



ENA

AEMC Public forum, competition in metering
**Will the draft rule deliver the objectives
of the rule change? – DNSP perspective**

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ENA's view on assessment of Metering Reform

> **The ENA supports reforms in metering and related services that contribute to achievement of the NEO:**

"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, safety, reliability and security of supply of electricity; and*
- *(b) the reliability, safety and security of the national electricity system."*

> **From the whole-of-system perspective of networks, particular focus should be on whether the framework:**

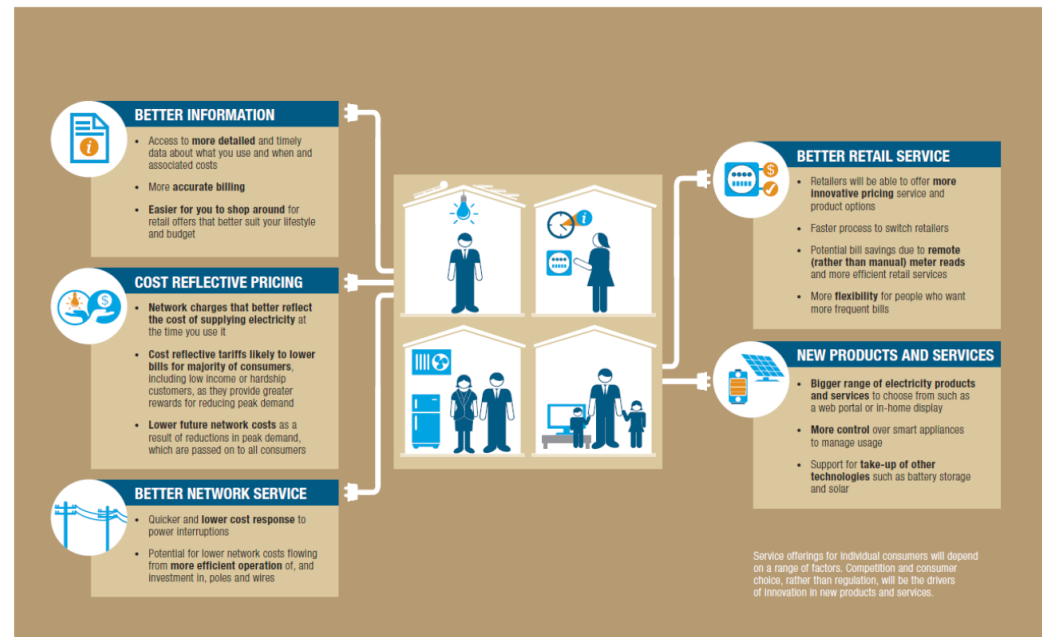
- enables a competitive, open and fair market for demand side services;
- benefits customers through economic achievement of future network operational benefits
- facilitates broader adoption of smart meters while minimising cross-subsidies and any associated price impact on customers
- enables a transition to cost reflective network tariffs as quickly as practicable
- maintains current network services and efficiently leverages existing investments
- ensures availability and applicability of meter data for network applications.

ENA supports objectives:

- > Intended Consumer Benefits
- > Increased scope for market-led meter deployments
- > Unlocking individual customer choice; participation in demand side markets;
- > New and Replacement policy supporting advanced metering
- > AEMC policy intentions:
 - Basis for commercial negotiation between NSPs and MCs
 - NSPs should be to able to deploy smart meters to benefit customers.
 - Ongoing right of an NSP to a device at the premises

