

Chris Pattas
General Manager
Networks (Investment and Pricing)
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

7 April 2016

Dear Mr Pattas,

Request to extend time period for submission of cost pass through application

We refer to the package of reforms to the National Electricity Rules (**NER**) and National Energy Retail Rules responding to the recommendations of the Australian Energy Market Commission (**AEMC**) in its Power of Choice review, specifically, the package of reforms responding to the AEMC's recommendations relating to the introduction of competition in metering services and the development of a framework for smart meters and their services (**Metering Reforms**)

ActewAGL Distribution requests that the Australian Energy Regulator (**AER**) extend, pursuant to clause 6.6.1(k) of the NER, the time limit fixed by clause 6.6.1(c) for the submission of a positive cost pass through application in relation to the Metering Reforms.

Background

As you would be aware, the AEMC published its final report following its Power of Choice review on 30 November 2012.¹ The AEMC set out in the report a range of recommendations for supporting market conditions that facilitate efficient demand side participation.²

The recommendations made by the AEMC included recommendations to provide for enabling technology such as that:³

- a new framework in the NER be introduced that provides for competition in metering and data services for residential and small business customers;

¹ AEMC, *Power of choice review - giving consumers options in the way they use electricity*, 30 November 2012.

² AEMC, *Power of choice review - giving consumers options in the way they use electricity*, 30 November 2012, p. i.

³ AEMC, *Power of choice review - giving consumers options in the way they use electricity*, 30 November 2012, p. i-ii ('List of final recommendations for the review').

- a framework for open access, interoperability and common communication standards be established to support competition in demand side participation energy management services enabled by smart meters; and
- the NER require that smart meters be installed in defined situations (i.e. new connections, refurbishments and replacements),

as well as recommendations to encourage consumer awareness, education and engagement and to facilitate consumer access to electricity data.

The package of reforms is complex and contains interrelated components. A key component of the Metering Reforms is the AEMC's rule determination of 26 November 2015 titled *Expanding competition in metering and related services, Rule determination* (and the associated rule changes⁴).

Further elements of the Metering Reforms are expected in response to rule change requests that have been lodged with the AEMC in relation to updating the business-to-business (B2B) framework in the NER.⁵

Impact of reform package on ActewAGL Distribution

The precise nature and scope of the Metering Reforms (and the cost impact for ActewAGL Distribution) cannot be presently fully assessed. In particular, the rule changes described above contemplate the amendment or development and publication of a number of procedures and guidelines, that are expected to provide significant details of the new regime and have a direct impact on the expected costs arising from the reform package. These include the distribution ring-fencing guidelines to be published by the AER and the following procedures to be amended or developed and published by Australian Energy market Operator (AEMO):⁶

- service level procedures;
- market settlement and transfer solution procedures;
- metrology procedure;
- meter churn procedures;
- retailer of last resort procedures;

⁴ The rule changes made were *National Electricity Amendment (Expanding competition in metering and related services) Rule 2015 No. 12* and *National Electricity Retail Amendment (Expanding competition in metering and related services) Rule No. 1*.

⁵ The AEMC has consolidated these two rule change requests and published a single consultation paper for both on 17 December 2015, *Consultation paper, National Electricity Amendment (Updating the electricity B2B framework) Rule 2015*.

⁶ See the amendment to 6.17.2(a) made, and clauses 11.86.8 and 11.86.6 introduced, by *National Electricity Amendment (Expanding competition in metering and related services) Rule 2015 No. 12*: Schedule 1, item 2 and Schedule 5, item 1.

- emergency priority procedures;
- procedures relating to the minimum services specification for small customer metering installations;
- procedures relating to the installation and removal of network devices; and
- B2B procedures.

Further, additional rule changes (such as those arising out of the rule change requests lodged in respect of the B2B framework in the NER) are expected to impact on the final form of the reform package and thus the costs ActewAGL Distribution is likely to incur in ensuring compliance with the new regime.

To date, given the precise nature and scope of the reforms arising from the Metering Rule Determination are not yet finalised. ActewAGL Distribution has conducted a high level assessment of the likely cost impacts of rule changes, in particular the Metering Rule Determination. ActewAGL Distribution has identified that it is likely to incur compliance costs associated with the following:

- changes to electronic systems to achieve compliance with the new regime, including changes to operational technology and market interfaces;
- changes to ActewAGL Distribution's business processes and procedures, including customer service procedures, network control procedures and field work procedures, to reflect the new and revised procedures and guidelines published;
- amending legal instruments such as contracts between ActewAGL Distribution and other market participants;
- training of relevant personnel in relation to the new provisions of the NER and the resulting new processes including website amendments;
- informing and engaging with customers in relation to the new regime and changes to processes and procedures; and
- continuing participation in industry consultation relating to the amendment or development of procedures and guidelines.

A robust assessment of the likely compliance costs cannot occur until procedural details are developed through industry consultation, pending finalisation of rule changes (such as the proposed Shared Market Protocol and B2B changes) and other related details. The additional information will allow ActewAGL Distribution to assess with greater certainty what the new regime will entail and to assess the corresponding compliance requirements.

Further, ActewAGL Distribution expects there will be synergies which can be exploited when implementing the range of rule changes made (and expected to be made) in response to the AEMC's Power of Choice review.

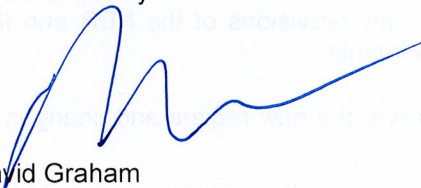
For the purposes of responding to the Metering Rule Determination and the broader range of rule changes made in response to the AEMC's Power of Choice review, ActewAGL Distribution is in the process of establishing a project and governance structure that allows for the coordinated and efficient implementation of changes required in response to the various rule changes. ActewAGL Distribution will consider in greater detail the alternative technical solutions and project delivery options against the background of the suite of reforms expected in response to the AEMC's Power of Choice review. This work (yet to be completed) will allow ActewAGL Distribution to prepare robust estimates of the efficient and prudent costs arising from the reforms.

Relevant cost pass through event and request to extend time period for submission of cost pass through application

On one view, the time fixed under clause 6.6.1(c) of the NER for seeking the approval of the AER to pass through a positive pass through amount for the costs arising from the Metering Reforms is within 90 business days of 26 November 2015 (that is, by 8 April 2016). However, as noted above, many aspects of the Metering Reforms are yet to be determined. Further, there may be synergies with changes required in light of future rule changes which may impact on the costs arising from the Metering Rule Determination. ActewAGL Distribution therefore requests that the AER extend, pursuant to clause 6.6.1(k) of the NER, the time limit fixed for seeking the approval of the AER to pass through a positive pass through amount in relation to the Metering Reforms until 31 January 2018 on the basis of retaining the current timeline for commencement of the Metering Reforms.

We would be grateful if you could advise of your decision on the extension at your earliest convenience. If you require any further information to assist you to make your decision on the extension or would like to discuss the matter, please contact Patricia Cameron on (02) 62483812.

Yours sincerely



David Graham

Director Regulatory Affairs and Pricing