,
Victoria, 3081
Australia

Dear Dr Tamblyn,

**Re: Victorian Jurisdictional Derogation (Advanced Metering
Infrastructure Roll Out)**

Telephone:
+61 3 9457 6422

I enclose my submission opposing the jurisdictional derogation.

Facsimile:
+61 3 9457 6354

**I am happy to meet you in person or over the phone to further
discuss this matter.**

Email:

info@mcsdigital.com.au

Yours,


**Don Warring
Director**

Submission to the Australian Energy Market Commission

By Don Warring of MCS Digital

Regarding

Victorian Jurisdictional Derogation (Advanced Metering Infrastructure Roll Out)

Monday, February 11, 2008

Summary

On my own behalf and that of MCS Digital, I oppose the Rule change proposal from the Minister for Energy and Resources (Victoria) seeking a jurisdictional derogation to *“implement the roll-out of advanced metering.”*

My submission is based on:

- My 50 years of experience in wireless systems and radio transmission;
- My 30 years of running wireless networks;
- 30 years of owning a network which now facilitates the most advanced digital voice and data transmissions;
- 5 years of MCS Digital providing voice and data transmission for the utility industry; and,
- Experience and research in participating in a trial of wireless advanced metering.

MCS Digital is a Victorian digital wireless network operator and high technology innovator that has been in business in Australia and beyond for over 30 years.

At our own private expense, we have designed and trialed a system to allow for the functionality of automatic metering over the state wide digital radio system owned by MCS Digital.

Various Victorian meter companies and an electricity retailer have worked with MCS to produce a compliant system with the functionality required. The trials have gone very well.

I was stunned to find that this application was made without any notice to the trial partners or us. I couldn't imagine a Government so rhetorically committed to competition policy making this application to create a state-mandated monopoly or oligopoly.

I can see no case for creating a monopoly in the hands of the foreign-owned distribution companies. After reading the Department's submission to the AEMC, I remain at a loss to understand why you would replace a competitive market with a state mandated monopoly.

1. Having read the submission of the Minister, I believe no case has been made that would satisfy the AEMC that the change is
 - a. Likely to contribute to the achievement of the National Electricity Objective (NEO), which states the object of the NEL is:
 - i. "To promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to: (a) price, quality, reliability and security of supply of electricity; and (b) the reliability, safety and security of the national electricity system.""
2. On the contrary, I believe the derogation would be against the long-term interests of consumers in that it would increase costs relative to a competitive market in advanced metering.
3. On a commercial-in-confidence basis, I have been shown the "Metropolis" confidential submission to the AMEC. Metropolis has been our partner in the very successful private sector trials referred to later in this submission. I adopt the Metropolis submission in full and add my own thoughts in the following paragraphs.
4. In all my decades of working in wireless communications in Australia, New Zealand, the United States and across Asia, the use of government legislative power to limit the power of the market has raised costs. There is no way this proposal meets the achievement of the National Electricity Objective.
5. The Victorian Government proposal will ensure that Victorian consumers and business are saddled with:
 - a. Excessive costs of transmission of the data;
 - b. Excessive cost if the manufacture and or supply of the meters;
 - c. Foreign ownership of the process;
 - d. Reduced innovation; and,
 - e. Reduced opportunity for local Australian and Victorian suppliers.
6. I ask the AMEC to take into account the views expressed by the ACCC in its Draft Determination on the Application for Authorisation - Amendments to the National Electricity Code – Victorian Full Retail Competition Derogation of 1 December in which the ACCC explicitly stated "*The ACCC considers that the key detriment arising from metering exclusivity is that it prevents responsibility for metering residing with the entity most likely to introduce innovative metering arrangements, the retailer.... The ACCC considers that*

the derogations should be amended so that remotely read interval metering solutions that are suitable for small retail customers are not subject to distributor metering exclusivity. This would facilitate retailers' pursuit of interval metering solutions that are most suitable for their customers."