CONSUMER BENEFITS

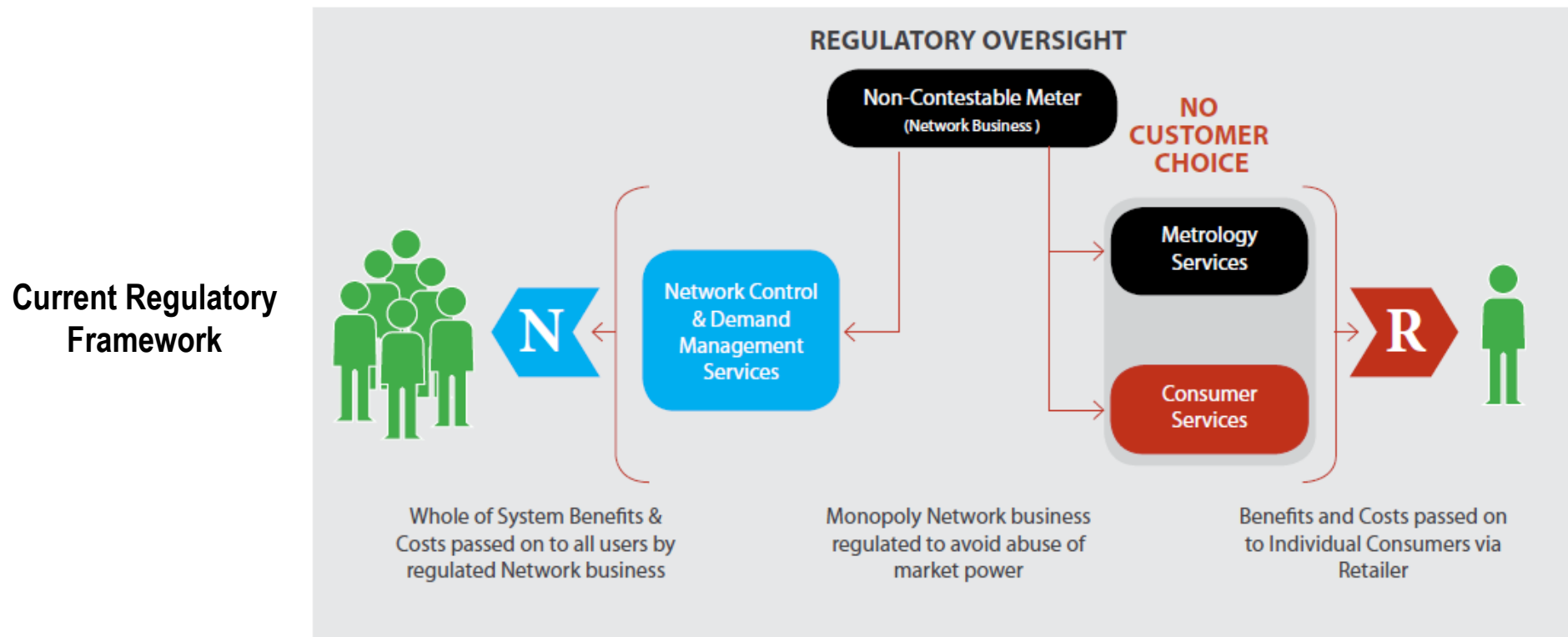
The draft rules enable the competitive deployment of advanced metering – allowing people to find new ways to monitor, manage and adjust their use of electricity to suit their budget.



