



10 August 2012

Mr Warwick Anderson
General Manager, Network Regulation
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

**Framework and approach paper Ausgrid, Endeavour Energy and Essential Energy
Regulatory control period commencing 1 July 2014
- Metering Services -**

Dear Warwick,

Thank-you for the opportunity to comment on the framework and approach for the NSW distribution price determination.

Metropolis Metering Assets Pty Ltd (Metropolis) is an AEMO accredited Metering Provider for Types 3 & 4 metering installations. We have been active in the market for over 5-years and specialise in residential and small business smart metering services. Our meter network extends across Australia, from southern Tasmania to far-north Queensland, with remote residential metering in places as diverse as Murrumbidgee and Minnipa.

Our meters measure electricity consumption in 30-minute intervals, can be remotely reprogrammed for bi-directional in the event that solar panels are installed, and can even measure the electrical output for inverters to provide consumers with a complete picture of their consumption and how much solar generated is actually consumed in the home.

Data is collected daily and provided to market participants as required by the National Electricity Rules. In addition Metropolis provides consumers with on-line access to their electricity usage information via our web service – Dialogue – at no extra charge.

Metropolis supports the Australian Energy Regulator's (AER) position to classify types 5, 6 & 7 metering services as alternative control services and to unbundle those service charges from Distribution Use of System (DUoS) charges.

Metropolis has the opportunity is to install thousands of residential smart meters across New South Wales and is currently negotiating with several retailers to undertake such projects. The business case for the uptake of smart meters by residential customers is outlined in the confidential attachment to this submission.

However, the business case is undermined when one considers that when opting for a Type 4 smart meter service the electricity retailers (and therefore consumers) will continue to pay for the NSW distributors' type 5, 6 & 7 metering services.

In October 2004 the jurisdictional regulators jointly recognised the unbundling of metering services charges from DUoS charges as "a necessary prerequisite for enabling customer choice in metering technologies where there is distributor responsibility for metering services. The extension of competitive metering services to all customers with meters that meet the requirements of a metering installation type 1, 2, 3 or 4 will promote greater customer choice."¹

The regulators concluded that customer "choice should not be constrained(by) paying for their metering twice, through a metering charge incorporated in network charges and a separate charge to the retailer providing the alternative meter."²

Unbundling the metering services charges from DUoS will enable our offer for smart meters and related services to be offered to a greater number of customers.

Price transparency and the ability to switch between pricing offers is an essential element of competition.

The lack of distributor price transparency/bundling of metering services charges within DUoS acts as a significant barrier to competition that impedes the take-up of smart meters within NSW.

Metropolis knows with certainty that the unbundling of metering services charges will immediately increase the uptake of residential smart meters offered by it.

In 2005 the Victorian Essential Services Commission unbundled metering services charges from DUoS charges commencing from 1 January 2006.

¹ Joint Jurisdictional Review of the Metrology Procedures, Final Report, October 2004 – page 51

² Ibid.

Separate charges were determined for:

- meter provision (the supply, installation and maintenance of metering equipment); and
- metering data services (the collection, processing, storage of, and provision of access to, metering data).

Prior to the imposition of the derogation that has prevented any further competition in the provision of metering services from 1 July 2009 within Victoria, Metropolis competed directly against the Victorian distribution businesses and received thousands of requests for smart meters from residential consumers.

PowerCor, for example, provided a basic single-phase meter upgrade for \$469.20. Metropolis's price for a fully functional Type 4 single-phase smart meter was \$302.50.

Metropolis also pegged its ongoing rates directly to the metering services charges as approved by the AER. That is, we have always levied service charges equal to that of the Victorian Distributors to cover the operational costs of the smart meter. All the while giving consumers direct on-line access to their 30-minute interval data at no extra charge.

Not only have we have saved Victorian electricity consumers hundreds of thousands of dollars in metering charges, but we have been delivering consumer benefits well before the first smart meter was ever deployed by a Victorian distributor.

In 2008 the AER unbundled metering services charges from ETSA DUoS charges commencing from 1 July 2010.

In July 2007, Metropolis had been engaged by Origin Energy to deliver a versatile and innovative Type 4 smart metering solution to 7,000 homes in the northern areas of Adelaide for the Adelaide Solar Cities Project – a Federal Government initiative designed to demonstrate how solar power, smart meters, energy efficiency and new approaches to electricity pricing combine to provide a sustainable energy future in urban locations.

In late 2007 the project was reduced to 5,000 sites because metering services charges remained bundled within DUoS charges and there was no way of avoiding ETSA's metering charges – even though ETSA was no longer be providing metering services to those sites.

Two thousand Adelaide residents were denied the opportunity to participate in the project and even at 5,000 homes, retailers faced the prospect of paying over half-a-million dollars to ETSA for services no longer being provided.

However, since unbundling metering services charges the take-up of smart meters outside of the project has increased with several retailers actively offering Type 4 smart meters to customers as an alternative to ETSA metering.

Metropolis has been providing smart meters within the NSW electricity market since 2009. Eighty-five percent (85%) of the sites we service consume well under 160 MWh per annum. Within the past few weeks we have commenced a further project to provide several thousand residential Type 4 smart meters across NSW over the next three years – with a particular focus on solar and the measurement of inverter/generation output in 30-minute intervals also.

It is fair to say, however, that it has been a challenge to gain traction within NSW due to the bundling of metering services charges within DUoS charges (although this is by no means the only regulatory impediment).

All metering in NSW is contestable. Retailers have the right of choice under the National Electricity Rules and the consumer has a right of choice under the Accredited Service Provider Scheme. But the financial benefit from exercising choice is diminished when the local Distribution business continues to be paid for a service it no longer provides, and this has limited the number of opportunities available.

When a smart meter is installed, the Distributor no longer provides a meter provisioning or data management service and therefore avoids the cost of maintaining the meter, collecting, processing and distributing the data.

The bundling of metering services within DUoS is inherently inefficient and inequitable.

Thank-you again for the opportunity to comment on the approach paper and we look forward to being further involved in this process.

Sincerely,

Marco Bogaers
Chief Executive Officer