

4th May 2001



Mr. Alex Georgievski
Project Officer, Regulatory Affairs - Electricity
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

By email – original to follow

Dear Alex,

Reference: National Electricity Code: Amendments to the Victorian Derogation

Removal of competition in metrology

Australian Energy Services is aware of the proposed amendments to the Victorian Derogation to be made under Chapter 9 of the National Electricity Code. We understand that the proposed amendments allow the local network service providers exclusive right to meter installations of type 5 to type 7 meters following the introduction of full retail competition.

Australian Energy Services has spent considerable time and effort gathering information and quotations to enable it to deliver the most cost-effective and reliable metering solution to its valuable customers. Our appointed meter provider is bound by commercial obligations and therefore given a financial incentive to maintain its performance at optimum levels. We have compared services and price offered by some of the existing local network service providers (LNSP) within Victoria to those of other metering providers. In the area of price and, most importantly, service to the customer, major differences were found in the submissions. We did not select the current LNSP to provide metering for our customers, because of higher prices and more drawn out turn around times for metering. We could also see there being no guarantee of future co-operation by these LNSP's as they closely work with our competitors. In fact we gravely question whether the Victorian Deregulation is feasible solely on the basis that so-called "ring fencing" of LNSP's from incumbent retailers does not seem to de facto exist in Victoria, despite lip service to the contrary by the industry participants and the Office of the Regulator-General in Victoria.

In order for the benefits of Victoria's full retail competition to be realised, metering as well as retail charges should be subject to competitive forces. By allowing retailers to select their own metering service provider we are and would be indirectly empowering customers to select the best and most cost-effective electricity solution that includes metering. An independent metering service provider is encouraged to remain competitive and innovative in order to stay in business. Service levels must be met, budgets must be adhered to and ***the customer must come first***. The LNSP, whilst under certain service level constraints, would be in the unique position of being the only solution on offer. Therefore they are not bound by the same commercial impetus as the independent service provider.

**AUSTRALIAN
ENERGY SERVICES
PTY LTD
ACN 067 609 803**

HEAD OFFICE
38 Gilby Road
Mount Waverley
Victoria 3149
Ph: 61 3 9558 9944
Fax: 61 3 9558 9914





The application submitted on 19 March 2001 by the Victorian Department of Natural Resources and Environment to the Australia Competition and Consumer Commission regarding these proposed derogations uses terms such as “fair and reasonable” without definition. Within this document the actual benefits to the customer are not adequately discussed in the light of these proposed amendments. The case put forward as to why the National Electricity Code should allow exception from its current metering position for type 4 meters is not sustained. With reference to Section 3.1, in the last paragraph, the submission by Victoria discusses public benefits that remain unsubstantiated. In fact there may be no public benefit if you implement what they are proposing. Minimisation of transfer costs has also been discussed as a reason for these amendments but there is no evidence to suggest that allowing a monopoly to provide a service could deliver such an objective. Current practice suggests that an independent service provider with experience in the market place and looking to increase market share is more likely to put forward and maintain a competitive pricing structure.

We look forward to your proper application of the Trade Practices Act in this matter so as to ensure public benefit and a level playing field in what is clearly a problematic area of deregulation in this country at the moment: the electricity industry.

If we may be of any further assistance in this matter or you require any further information, please do not hesitate to contact the writer or, in his absence, Michael Norster, our Chief Operations Officer.

Yours faithfully,

Christian Schwaerzler
Facilities Manager

**AUSTRALIAN
ENERGY SERVICES
PTY LTD**
ACN 067 609 803

HEAD OFFICE
38 Gilby Road
Mount Waverley
Victoria 3149
Ph: 61 3 9558 9944
Fax: 61 3 9558 9914

...trust **AUSTRALIAN ENERGY**