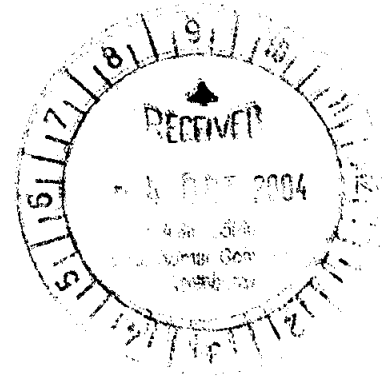


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Mr Sebastian Roberts
Regulatory Affairs - Electricity
Australian Competition and Consumer Commission
GPO Box 520J
MELBOURNE VIC 3000



27 September 2004

Dear Mr Roberts

NSW Full Retail Competition Derogation

Integral is fully supportive of the New South Wales Department of Energy, Utilities and Sustainability's (DEUS) proposed amendment to the derogation to the National Electricity Code, which will extend the period for which the Local Network Service Provider (LNSP) is responsible for small metering services.

It is important to note that although the cost of metering services to small customers is only in the order of 1-2% of customer bills the entire National Market relies on the integrity of these services.

Integral is concerned that the passing of responsibility for metering to the Financially Responsible Market Participant (FRMP) will result in significant technical difficulties, establishes a conflict of interest and creates a barrier to competition.

Technical Difficulties

As noted in the DEUS proposal, there are significant technical difficulties associated with removal of LNSP responsibility for metering. In addition to the load control, meter churn, and fault management issues discussed in the proposal, there are also issues associated with system changes, ongoing additional transactional complexity, failure to identify unrecorded additions, and establishing processes for billing for metering services. Even assuming these issues could be resolved, it is likely that it would come at a significant cost to the industry which will ultimately flow on to the end-use customers.

Barrier to Competition

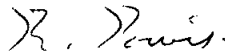
By accepting responsibility for metering, a FRMP inherently creates a barrier to competition, both implicitly in the increase in complexity of the transfer process and explicitly through the additional metering set-up costs that would be faced by a competitor. These set-up costs could be any premium on the costs faced by the current retailer (given the installation costs are sunk) up to the total cost of removing the existing retailer's metering and replacing with new metering (the process generally used for metering not covered by the derogation).

Conflict of Interest

The passing of responsibility for metering to the FRMP creates a conflict of interest, as the risks associated with any failure in metering accuracy are borne by the local retailer (a competitor of the FRMP). The FRMP only pays for energy and network charges as recorded by the metering – the local retailer pays for any difference between the recorded energy and the actual usage. The FRMP, therefore, has little incentive to ensure meter accuracy where any inaccuracy only impacts upon their competitor.

Integral Energy is therefore supportive of a continuation of LNSP responsibility for metering services and urges the ACCC to give consideration to the matters raised in this submission.

Yours sincerely



Richard Powis

Chief Executive Officer

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