

# Energy Action Group

Presentation to  
ACCC Victorian Metering  
Derogation  
Predetermination Conference

Thursday 7<sup>th</sup> January 2005

# Statutory Test!

- Sub-section 90(6) provides that the ACCC shall grant authorisation to arrangements with the purpose or effect of substantially lessening competition or exclusive dealing arrangements (other than third line forcing) only if it is satisfied that in all circumstances that:
  - That benefit would outweigh the detriment to the public constituted by any lessening of competition that would or would be likely to result from the proposed contract, arrangement or conduct.

- It is EAG's contention that in determining the conditions of Authorisation the ACCC failed to take account the costs to consumers of maintaining the Victorian Metering Derogations.

# There is need for a direction in Metering

- Accurate and timely metering data is essential to progress the NEM forward towards a real time market and facilitating a market based on user paying.
- There needs to be at least 1000 appropriate placed type 4 meters per distribution businesses for load and network management purposes for less than 160 MWh customers.
- All new and replacement meters should be capable to be simply converted to type 4 meters.

The current Draft Determination to continue the Victorian Metering Derogations exacerbates the ongoing jurisdictional energy policy failure to address the less than 160 MWh consumers contribution to summer peak load

and a  
significant regulatory failure to  
address the increasingly  
inefficient uses of high priced  
network assets

# Status Quo-Victoria

- Over 300,000 capable type 5 meters being read as type 6 meters.
- Significant issues around the quality of standing data.
- Issues around B2B and settlements need to be resolved. It has taken the industry 4 years to effectively address B2B Issues.
- 5% of week 1, 2<sup>nd</sup> tier retail transactions are not resolved after 30 weeks. These costs are worn by the 1<sup>st</sup> tier retailers.

## Status Quo 2

- At least one Victorian distribution company has Time of Use tariffs for less than 160 MWh customers, but no retail responses!
- Little to No innovation in metering.
- No research or development inc load research. There need to be **at least 1000 interval meters with polling** for every Distribution Business across the NEM for load research alone
- No meaningful debate around protocols and remote polling of meters



## Status Quo 3

- Very long transition time exacerbating procrastination and possible gaming of meter stock. New and replacement Type 6 or even Type 5 interval meters not capable of being readily converted to remote polling Type 4 meters.
- **Double counting** (in most Victorian cases distribution companies are separate entities from the MP and MDA. Leading to consumers paying for 2 profits and management fees.)
- Minimal public participation in the Victorian metering debate.

# Status Quo 4

- Energy Prices, Ancillary Service Payments, NEMMCo Directions and Reserve Trader costs are smeared. The on peak, Victorian residential less than 160 MWh consumer, pays approximately \$ 65/MWh for every KWh to cover these costs.
- 2<sup>nd</sup> Tier Retailers are able to game the Net System Load Profile at the expense of the 1st Tier Retailer.
- The Average (4000 KWh/a) non summer peaking residential customer is currently subsidising summer peaking customers to the tune of approximately \$ 190/a.

- The NEM development and pricing arrangements are underpinned by the concept of “User or Causer Pays Principles”.
- The less than 160 MWh load is volatile and very temperature sensitive.

In Victoria the less than 160 MWh summer peak load is nearly double the autumn and spring peak loads for this grouping of consumers. The within day maximum summer ramp over 24 hours is similar to the average autumn and spring peak demand

- Data management and accurate load information is critical to the success of the NEM.
- This metering derogation maintains the current levels of inefficiencies around data management, the lack of information around impacts of small consumer load on industry network investment and the costs of load volatility on energy costs across the market.
- Consumers need to have a way forward to understand how their behaviour effects the market and they need to have a choice as to whether they pay or manage their individual loads.
- Type 5 metering is only a very partial solution. The move type 4 metering provides significantly more effective outcome. This determination needs to recognise that some regulatory instruments need to be put in place to progress the debate.

