



17th July 2001

Mr. Michael Rawstron
General Manager
Regulatory Affairs – Electricity
Australian Competition & Consumer Commission
PO Box 1199
DICKSON ACT 2602

By e-mail – original to follow

Dear Mr. Rawstron,

Reference: Amendments to the National Electricity Code: Victorian FRC Derogations

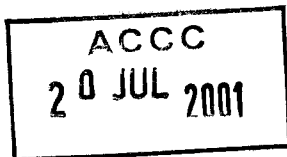
The provisions for the metering provider – type 5 metering

We refer to our letter to Mr. Alex Georgievski dated the 4th May 2001 and to the draft determination of the ACCC dated 4th July 2001 setting out Victoria’s proposed amendments to the derogations contained in chapter 9 of the National Electricity Code.

Australian Energy Services Pty Ltd (AES) is of the view that the proposed amendments in relation to the provisions for the metering provider inadequately address type 5 metering currently and for full retail contestability going forward. It is our view that the amendments should not include the 40MWh – 160MWh market tranche and type 5 metering as proposed.

We have the following comments with respect to the draft determination: -

1. There is a significant difference in technology and cost between interval and non-interval metering. Type 4 and type 5 metering, both being interval meters, use very similar systems, most of which are already in place at this time. It is not reasonable to argue that the introduction of new systems for type 5 metering will impede Full Retail Contestability (FRC), as the introduction of these systems has for the most part has already taken place. Only NEMMCO accredited meter providers can be used for both of these meter types and their capacity to perform has been certified.



HEAD OFFICE
1st Floor 38 Gilby Rd
Mt Waverley VIC 3149
Phone 61 3 9558 9944
Fax 61 3 9558 9914

AUSTRALIAN ENERGY SERVICES PTY LTD
ACN 067 609 803



6. Competitive tendering has realized significant cost savings in the 40MWh – 160MWh market tranche with type 4 metering as a solution. The intrinsic difference between type 4 and type 5 metering is the redundancy of the permanent communications device. It is reasonable to argue that if type 5 metering is subject to the same commercially driven process, significant savings will be realized. It has not been reasonably demonstrated how the provision of type 5 metering by an MP will negatively impact on the transfer process.
7. In order to implement the proposed derogation amendments the LNSP's will be deemed to have automatic accreditation and registration with NEMMCO to be a meter provider for type 5 metering, effective for 12 months. The NEMMCO audit of processes with each LNSP will not be undertaken to assess their capacity to perform within the guidelines. It is inappropriate then to argue that the LNSP's are the most suitable providers of this new service to the electricity market. The unusual pre-emptive step of immunity from certain breaches of the Trade Practices Act indicates a possible belief in the proposed amendments allowing a relaxation in pricing and performance standards by LNSP's, which could lead to anti-competitive behaviour.
8. Type 6 – 7 metering should remain with the LNSP's because of the proposed methods of meter reading and profiling discussed. It would not be economically viable to replace all type 6 meters of customers choosing to enter into the contestable market due to their low cost.

The exclusion of the application of the amendments of the National Electricity Code derogation in respect to the metering provider for type 5 metering has many benefits for FRC and customers entering into the market. It would assist in fostering of business efficiency with type 5 metering. It would create commercial impetus for industry rationalisation of interval meter provision that includes both type 4 and type 5 meters, as well as promoting cost savings and competition in the metering industry. Not fostering a natural monopoly for type 5 meter provision will promote equitable dealings in the market and arrangements, which facilitate the smooth transition to deregulation. It would also have a positive impact from the customer's point of view on the transfer process.

HEAD OFFICE
1st Floor 38 Gilby Rd
Mt Waverley VIC 3149
Phone 61 3 9558 9944
Fax 61 3 9558 9914

AUSTRALIAN ENERGY SERVICES PTY LTD
ACN 067 609 803



It is inappropriate to argue that it is feasible to expect a monopoly business to research, develop and invest in optimal system technology for type 5 metering. It is unnecessary for a captive market. With systems in place for type 4 metering these arrangements would only be strengthened if also applied to the same providers of type 5 metering solutions. FRC would be further facilitated by this integration of systems, with proven processes being applied and economies of scale being experienced by several market tranches. Fully audited and NEMMCO accredited service providers will be used in place of LNSP's. The ability of the FRMP to determine its choice of meter provision of the 40MWh – 160MWh market tranche is currently possible. This portion of the proposed amendments would rollback aspects of deregulation and is a backward step for retail electricity deregulation in Australia.

In conclusion AES formally request that the ACCC hold a conference in relation to the draft determination of the Amendments to the National Electricity Code: Victorian Full Retail Competition Derogations, 4th July 2001. It is our hope that this conference will serve to resolve these issues as raised in our letter. We trust that the ACCC will take action to foster increased competition and deregulation in the National Electricity Market.

Yours sincerely,

A handwritten signature in black ink, appearing to be "CS", written over a horizontal line.

Christian Schwaerzler
Facilities Manager

HEAD OFFICE
1st Floor 38 Gilby Rd
Mt Waverley VIC 3149
Phone 61 3 9558 9944
Fax 61 3 9558 9914

AUSTRALIAN ENERGY SERVICES PTY LTD
ACN 067 609 803