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Australian Energy Market Commission
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Submission on the Additional Consultation on Specific Issues – Competition in Metering Rule Change

Introduction

1. This is Vector Limited's ("Vector")¹ submission on the Australian Energy Market Commission's ("AEMC") *Additional Consultation on Specific Issues*, dated 17 September 2015, in relation to the following proposed rule changes:

- National Electricity Amendment (Expanding competition in metering and related services) Rule 2015; and
- National Energy Retail Amendment (Expanding competition in metering and related services) Rule 2015

(referred to as "Draft Competition in Metering Rule Change" for the purposes of this submission).

2. We broadly support AEMC's Draft Competition in Metering Rule Change, which proposes amendments that collectively set the framework for expanding competition in metering and related services to small-to-medium businesses and residential consumers in the National Electricity Market ("NEM"). We particularly support the light-handed regulatory framework being proposed, which leaves many transactions to commercial agreements, reflecting confidence in the capability of market mechanisms to deliver benefits to industry and consumers.

3. We also broadly support the additional proposals in this consultation paper relating to specific issues in the Draft Competition in Metering Rule Change. However, we have concerns around:

- regulated arrangements for accessing energy and metering data from Metering Data Providers ("MDPs"); and

¹ For more information on Vector, see www.vector.co.nz and <http://vectorams.com.au/>.

- the specification of expected time, date and duration of retailer planned interruptions.
4. We set out our comments on the specific proposals below.
 5. No part of this submission is confidential and we are happy for it to be made publicly available.

Arrangements for accessing energy and metering data

6. We are concerned that the proposed requirement for MDPs to provide certain parties free access to data required to perform statutory obligations may have the following unintended consequences, and would hinder development of a competitive metering market:
 - Parties who have free access to data will have an unfair advantage over parties who want access to the same information but can only obtain it on commercial terms. This has the potential to create market distortions.
 - Having to determine what information is regulated and what is discretionary increases complexity and compliance costs for MDPs and other data access seekers, which increases costs for consumers. Further, parties are likely to seek to have as much information as possible provided as “free” and so may challenge AEMC or the MDP in respect of information it classifies as discretionary. This would further increase an MDP’s compliance costs and creates an unnecessary regulatory burden.
 - Requiring an MDP to arbitrarily distinguish between regulated and discretionary information puts focus on complying with the regulation rather than seeking the most efficient and effective method of data provision.
7. In a competitive metering market, such as that in New Zealand, network providers access all their metering data on commercial terms. We believe that is the better approach for the Australian market, for the following reasons:
 - It incentivises MDPs to continue to invest in better information systems and processes, including investment in back office systems that enable advanced metering to support service innovation and market expansion, e.g. provision of data management services, or provision of more sophisticated data to different consumers as the market evolves. By contrast, MDPs would be less incentivised to make these investments under a system where access to data at a set service level is regulated.
 - It should signal reasonable costs associated with providing metering data, rather than creating distortionary regulatory costs associated with providing data arbitrarily under regulation. This should not result in excessive costs

to network providers. As stated in our January 2014 submission to AEMC on its draft *Framework for Open Access and Common Communications Standards Review*, in a competitive market:

...incentives already exist for parties who control metering data to provide the data at a reasonable cost. In fact, it is in metering providers' commercial interests to provide data at an efficient level, i.e. at a price that is 'broadly in line' with the full incremental cost of extracting the data...²

Data is a non-rival good; one does not lose data and the benefits of possessing it by providing the same data to others. The opportunity cost of providing data is equal to its marginal cost. And the only costs incurred in its provision are 'extraction costs'. This should allay the concern that data seekers will be charged excessively.³

- A competitive market flourishes where commercial parties are incentivised to engage and negotiate with multiple providers. This also facilitates innovation in contracting, which supports the emergence of new and innovative services that benefit consumers.
8. It is therefore our view that the provision of advanced metering data to market participants on commercial terms is the most appropriate approach in the emerging competitive metering market. This would avoid the market distortions and additional regulatory burden the proposed rule change may give rise to. Importantly, a competitive approach to data provision is consistent with the Government's market-led approach to achieving its efficiency and competition objectives in the metering market and the wider electricity market.

