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Contact Officer: Danielle Chifley
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19 September 2024

Ms Trudy Fraser
A/Executive General Manager Regulation
Energy Queensland

Sent by email to: [REDACTED]

Dear Ms Fraser

Re: Application by Ergon Energy Network for a waiver from the Distribution Ring-fencing Guidelines – card-operated meters

Thank you for the application received on 3 May 2024 for a waiver from clauses 3.1(b) (legal separation) and 4.2.3 (Branding and cross-promotion) of the Distribution Ring-fencing Guidelines (the Guidelines), to enable Ergon Energy Network to act as the metering coordinator in respect of three Indigenous communities in regional Queensland.

Ergon Energy's Proposal

Ergon Energy Network is seeking a waiver to enable it to be appointed as the metering coordinator for these three communities by the current retailer, Ergon Energy Retail. We note that these communities comprise around 430 customers and that they have expressed a strong preference to retain their legacy metering arrangements using pre-paid, card-operated meters.

This would replace the current arrangement where Metering Dynamics Pty Ltd (trading as Yurika) has been the metering coordinator. The application sets out issues of cost and capability to argue that it will be more cost-effective for Ergon Energy Network to take on this role in place of Yurika.

Finally, Ergon Energy Network has indicated that is seeking the proposed waiver while it continues to engage with the Queensland Government in relation to a longer term solution

AER Assessment and Decision

Under Guidelines clause 5.3.2, before granting a waiver the AER must have regard to the National Electricity Objective (NEO), the potential for a DNSP to engage in cross-subsidisation of services or discrimination and whether the costs of compliance with the Guidelines outweigh the benefit to consumers of that compliance.

We consider that the costs of providing metering services to these customers is likely to be much higher if Ergon Energy Network is not enabled to act as the metering coordinator.

Ergon Energy Network already has the appropriate systems capability in place compared to other entities in order to meet the preference of customers.

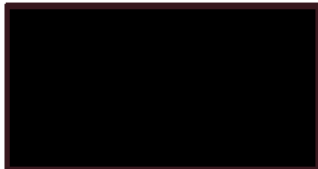
Our assessment is that the scope of the activities – providing card-operated pre-payment meters to around 430 customers in regional Queensland - and the costs of providing metering services in these communities means that there is no significant potential for impacts on the relevant market for metering services or on other metering coordinators. Similarly, we have concluded that these factors limit the possibility of discrimination against other providers.

Finally, we note that Ergon Energy Network has advised that it already has appropriate controls in relation to cost-allocation and to prevent any cross-subsidy in favour of the provision of these contestable metering services. These controls are based on Ergon Energy Network's cost allocation methodology (CAM) previously approved by the AER.

We have decided to grant a waiver to Ergon Energy Network in relation to clauses 3.1(b) (legal separation) and 4.2.3 (branding and cross-promotion) of the Guidelines. This is to allow Ergon Energy Network to act as the metering coordinator for the communities of Hopevale, Jumbun and Wujal Wujal. The waiver will be in force from the date of this letter until 31 December 2027. That is intended to avoid undue disruption for customers while the Queensland Government completes its consideration of future regulatory requirements for these communities.

If you would like to discuss this matter further, or have any questions, please contact Danielle Chifley, Acting General Manager, Policy Branch, on [REDACTED] or AERringfencing@er.gov.au in the first instance.

Yours sincerely



Jarrold Ball
AER Board Member

Sent by email on: 19.09.2024