

27th March 2015

Mr Chris Pattas
General Manager
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Consultation Paper

Alternative approach to the recovery of the residual metering capital costs through an alternative control services annual charge

Dear Mr Pattas,

Metropolis Metering Services Pty Ltd (Metropolis) is an AEMO accredited Metering Provider and Metering Data Provider with thousands of Type 4 advanced meters installed across homes and businesses in South Australia, Victoria, New South Wales and Queensland.

Metropolis is pleased to be able to provide input into *the consultation on an alternative mechanism for the recovery of the residual metering capital costs*. As an existing accredited, competitive metering services provider, Metropolis has a keen interest in the approach to recovering residual metering costs. As well as winning metering, Metropolis have significant experience in losing sites due to meter churn - indeed this is a standard component of providing metering services in the NEM.

It is not clear on the application of the proposed charges in the Consultation Paper. There are two distinctly different situations that are expected during the next regulatory period. These situations are split by the application of the *Power of Choice - competition in metering* (PoC) rule changes. It is important to consider the differences between pre- and post- PoC rule changes. It is also important to consider the timing of the PoC changes. The current proposed effective date for PoC is 1-July-2017, 2 years after the determinations come into effect - meaning that at least 40% of the regulatory period will be in pre-PoC.

Prior to the PoC rule changes, meter churn away from DNSPs has historically been very low, and there is no reason to believe that this will significantly change. This rate is less than 0.01%. At this churn rate, the proposed "Option 1" is a significant disincentive to take up of competitive metering, and many of the concerns being addressed are meaningless.

After the PoC rule change, assuming an environment strongly supportive of competitive metering, the meter churn rate will increase, but even in a best case Metropolis estimate no more than 7% annual meter churn. Consider the "roll down the street and change every meter, without any need for Retailer input, commercial analysis or customer consultation" process in Vic: it still took 5 years. Under PoC, every Retailer will need to make a commercial case for every site, and arrange an appropriate strategy for implementation.

Given this framework, it is important that the determination does not support the future at the cost of the now. With this in mind, the following points are relevant to the discussion.

- *Cross subsidisation: Should people who have opted for competitive metering pay for regulated meters that are put in AFTER they have elected to use competitive metering?*
 - About 5% of regulated meters are replaced by DNSPs per year - this will continue until, and possibly after, PoC. Under Option 1, these replaced meters will be paid for by everyone, including people who have opted for competitive metering prior to the meter being replaced. It seems to be fair that a customer's liability to pay for obsolete metering should be locked at the point they elect to use alternative metering.
 - There is (currently) less than a 0.1% churn away from DNSP metering. This will increase at some point during the next 5 years, when Power of Choice occurs. It is accepted that Option 2 results in customers who opt out of monopoly metering being subsidised. The challenge is balancing the subsidies between the low, but increasing, meter churn and the existing meter replacement program run by regulated businesses.

- Market distortion: *Current metering creates market distortion, which is corrected by advanced metering.*
 - Single-rate tariffs are a market distortion. Customers who use power during non-peak periods are subsidising customers who use power during peak periods.
 - Analysis has shown that the subsidies are generally towards higher income households (ones with PV and air conditioning) - this is not just distortion, but also grossly unfair.
 - Competitive metering removes this subsidy, by allowing cost-reflective network tariffs (amongst other distortion-eliminating properties, such as NSLP for wholesale power pricing). The long term interests of consumers are served best by eliminating this subsidisation, so competitive metering should be encouraged. Option 2 best encourages competitive metering.

- *Who do the charges apply to?*
 - Is the intention that the unavoidable ACS charges will apply only to customers who have network-owned meter assets at the point the determination becomes applicable? Or will this be a retrospective charge, applying to sites where the network assets have been long removed?
 - If the change is retrospective, we will see additional costs to consumers for no additional service - a difficult customer proposition, and potentially one undermining existing business cases for advanced meter investment.

- *What exactly are the services required covered by unavoidable charges?*
 - Two proposed ACS's: Why separate out "administrative" services from everything else?
 - It is unclear what the "services required to complete a customer initiated switch (meter transfer) from a DNSP provided type 5 or 6 meter to a new provider" are. As an accredited Meter Provider, Metropolis is familiar with the activities required when a meter is churned away, and the efficient execution of these activities. In Metropolis's experience, these activities are:
 1. Accept a transfer read from the incoming Metering Provider (or do one yourself);
 2. Drop the physical meter in the bin once it is returned.
 - These activities are already performed, at the end-of-life of the meter asset. Once the avoidance of future costs is considered, it is difficult to understand how there is any material additional cost which needs to be recovered.
 - All other activities (stop reading the meter, stop billing for the meter, accept reads from another MDP, etc) are fully able to be automated from the MSATS change request, and thus have no material cost. An efficient metering business should do this already, as Metropolis does.



- Expected meter churn volume of 25% is ridiculous. Under a forced roll out in Vic, it still took 5 years to churn all the meters. 1% is likely, but only after Power of Choice rule changes. The current rate of meter churn away from monopoly metering is less than 0.1%. As such, the table on page 8 of the briefing document is misleading, at best.

Sincerely,

Charles Coulson
Regulatory Manager

No Attachments