**Growing summer peaks lead  
to massive network  
investment as the networks  
have to be sized to meet the  
peak**

# ACCC Awarded Transmission Capex 2002 -7

	Capex over 5 yrs	as % of Asset base
TransGrid	\$1195 m	32%
PowerLink	\$1280 m	39%
SPI PowerNet	\$ 700 m	20%
ElectraNet	\$ 358 m	23%
TransEnd	\$ 307 m	31%
Entrepreneurial	Around \$ 1b	
Total	\$4840 m	41%

# Summary of Current Australian NEM NSP Regulatory Determinations \$ real

Jurisdiction	Determination	Draft D	Application
N.S.W.	4.75		
S.A.		0.722	
A.C.T.	0.102		
Tas.	0.219		
Qld.		4.95	
Vic.			3.4 +0.670
Transmission	4.8		
Total		Around	\$ 18 B

Approximately 50% of the \$19 B  
NSP investment is required to  
meet summer peaks.



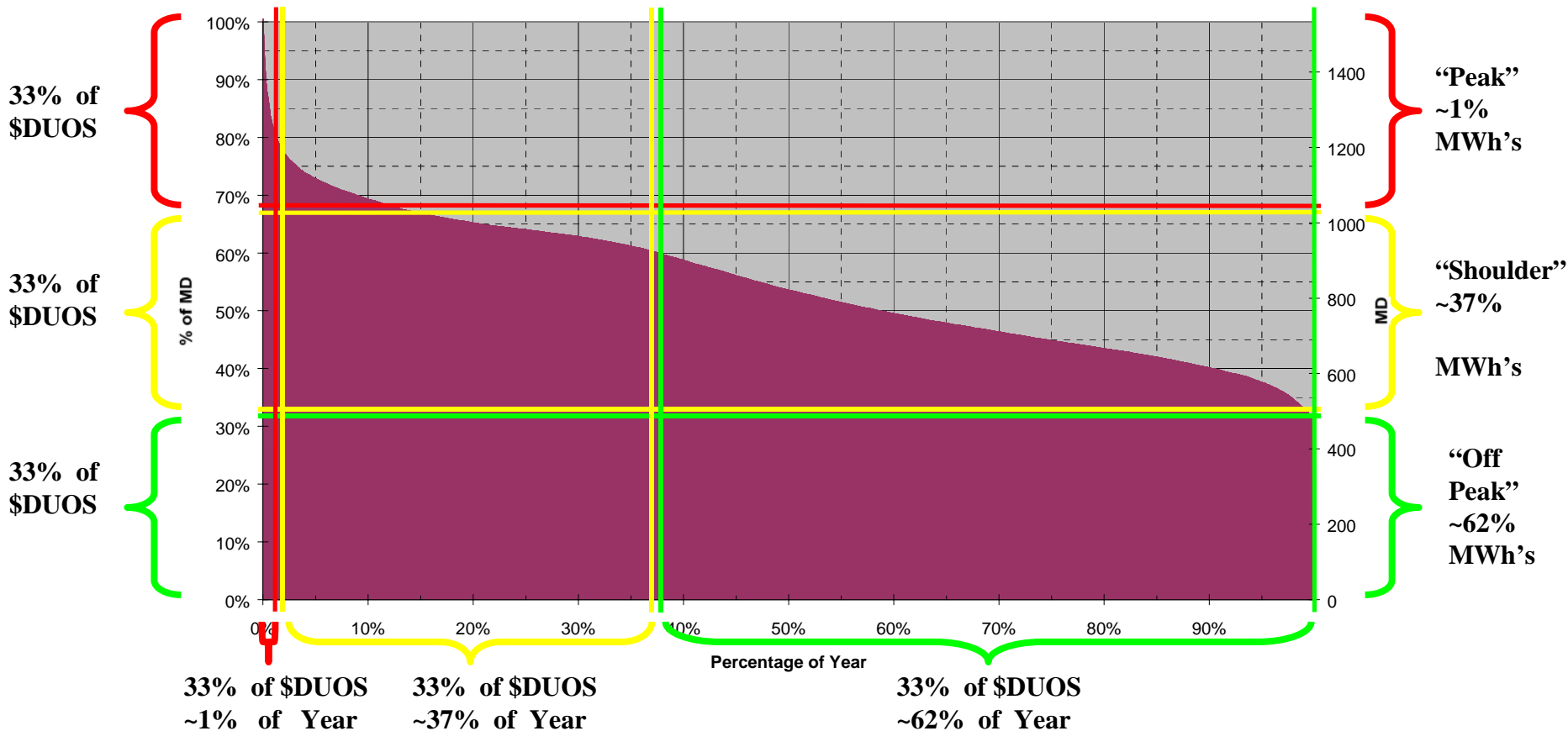
# **The investment to meet the peak is grossly underutilised for most of the year.**