AEMC Infographic

Fundamental Changes to Rules and the Market

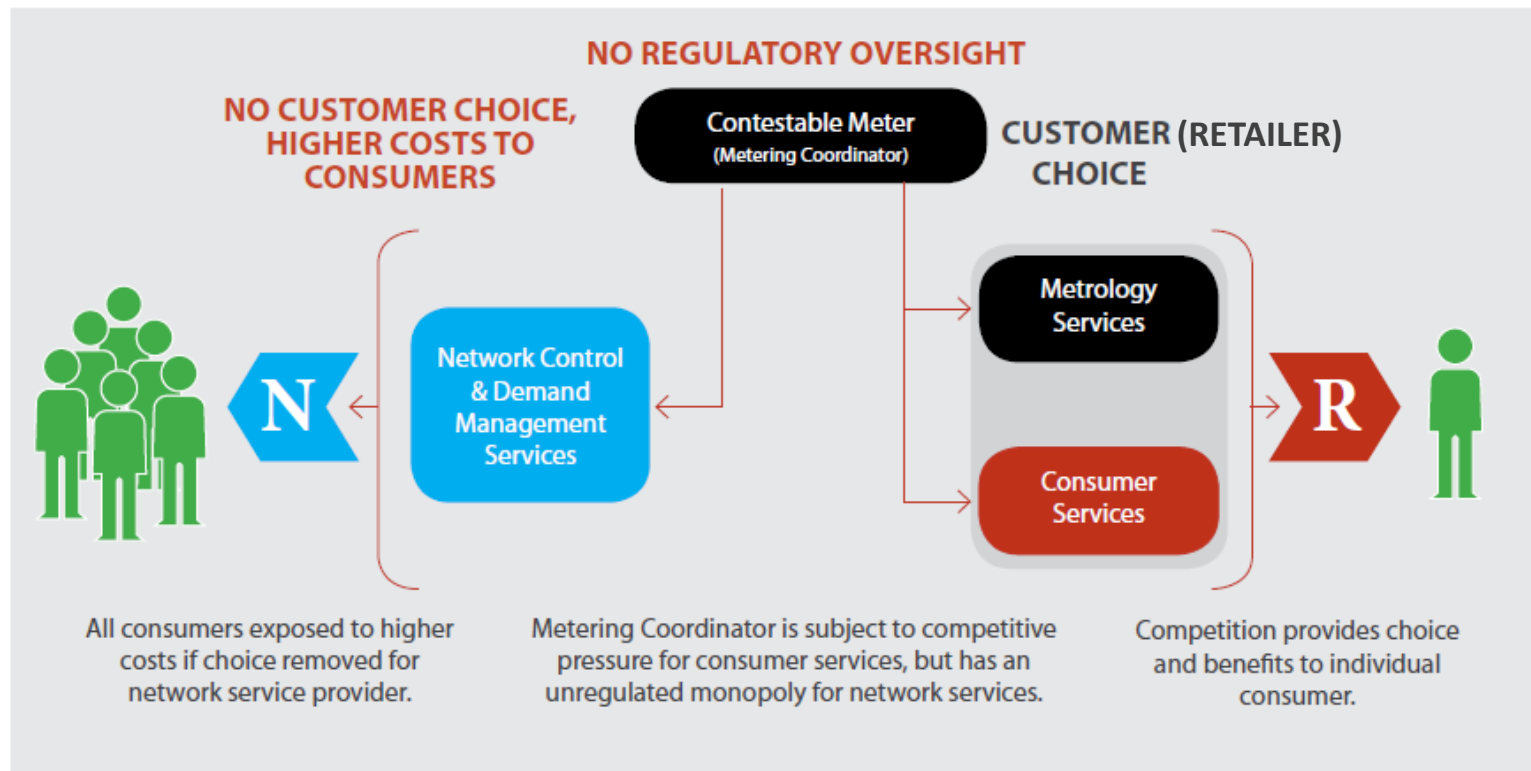
- > **Draft Decision replaces the current regulated framework...**
 - Regulatory oversight of efficient metering cost
 - Clearly defined roles and responsibilities
 - Operational procedures for managing network and customer safety
 - Metering assets integrated in networks with system wide benefits (eg. Load control, grid intelligence in Victoria)



Fundamental Changes to Rules and the Market

.... with a proposed framework which is still under construction in subsequent processes.

Proposed
Regulatory
Framework



AEMC satisfied Rule will achieve NEO via:

- > **Efficient investment in metering services** “driven by consumers choosing products and services they value...”
- > **Consumer participation and choice in electricity products and services**
- > **Promotion of innovation in metering** “A market with many service providers is expected to provide incentives for these parties to innovate and improve service offerings to consumers while driving prices down.”
- > **Efficiency of the national electricity system as a whole**
 - Consumers better understand their electricity consumption, choose to change behaviour and take up new products.
 - “DNSPs to implement network prices that better reflect the costs associated with each consumer's use of the electricity network improving network utilisation”
 - Consumers to switch electricity retailers more quickly; and
 - “DNSPs to respond more quickly, and at lower cost, to power outages or poor supply quality where the advanced meters are used to support grid management technologies, which may lead to improved reliability and quality of electricity supply.”

