

ACCC pre-Determination Conference Amendments to Electricity Code Full Retail Competition Derogation

Comments by AGL Energy Sales & Marketing

Robert Petersen/ Michelle Shepherd

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Agenda

- National Metering Strategy
- Contestability of Type 4, 5 & 6
- Optional Contestability
- Type 6 Definition
- Derogation time frame
- Capability of distributors
- Summary

National Metering Strategy

- AGL is concerned there is not a national approach to the broader issue of future metering arrangements
 - It is clearly significantly more costly for industry (and therefore customers) to have different state arrangements
- AGL is concerned that important metering decisions are being made without appropriate information
 - eg In Victoria, distributors are required to install type 5 meters but AGL believes we do not yet know if it is more effective/efficient to be rolling out type 4 meters or other types or not at all.

National Metering Strategy continued

- Industry is uncertain about what new metering arrangements will be mandated
 - Will jurisdictions outside of Vic mandate an interval meter rollout, if so what technology will be mandated?
- Trialing technology and customer response is essential before long term decisions are made
 - AGL has a two year trial underway in Victoria
 - AGL understands that others may conduct trials
- Therefore if the derogation is to be extended, it should only be extended until the outcome of regulator decisions and trial results are known
 - AGL suggests that the derogation should be reviewed mid 2006

Meter types covered by the derogation

- AGL supports the derogation applying to standard type 6 meters indefinitely
 - AGL agrees there could be “dis-benefits” for stakeholders if retailers became responsible for all accumulation meters
 - but AGL believes the definition of type 6 is too broad
 - Currently any meter not meeting the requirements of other meter categories are considered to be type 6.
 - In particular, AGL supports having a different meter category for prepayment meters with the derogation not applying to these.
 - AGL sees prepayment meters as a an example of potential retailer differentiation and therefore it will increase competition.

Meter types covered by the derogation continued

- It has been proposed to exclude some Type 5 meters from the new derogation. These are Type 5 meters with “comms” but not to the same standard required for Type 4.
 - AGL supports the competitive principle behind this proposal.
 - But:
 - if trials over the next 18 months show that these meters are the preferred industry solution, or
 - if regulators mandate a rollout of type 5 meters with commsthen it *may* be more efficient and cost effective for distributors to be responsible for these meters also.

Capability of distributors

1. AGL is concerned that the derogation gives distributors responsibility for Type 5 meters but not accountability.
 1. AGL Retail has recently requested distributors install type 5 meters on certain customers
 2. At least one distributor is unwilling/unable to comply with retailer requests for installing type 5 meters within a reasonable timeframe (20 days in Victoria). One distributor wants many months notice.
 3. Distributors are more concerned with installing type 5 meters to their preferred plan, rather than for retailers who have identified commercial benefits for specific customers.
 4. We need to consider what to do when this occurs eg the derogation does not apply or perhaps sanctions apply to distributors

Optional Contestability

- If the derogation were not to be extended then a safeguard is required that the distributors must still provide the metering service if requested by retailers.
 - If contestability is optional - retailers can choose to be responsible or have distributors do it if they deem it more efficient

Capability of distributors continued

- The operational procedures for distributors installing Type 5 meters are not yet agreed-
 - there are many operational details and inefficiencies that frustrate retailers who want to install interval meters eg having meters to be installed on or before the day the customer transfers retailers
 - If these arrangements are not in place then the full benefits will not be realised

Summary

- In general AGL supports the thrust of the derogation proposal.
 - However given the lack of important information, including on the national metering arrangements that may evolve, AGL is not able to conclude if the derogation is the best long term solution.
 - Whilst industry is conducting trials over the next 18 months, it is important that distributors do not hamper retailer's ability to conduct the trials.
- AGL maintains that distributors must install type 5 meters if requested by the retailer. It is essential that retailers are able to choose which customers to give Type 5 meters and that distributors comply with retailer requests in a timely manner.