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Thursday 31 January 2013

Mr Warwick Anderson  
General Manager – Network Regulation Branch  
Australian Energy Regulator  
GPO Box 3131

Canberra ACT 2601



Dear Mr Anderson,

**SUBMISSION TO THE AUSTRALIAN ENERGY REGULATOR – DISCUSSION PAPER –  
CLASSIFICATION OF METERING SERVICES IN NSW**

In December 2012, the Australian Energy Regulator (“AER”) requested submissions regarding their discussion paper released in December 2012 on the classification of metering services in NSW. This submission contains the views of Macquarie’s Corporate and Asset Finance Group (“CAF”) only. CAF is one of six operating groups within the Macquarie Group (“Macquarie”).

Macquarie is a global provider of banking, financial, advisory, investment and funds management services. CAF specialises in lending and asset finance, engaging Macquarie Bank Limited’s balance sheet to provide tailored finance and asset management solutions.

CAF has been involved in the competitive metering market in the UK since its inception in 2002, as both an adviser and an investor. CAF currently own a portfolio of over six million traditional and smart gas and electricity meters, and has invested and arranged over GBP700 million into the deregulated UK metering market. CAF has drawn on this experience when preparing this submission.

**Executive Summary**

Based on CAF’s experience in the UK competitive metering market, we are supportive of the AER’s proposed reclassification of metering services in NSW. This initiative should deliver innovation, choice and better value to NSW electricity consumers. We believe that there is a substantial market seeking to provide these services and choices to both the NSW consumer and the energy retailers that service them.

**CAF Background and Credentials**

Macquarie has been involved in the competitive UK metering market since 2002. CAF currently own a portfolio of over 6 million traditional and smart, gas and electricity meters, and has invested and arranged over GBP700 million of equity and debt financing into various UK metering portfolios. Through our close relationships with retail and commercial energy suppliers, CAF has also built and owns the largest portfolio of smart meters in the UK, with over 650,000 installed industrial & commercial and residential smart meters. In addition CAF has played an active role in the various smart metering consultation

processes over the last 5 years arranged by the UK regulator ("Ofgem") and the Department of Energy & Climate Change ("DECC").

In the UK, Macquarie is viewed as an independent third party meter owner and funder with a demonstrated history of working with a range of stakeholders including "in-house" energy supplier service companies, the majority of independent participants in the smart metering market and manufacturers and smart meter service providers and installers.

#### Detailed Submission

- Based on our experiences in the UK, we believe that a classification change combined with the unbundling of metering charges will have a significant positive effect on competition and will also remove a major barrier to delivering greater value to electricity consumers.
- Removing the existing DNSP monopoly structure for meter types 5 and 6 will promote significant innovation and choice for residential and small business electricity consumers.
- Based on consultations and discussions we have had with potential service providers, manufacturers and funders in the Australian market, we believe there is significant appetite to provide competitive metering services and products to energy retailers for the benefit of their customers.
- We agree that the benefits of smart meters for consumers and industry as proposed by the ERAA in their smart meter working papers<sup>1</sup> are more likely to be realised under the classification changes proposed by the AER in their discussion paper.

#### Conclusion

Based on CAF's experience in the UK competitive metering market, we believe that the proposed changes are an important step towards initiating competition, choice and increased value to the NSW energy consumer.

We would be pleased to share our experiences from the UK contestable metering markets with the Australian Energy Regulator and any other party that it engages with in undertaking the Inquiry. If you have any questions or comments please do not hesitate in contacting John Wilson on (02) 8232 4502 or via email [john.wilson@macquarie.com](mailto:john.wilson@macquarie.com).

Yours sincerely

**Macquarie Corporate and Asset Finance Limited**



**John Wilson**  
Executive Director  
Corporate and Asset Finance



**Bruce Mellor**  
Division Director  
Corporate and Asset Finance

<sup>1</sup> ERAA's smart meter working papers can be found at <http://eraa.com.au/policy-submissions/policy/>

Appendix 1**Background and Credentials**

CAF's Metering business has the following key characteristics:

- |   |   |
|---|---|
| <b>Well Established</b>                               | <ul style="list-style-type: none"> <li>▪ UK installed base: over 6 million meters – c.12% of the total UK meter population</li> <li>▪ UK's largest owner of smart meters: over 500,000 installed smart meters</li> <li>▪ Over 5.6 million installed traditional gas and electric meters</li> <li>▪ An experienced team of over 40 people dedicated to meter funding activities</li> <li>▪ Funding from Macquarie Bank Limited</li> </ul>            |
| <b>Direct Access to Funding and Capital</b>           | <ul style="list-style-type: none"> <li>▪ Successful recent record of fully funded deployments, especially for smart meters</li> <li>▪ Track record of raising external funds for meter leasing businesses in the UK</li> </ul>  |
| <b>Sector Expertise &amp; Demonstrated Commitment</b> | <ul style="list-style-type: none"> <li>▪ Track record of industry and long-term commitment - UK metering since 2002 as an adviser and since 2003 as an investor</li> <li>▪ Largest financial investor in the smart metering market in the UK since 2006</li> <li>▪ Operational expertise, supporting systems and infrastructure</li> <li>▪ Strong relationship with regulator; extensive experience in Ofgem/DECC consultation processes</li> </ul> |
| <b>Market Leader</b>                                  | <ul style="list-style-type: none"> <li>▪ Selected independently by two Big 6 suppliers to finance smart meter trials and commercial rollouts in 2011/12</li> <li>▪ The only independent meter funder with a specialist meter processing centre to handle the deployment and disposal of new and used meters</li> <li>▪ Independent of the meter manufacturer, installer, maintainer, head-end and meter data management system</li> </ul>           |
| <b>Independent</b>                                    | <ul style="list-style-type: none"> <li>▪ Strong track record of successfully working with multiple partners, including meter manufacturers and in-house metering service providers and installers</li> </ul>  |

Please refer to Macquarie's website for further information:

<http://www.macquarie.com.au/mgl/au/corporations/leasing/energy>