#1: Commercial Agreements for Efficient Investment

- > **Timely economic takeup of smart meters will occur where ‘split benefits’ can be realised through commercial agreements.**
- > AEMC assumes Networks will contract with MCs for smart meter services to support their investment in network control and management (eg. Grid intelligence systems, load control, etc)
- > To invest (or avoid investment as a Non Network Solution), a Network counterparty must be able to manage risks to continuity of service, commercial terms.
- > **The proposed Regime does not appear to provide sufficient certainty to support commercial agreements.**
- > Network counterparties to the MC appear exposed to “hold out” risk – including after Meter or MC churn.
- > Potential Result:
 - Energy consumers pay more for network services;
 - Economic take-up of smart meters is unnecessarily delayed, delaying cost-reflective tariffs and markets for demand-side services.
 - Meters rolled out with limited (retail orientated) services only as MC not support/offer network services

#2: Outstanding Design Issues

- > **Efficient Access to Smart Meter Services**
 - Minimum Service Specification; Service Performance Levels; Narrow Definition of Primary Services and Scheduled Meter Read;
 - Exacerbated by rejection of a Non-Reversion policy
 - Obligation to provide data and services requires clarification
 - Apparent risks that some current services would need to be paid for.
- > **Efficient Participation of NSP**
 - Missed opportunity in Network Solutions
 - Potential for unnecessary costs on consumers due to increased Ring-Fencing
 - NSP right to remotely-read capable devices still appears precluded (Rule 7.8.9).
- > **Exit Fees – managing cross-subsidies & cost recovery**
 - Exit Fees deferred to AER process yet fundamental to market dynamics, cross subsidies;
 - Not clear what happens to any residual un-recovered capital in the next regulatory period, if AER no longer classifies these services as direct control?
- > **Issues in an Intermediated model**
 - Careful review required of Roles and Responsibility (eg. Remote Re-En & De-En; MC Prudential requirements)
 - Cyber security: managing end to end risks of successful penetration
 - Replacement of faulty meters to enable efficient outcome for customers
 - Maintain customer and employee safety (engage with jurisdictional safety rules)

#3: Implementation and Transition Issues

- > Objective is a **seamless transition for customers and effective and efficient implementation for stakeholders**
- > **Concerns:**
 - Rule Timeframes (July 2015) appear inadequate to sufficiently define the new framework and address stakeholder issues.
 - AEMO implementation timetable for procedures by 1 April 2016 appears difficult to achieve – a compressed timetable risks inadequate engagement or unforeseen consequences for customers.
 - Transition issues are likely to require specific attention in Victoria
- > **ENA Supports:**
 - Adequate timeframes and work packages which are realistic and agreed.
 - Scope matters resolved before process development and procedure drafting (including Rules, SMP protocol and platform)
 - The Industry “go live” date should be resolved based on endorsed work plan before Final Rule sets the date.

Risks to Rule achieving the Objectives

> **Benefits Sought:**

- Competition in metering markets to lead to retail product innovation
- Timely market-led take up of smart meters.

> **Risks & Challenges:**

Costs to Customers

- Market formation and “Hold Out” risk between unregulated MCs and access seekers
- New or Unnecessary costs to network efficiency (eg. Ring-fencing & interface costs)
- Ensuring efficient exit fees which do not increase cross-subsidies between customers

Operational and Safety Issues

- Clear transfer of Chapter 7 roles and responsibilities
- Metering services supporting quality and safety should be in MSS, SMP and not at risk of a “hold out” negotiation with a monopoly MC provider.

Implementation and Transition Issues

- Adequate time for development of AEMO procedures and company process changes
- Clear, practical arrangements in the transition from default Metering Coordinator
- Recognition of Victoria’s different context

> **Outstanding issues are fundamental to the market design and customer outcomes and should be closed out in the Final Decision.**