- The current QCA draft determination for the Queensland Electricity Distribution Pricing recommends that Energex lower their annual Load Duration Curve so they can meet their summer peak. (Over invest to meet the southern Qld peak)

# One Pricing Theory

- ~\$400M of assets used for ~4 days in 2001

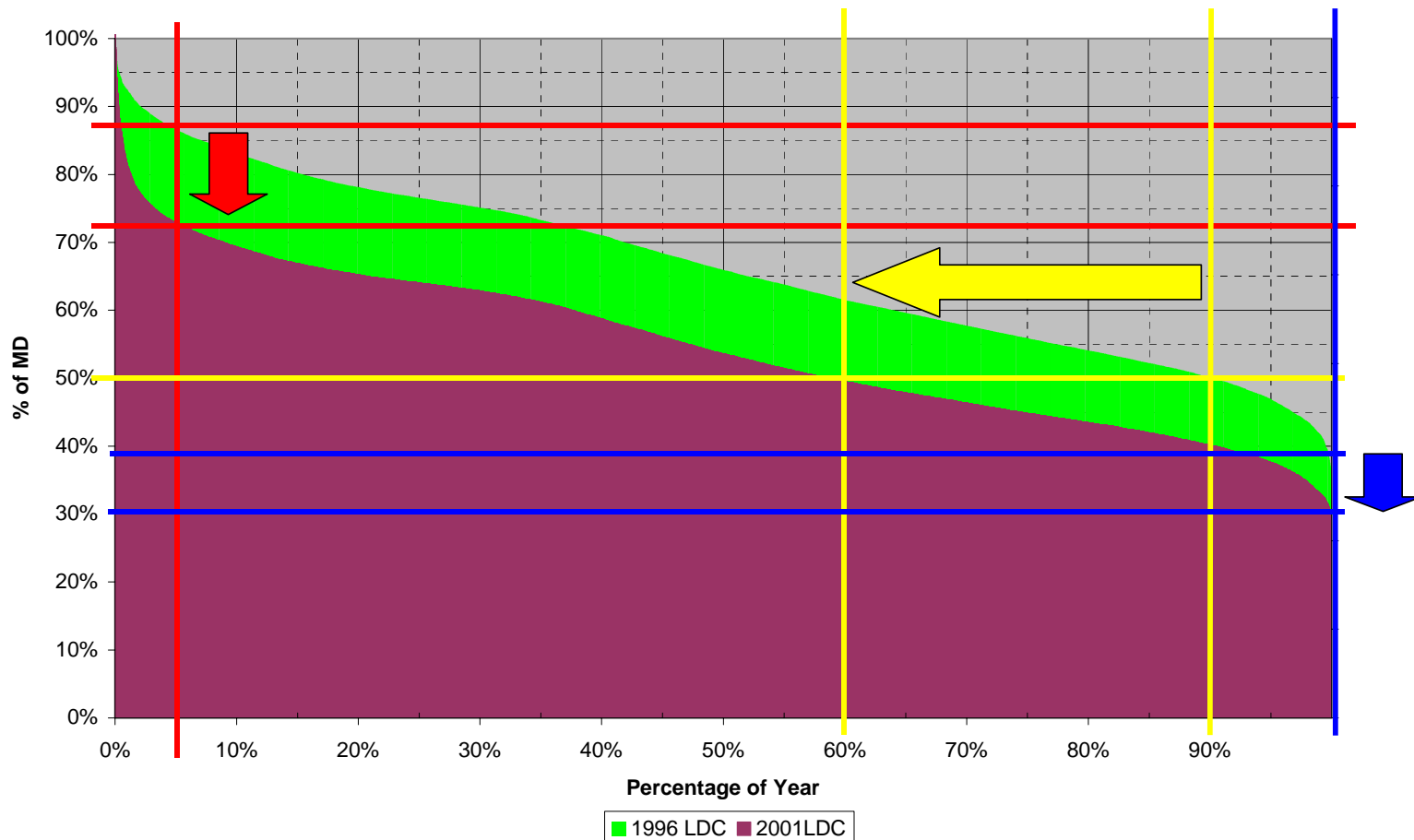
2001 UE Load Duration Curve - MD = 1553



# Network Load Factor Worsening

- Winter to Summer Peaking
- Load Factor Dropping 3.8% pa

2001 United Energy LDC vs 1996 United Energy LDC



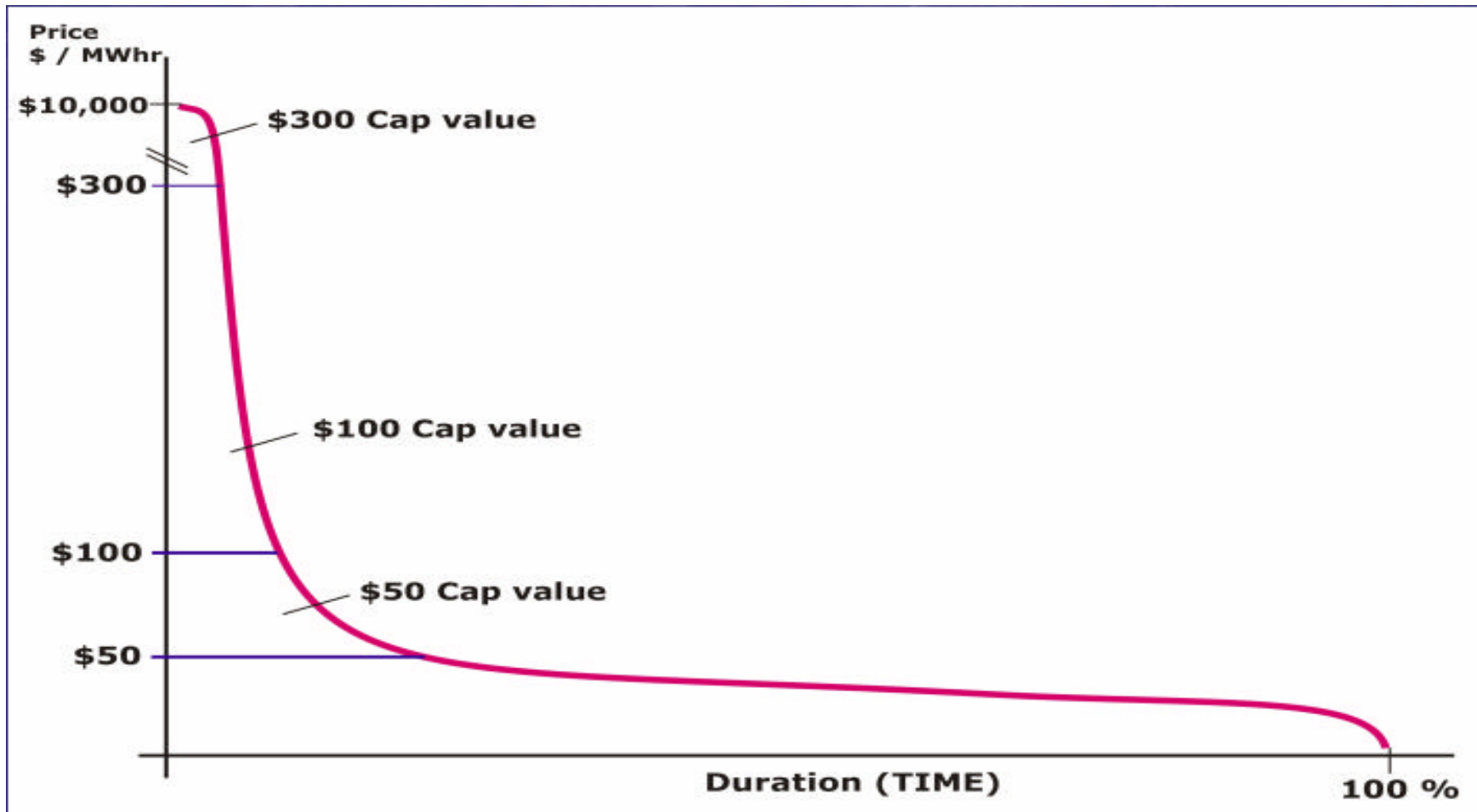
# Then there's the cost of Energy

- Peak load energy comes at some cost. Some 25% of the generation capacity of the NEM is bid in at over \$9000/MWh.
- The pool price depends on a relationship between plant availability, generators contract positions, transmission constraints and temperature.

Currently inter-regional price constraints are costing Australian consumers around \$ 2 B/a.

Networks peak loads and the NEM pool prices may not show any direct relationship with each other.

# Annual Energy Cost Curve



- Temperature sensitive less than 160 MWh consumers are important drivers of price volatility and network investment across the NEM.