7. **The Victorian Trials:** I ask the AEMC to take into account the trials that took place in Victorian in 2006 & 2007. Those trials didn't show any need for derogation or to establish a monopoly/oligopoly. You will note from the Victorian Government's report entitled "Advanced Metering Infrastructure" that there was a government funded trial (government trial) and a private sector trial (private sector trial) of which we were a part.
- a. The Government Trial (and associated processes) was funded by taxpayers, with significant resources in terms of manpower, equipment, consultants, numerous meetings/workshops and investigations abroad. AMEC should ask the Victorian Government for its expenditure figures and how much was contributed by the beneficiaries of the proposed derogation.
 - b. The private sector trial we participated in was fully funded by private investment, with a minimum of fuss. There was innovative business practice and collaboration operating on commercial principles, decent business relationships and negotiated outcomes.
 - c. The Government Trial only included technologies that were 100% network monopolistic for metering, communications, and data services.
 - d. An attempt was made by NEMMCO to introduce functionality to allow some level of competition by way of data services, i.e. any accredited data services company be permitted to read the meters. The Government wrongly rejected this. AMEC should question the Victorian government and its partners on this issue.
 - e. The Private Sector Trial was fully competitive in its own right.
 - f. The Private Sector Trial was fully competitive in all sub components, (including customer initiated transfer from one retailer to another mid trial) operating under the current regulatory regime, in a competitive market environment.
 - g. The Private Sector Trial demonstrated that there is a competitive market in telecommunications services for advanced metering and that there is capacity to reach every Victorian without the need for Government interference by way of this proposed derogation.
 - h. The Government Trial only included a test of the communication link, not meter to bill. The limited trial indicated that there was significant ongoing development work required for all the tested technologies to meet the Australian NEM requirements, and none of the systems were tested or proven to work on a full end-to-end basis. Why would you provide a derogation to benefit entities that can't deliver the service?
 - i. The Private Sector Trial was a full meter to bill trial, fully operating in the NEM under all current regulations with data going to NEMMCO for settlements, Retailers and Networks for billing. As noted above the trial included customers transferring retailers with the meter staying on the wall, and there being no barriers to competition, nor inefficiencies such as meter churn. This solution fully meets the minimum functionality requirements of the industry and indeed the operational

outcomes are significantly higher. The state defined minimal functionality requirements were dumbed-down to align with the monopolistic low functionality technologies being promulgated under the proposed derogation.

- j. The Private Sector Trial trail utilised locally developed solutions; innovation in metering, data services and software development (potentially a valuable saleable product abroad) utilising, where ever possible, existing telecommunications infrastructure, with a goal of a best cost solutions that actually works, in a fully contestable environment. The Government Trial attempted to use solutions primarily developed outside of Australia of which none where proven to function in the Australian environment & had limited potential for ongoing technical and functional innovation.
 - k. All technologies within the Government Trial had a very clear outcome of creating a monopoly across the entire process.
 - l. The example of the Private Sector Trial vis-à-vis DPI/Network monopoly trial is significant not so much as to what technology works verses that that doesn't, but more as an illustration of the strength of Australian innovation, driven by savvy people developing solutions utilising local resources while meeting the needs of a market.
 - m. Any objective analysis of the trial and associated processes clearly highlights the long running theme that only a technical solution ensuring a iron clad monopoly delivered by foreign owned networks, paid for by Victorian consumers, under re -regulated control was considered by the Victorian Government.
8. The behaviour of the proposed beneficiaries of the derogation already shows that this derogation will not benefit consumers or business customers of the retailers. A recent Tender for Telecommunication services to support smart metering issued by City Power/Powercor is a good example. The tender was couched in a way that precluded most players in the market and placed such onerous conditions on the successful tenderer that it must raise the cost of data transmission by a significant extent. The document specified an extremely complex solution with extremely onerous management and response requirements. The financial and operational requirements which if breached would have liquidated a Company with market "cap" of 50 million or less. In addition it appeared to be a "control" document with little benefit to the end subscriber and all power to the utility. Metering is a commercial activity and does not need safety-of-life specifications to lumber it with the associated excessive costs!

I know that other entities with greater expertise than me will be making submissions. I understand wireless communications and from my long experience in the business and my knowledge of the players, this derogation would increase costs for all users of electricity.

A free and competitive market is the best guarantee of the interests of the consumer, business in general and the public interest.

I am happy to meet with you or discuss these matters over the telephone. I can refer you to others who share my views but may not have made a submission.

Don Warring
Director
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