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Submission - Issues paper, Service classification and asset exemption guidelines

In considering national electricity objective, after many years of submissions and dealing with regulated entities regarding services and costs, we have formed the view that customers are best served when there is choice and competition.

In this regard we fully support AEMO's new restricted asset rule which has been introduced to aid the development of new markets for services.

Unfortunately time restrictions will necessitate our submission to be a high level response.

Our key point is that the scope for restricting services should be as broad as possible with the DNSP role preserved for that solely involved with "distribution" with the test being 'would the distribution network work exactly the same if this service was not provided by the DNSP?'

An example raised in the Issues Paper is metering. We submit that all metering (including type 7) is not part of "distribution" and should be contestable. The same applies to public lighting, as the distribution network would work exactly the same if there were no lights.

Many of the Alternative Controlled Services would appear ideal for contestability. From our experiences, a contestability would assist the achievement of the National Electricity Objective. We have example which the AER can request (if needed) demonstrating the often excessively high overhead costs attributable to DNSPs extend in to higher tariff charges. We say excessive overhead as from our experience corporate and other overhead may exceed 30% whereas a competitive smaller business may have less than 15% overhead.

In considering market development, we also submit for consideration that:

- the DNSP should not be able to benefit from its role as network operator. For example, if the DNSP can earth lights through the network then all potential providers should be able to do so as well. That is the same codes should apply. Another example is for a new connection, the proposed connection point should be the same for all, including the DNSP, and that
- any service provider must be accredited. An example was the ASP scheme in NSW.

In addition to the restricted assets and classification raised in the Issues Paper, we submit for consideration the potential consolidation of services to provide operating savings. For example, in Victoria there are 5 distributors that manage type 7 metering installations, reading and data as Alternative Controlled Service. Surely one centralised system could suffice? Indeed, potentially one system for the NEM could potentially suffice?

We encourage the AER to continue to develop the regulatory system as contemplated via the Issues Paper and to remove regulatory barriers to enable the increase of market competition and to strive to assist in the achievement of the National Electricity Objective.

Yours sincerely

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