- Load growth will cost consumer across the NEM by the 2007 close to \$ 900 m/a in network charges if the consumption trends continue in the longer term.

# Quality of Supply

- The current network performance data is based on feeder performance. It is not difficult for a Distribution Business to manipulate their feeder performance data.
- Interval meters offer tangible evidence of total feeder performance. Type 4 meters provides it real time.
- Type 5 and type 4 meters offer an effective network planning tool.

# Victorian Supply Reliability Payments

	Proposed spend 2006/10 \$ m	Poor Reliability Payments 2002 \$m	Poor Reliability Payments 2003 \$ m
AGLE	1.3	.016	.008
Citipower	Nil	0	.003
PowerCorp	11	.268	.299
TXU	23	.590	.169
UE	12	0.004	.016



Consumer are underwriting the costs of regulated entities.

Regulated entities should not be given free kicks with this draft Determination

The Victorian Distribution Businesses need to work for their money.

Intermoco and Centurion Metering have been making valid points about gaining competitive outcomes.

# EAG's Proposed Additions to the Application for Authorisation for Victorian Metering Derogations

- That all new and replacement type 6 meters to be installed in Victoria from the time of the final determination be capable of simple conversion to type 4 meters.
- All the meters rolled out under the ESC metering strategy be capable of simple conversion to type 4 meters.

- That during the period of the Derogation the ESC convene a working party on Automated Meter Reading and to provide a report 3 month before the derogation expires.
- That during the period of this derogation a representative sample of 1000 type 6 interval meters be converted to type 4 meters in each Victorian Distribution business for load research and quality of supply management purposes.

- That the ESC and IPART further explore competitive metering strategies with the on going roll out of new and replacement metering stock. The regulators further explore metering competition associated with the mandated roll out of interval meters before the expiry of this derogation using a consultative process. That a report be issued on the options 3 months before the expiry of this determination and the NSW derogation determination.