Supply interruptions for the purpose of installing or maintaining a meter

9. We generally agree with AEMC's proposal to introduce a right for retailers (with associated obligations) to arrange for "retailer planned interruptions".
10. We recommend that the notification to affected customers provide a timeframe or time range within which the retailer planned interruption will occur (we suggest 5 business days), rather than specify an "expected date, time and duration". This will provide the customer the ability to request an appointment, where desired by the customer. We note that in the case of a life support customer, a date and time must always be agreed with the customer.
11. Unlike a distributor planned interruption, which affects a single area at a time, the replacement of meters need to be performed at individual premises (multiple

²<http://vectorams.com.au/documents/597574/598208/Draft+Report+Framework+for+Open+Access+and+Communication+Standards+30+January+2014.pdf/5e9bda2b-3d83-4afd-b859-4f8ce682901e>, page 8

³ *ibid.*

distribution patches). It is unlikely that field service agents will have all their jobs for the day in one area.

12. The proposal in its current form implies that all meter replacements need to be performed by appointment. This implies that less jobs will be scheduled per field service agent to allow ample time to meet each appointment. This will significantly drive up costs that will ultimately be borne by the customer.
13. Our recommendation to provide a timeframe rather than a specific time and date of a retailer planned interruption would address the above issue. Affected customers will be notified if field service agents are on site before an outage is effected, which in most cases will not take more than 30 minutes.

Customer consent for provision of network-related services

14. We do not support the proposed removal of the requirement on Metering Coordinators ("MCs") to ensure that prior consent of the customer is obtained for the provision of certain network-related services (in addition to services listed in the minimum services specification).
15. We believe the removal of any option for customer consent in this case is not in the interest of consumers. As AEMC itself recognises, "the provision of some network-related services may affect the quality or reliability of the customer's supply, e.g. curtailment of supply at a connection point" (page 18 of the consultation paper). Customers should be informed of the impact, or potential impact, of these services.

Network devices

16. We generally agree with AEMC's proposals on what network devices can be used for, and the course of action required of MCs, Metering Providers ("MPs"), or Local Network Service Providers ("LNSPs") when space on the meter board is limited.
17. We welcome AEMC's proposal that the meter would still take precedence where space on the meter board is limited.

Alterations to type 5 and 6 metering installations to make them capable of remote acquisition

18. We agree that LNSPs should not be able to upgrade type 5 or 6 metering installations for broader efficiency reasons without them being reclassified as a type 4 metering installation.
19. The definition of "operational difficulties", which would require a metering installation to be capable of remote acquisition, should be strictly confined to circumstances where manually reading the meter is difficult or potentially unsafe.

Metering Coordinator obligations where a customer refuses to have an advanced meter installed

20. It is our view that small consumers should be able to opt out of having an advanced meter installed in their premises. We agree that an MC or MP (in the case of a new connection) is not in breach of the Rules if it installs a type 4A meter where a customer refuses the installation of a type 4 meter that meets the minimum services specification. Our view is based on the assumption that the rule allowing customers who opt out to retain their existing meter will not be revoked.
21. With competition expected to emerge in the NEM metering market post-2017, we expect retailers to deliver more efficient and innovative services that are compelling enough to change the minds of many of those who are not convinced of the significant benefits of advanced meters.

Application of the framework to transmission connection points

22. We agree with AEMC that the complexity and cost of permitting parties other than the LNSP or the Financially Responsible Market Participant to provide MC services at transmission connection points is likely to outweigh the benefits. However, this may not always be the case in some transmission connection points, e.g. in New Zealand, we provide metering services at transmission connection points. The market for metering services at transmission connection points in the NEM should still be open to competition.
23. Our view is based on our understanding and assumption that there will be no diminution of competition (or potential for competition) in the unregulated market for types 1 to 4 meters in the NEM. We believe it should remain that way, so benefits to consumers arising from the contestable nature of this market will not be at risk of being eroded.

Concluding comment

24. Please contact me if you have any questions or require further information at Luz.Rose@vector.co.nz or +644 803 9051.

Yours sincerely
For and on behalf of Vector Limited



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