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Our Ref:

Louis Tirpou
Australian Competition and Consumer Commission
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25/9/00

Dear Louis

Re : Chapter 7 Code changes

Thank you for providing PIAC with the opportunity to comment on the amendments to Chapter 7 of the National Electricity Code proposed by the National Electricity Code Administrator (NECA). Due to constraints of time and resources we were unable to participate in the recent videoconference convened to discuss these changes.

PIAC considers that we have made absolutely clear our position on the use of interval meters in the residential segment of the national electricity market. Not least, we have produced as part of our *Utility Consumers' Advocacy Program Occasional Policy Paper* series a formal position advocating the development of a profiling solution for the measurement of household consumption. A copy of this document was provided to the Commission last May.

We are greatly concerned at the significant equity implications of a fully metered approach. This model will result in higher costs being smeared across all residential consumers including those who will not benefit from contestability. Our contention is that these costs should not be imposed on low-income households if they are to see no direct benefit as a result. These costs, in addition to other costs related to the establishment of full retail contestability, cast serious doubts as to whether there will be any benefits from competition for residential consumers.

One of the major arguments advanced for mandatory interval metering for the entire <160MWH tranche arises from the perception of cross-subsidies between classes of customers - for example, households which do not have air-conditioning and those that do. Our understanding is that this issue does not arise in New South Wales where the greatest peak loads occur in winter. The 'air-conditioning problem' is something unique to Victoria. In any event, the Trowbridge Consulting load profiling study, released subsequent to the NECA proposals, has demonstrated that the extent of such cross-subsidies is well below the costs of interval metering.

We believe the issues of peak load should be resolved through the pricing determinations of the jurisdictional regulators, the Office of the Regulator-General and the Independent Pricing and Regulatory Tribunal, than the efforts of the Commission to promote retail competition. Furthermore, given that the residential segments in New South Wales and Victoria are fundamentally so different from one another, the question of whether to measure consumption

through load profiling or metering is a policy matter which should be resolved by the respective state governments.

We note that NECA's Code Change Panel has received submissions arguing that until the jurisdictions determined their choice of profiling or metering it would be 'imprudent' for the proposed changes to be introduced. We draw the attention of the Commission to page 19 of the Panel's August *Full Retail Competition Report*. As long ago as May the ORG in Victoria argued in a consultation paper on *Electricity Retail Competition For Small Customers* that 'maintaining such a requirement (for all households to have interval meters) would stifle competition in electricity supply for the smallest usage customers' (p.10). Recently the New South Wales Government's Market Implementation Group (MIG) have indicated their support for a mixture of profiling and optional interval metering in the <160MWh customer class. PIAC has publicly supported the proposals released by the MIG in a recent discussion paper.

The proposed Code changes are an attempt to solve a problem which cannot be addressed through the introduction of retail competition. Acceptance of these proposed changes by the Commission will create inequitable outcomes for many low-income people. For these reasons the changes proposed by NECA are unacceptable.

Yours sincerely
Public Interest Advocacy Centre

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