

28 January 2004

Mr Sebastian Roberts
General Manager
Regulatory Affairs - Electricity
Australian Competition and Consumer Commission
PO Box 1199 DICKSON ACT 2602

Dear Mr Roberts

Re: ACCC Draft Determination – NSW Metering Derogations

I refer to the ACCC's Draft Determination entitled "Application for Authorisation Amendments to the National Electricity Code – NSW Metering Derogations" released on 1 December 2004. EnergyAustralia is a major stakeholder in the process and will be materially affected by any decisions relating to the NSW Metering Derogations.

In accordance with the public consultation procedure outlined in the Draft Determination, please find attached two EnergyAustralia submissions.

Attachment 1 is the main submission outlining EnergyAustralia's key issues with the Draft Determination. This submission builds on issues discussed at the recent ACCC Pre-Determination Conference held in Sydney on 14 January 2004.

In summary, EnergyAustralia:

- supports the ACCC's decision to extend the derogation to 31 December 2006 for Type 5 installations with less than 100MWh pa consumption;
- strongly opposes the ACCC's preliminary decision to exclude remotely read Type 5 installations from the derogation on the basis that this decision will, contrary to the ACCC's intentions, increase prices for end use customers, result in increased complexity and technical issues and reduce dynamic efficiency in the market; and
- argues for the ACCC to lift the usage threshold for the derogations to include all customers with less than 160MWh pa consumption, to ensure uniformity across jurisdictions.

Attachment 2 highlights the key results of a cost-benefit analysis conducted by EnergyAustralia (with inputs from the relevant metering businesses) examining four different Type 5 meter rollout scenarios. This analysis was undertaken in response to a specific request by the ACCC at the recent Sydney Pre-determination Conference on 14 January 2005.

The analysis shows that:

- material economies of scale can be generated from a mass ToU rollout;
- the benefits from a Type 5 meter rollout are in excess of costs for customers with annual consumption in excess of 15MWh per annum, particularly if a seasonal tariff is employed;
- the network tariff benefits resulting from a Type 5 meter rollout eclipse those accruing to other parts of the value chain, suggesting that DNSPs have the strongest incentives to introduce innovative new metering solutions;
- a rollout of AMR technology in conjunction with a Type 5 meter rollout has the potential to provide significant additional benefits beyond those arising from a standard Type 5 meter rollout;
- if the stranded asset risk introduced by the ACCC's decision were to impede EnergyAustralia's planned Type 5 meter/AMR rollout, as well as the new ToU tariff produces enabled by this technology, there would be a detrimental impact on DNSPs (principally), retailers and greenhouse costs; and
- although the potential costs of the ACCC's decision can be inferred from this analysis, no quantitative evidence of the potential benefits of the ACCC's decision (if any) has been publicly presented to date.

If you have any further queries in relation to this submission, please do not hesitate to contact Mr. Harry Colebourn on telephone (02) 9269 4171.

Yours sincerely

GEORGE MALTABAROW
A/Managing Director

Cc: Ms. Libby Stephens, DEUS

Attachments