

Department of Environment, Land, Water and Planning
PO Box 500
Melbourne VIC 3000

Submitted by email: metering.competition@delwp.vic.gov.au

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Transition to Metering Competition in Victoria Options Paper

The Australian Energy Council (the Energy Council) welcomes the opportunity to make a submission to the Department of Environment, Land, Water and Planning (the Department) Transition to Metering Competition in Victoria Options Paper (Options Paper).

The Energy Council is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The Energy Council welcomes the opportunity to provide feedback on how Victoria can best transition to the new national arrangements for metering competition. The timing and approach Victoria adopts in transitioning to the national competitive metering framework should be in the interests of Victorian households and small businesses, and not delayed by vested interests. To this end, the Energy Council submits that it is important to understand and assess the consumer impacts of the smart meter programme in Victoria ensuring consumer interests are accounted for.

The Energy Council has reviewed all options considered in the paper and supports implementation of option 1, being the full adoption of the new framework for all customers with the national minimum services specification. Full adoption of metering competition with the national minimum services specification is critical to the transformation of a customer-led energy market.

Competition in metering services

The Options Paper considers the extent metering competition can provide new opportunities for customers to benefit from innovation in technology within a competitive framework in Victoria. The Energy Council submits that competition in metering services, as in other sectors of the Australian economy, incentivises businesses to improve service, develop products that meet consumer needs, find ways to lower their costs and to pass these savings onto consumers.

The Energy Council contends that the development of competitive markets in services that could be or should be competitive is paramount. The expansion of competition in metering and related services will enable participating consumers to have access to more diverse and innovative energy products, and empower them to have greater understanding and management of their energy use to save on their energy bills.

The Energy Council considers it is important to ensure Victorian customers are equally able to benefit from metering contestability with the availability of low cost innovative products from service providers who are able to leverage from a nationally consistent specification and certainty in the regulatory setting.

Policy Options

The Department has developed four options to determine how Victoria transitions to metering competition and how Victoria transitions to the new arrangements:

- **Option 1** - Full adoption of the new framework for *all* customers with the *national minimum services specification*;
- **Option 2** - Adoption for *all* customers with the *Victorian meter specification*;
- **Option 3** - Adoption for *new connections* only with the *Victorian meter specification*; and
- **Option 4** - Defer adoption of metering competition for now.

The Energy Council's preferred option is option 1. We consider option 2, the Victorian Government's preferred option, is likely to be a barrier to retailers being able to offer innovative energy products into the market. The Energy Council is concerned that any additional level of opportunity through metering contestability may come at significant cost as Victoria will have standards that vary from the national minimum services specification.

Options 2 and 3 are sub optimal technology specifications that will result in different classes of customer, where new customers will have access to a competitive market, and existing customers will not. This will potentially drive additional administrative market costs which will be passed on to consumers. Option 1 best supports harmonisation and interoperability of metering infrastructure, reducing meter churn and improving customer and market experience.

In our view the value of maintaining a separate specification in Victoria is not likely to deliver the competitive benefits and economies of scale that could be achieved through the adoption of a national specification.

Benefits of Victorian metering specification

The additional functionalities of the Victorian Advanced Metering Infrastructure (AMI) meter compared to the national minimum services specification are highlighted in the Options Paper. However, the Energy Council is concerned that the Department has not provided enough detail regarding how the technology works and whether all the additional functionalities of the Victorian AMI meter are in use.

The national framework caters for the benefits of the Victorian metering specification to be accommodated for when AMI meters are displaced. Where distributors are able to quantify the benefits that they currently experience, they will be able to contract with incoming metering providers to ensure that the specification and requirements are included in the meter that is installed. Therefore, Victorian consumers will experience the benefit with a reduced cost, as only the functionality that provides benefit to the consumer and the distributor will be included in the

meter. Unfortunately, the Victorian minimum requirements warrants that the meters support functionality superfluous to delivering benefit to Victorian customers.

The ZigBee feature is a prime example where a feature was mandated with only a few customers taking up the feature. This is also an example of technology being superseded. The Victorian AMI meters only support the ZigBee 1.1 protocol but the current version of the protocol is now ZigBee 2.0. This means that any new products (In-Home Displays etc) cannot integrate with Victorian AMI meters, and it is unlikely that anyone is manufacturing products using the old protocol.

We invite the Department to request evidence of the current utilized benefit of the Victorian AMI specifications over the national specifications in more detail. The Options Paper does not currently tie in the supposed network benefits or the benefits the Victorian AMI meter will provide to retailers in comparison to the national minimum services specification.

Consumer experience

The Energy Council endorses the Department's statement that *"consumers' understanding of the new arrangements will be important for ensuring that they willingly and confidently engage with the market and adopt the smart services that are available."* The Department should be aware that under all four options there will be significant hurdles with consumers yet to identify significant benefits or engage with metering in Victoria. It is important that retailers and other market participants have the opportunity to work closely with the Victorian Government on any package that would be developed to communicate benefits of smart meters more generally. A well thought out and informative communication package will assist in developing consumer confidence and participation.

Implementation

The Energy Council submits that more information is required on the implementation and key timeframes to ensure that suitable regulatory frameworks are in place to support its adoption. Regardless of the option chosen the Energy Council submits that the Victorian government will need to make changes to the Energy Retail Code to reflect the additional consumer protections in the national framework. Further, the Energy Council urges the Victorian government to ensure that any regulatory changes required to the safety and market procedures are communicated to AEMO prior to mid-December 2016 to ensure their inclusion for 1 December 2017.

Conclusion

We urge the Victorian Government to carefully consider its preferred approach and its impact on Victorian customers. The Energy Council appreciates the opportunity to provide our view and is very happy to engage further with the Victorian Government in ensuring that the option adopted is in the interest of consumers in Victoria.

Any questions about our submission should be addressed to Panos Priftakis, Policy Adviser by email to panos.priftakis@energycouncil.com.au or by telephone on (03) 9205 3115.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'S. McNamara', with a long, sweeping underline that extends to the right.

Sarah McNamara
General Manager Corporate Affairs
Australian Energy Council