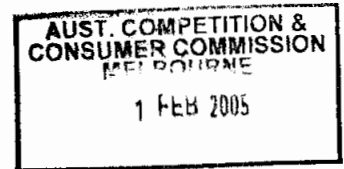




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13 January 2005

Mr Sebastian Roberts
General Manager Regulatory Affairs - Electricity
Australian Competition & Consumer Commission
Level 35
360 Elizabeth Street
Melbourne VIC 3000

Draft Determinations – Extension of NSW & Victorian Metering Derogations

Dear Mr Roberts,

I refer to the Draft Determinations concerning derogations for the provision of metering services in Victoria and New South Wales and thank you for the opportunity to comment before Final Determinations are made.

This submission is made in response to both Draft Determinations. We also take the opportunity to address points raised during the pre-determination conferences held in Melbourne and Sydney on the 13th and 14th of January 2005 respectively.

General

In principle, Centurion Metering Technologies Pty Ltd (Centurion) *does not* support the Australian Competition and Consumer Commission (ACCC) authorising the applications made by the Victorian Minister for Energy and Resources and the New South Wales Department of Energy, Utilities and Sustainability. In our view the electricity market will be best served by allowing open competition amongst metering service providers for all metering types.

However, Centurion *fully supports* the conditions imposed by the ACCC “that any meter that incorporates remote reading capabilities, irrespective of how frequently the meter is remotely read, will not be subject to the derogation”. Centurion also supports the definition of “an interval meter that is remotely read” as stated by the ACCC in the Draft Determinations.

These conditions do provide a firm base for a competitive metering services market, which will encourage innovation and promote the use of remote polling as an alternative to manual meter reading.

Centurion accepts the determinations in their current form as a *compromise* in lieu of the derogations expiring altogether – conditional to the scope of the derogations not being broadened to include remote polling, as requested in several presentations at the pre-determination conferences.

Manual Meter Reading Innovation

Centurion has, in previous submissions to the ACCC, described current metering services inefficiencies, which can be addressed through competitive forces, were the derogations to be lifted. It is not our intention to repeat those views in this submission.

However, while generally acknowledging that the derogations may hinder innovation, it has been stated that there is not much scope for innovation in relation to manual reads¹. Centurion disagrees.

Data is collected and processed from nearly every contestable metering point in the National Electricity Market using systems from overseas suppliers. No Australian company has chosen to innovate by developing its own solution to meet the particular needs of the Australian market. And it is not because the available systems are so cheap and reliable as not to warrant the development of an alternative – to the contrary, there is a fair degree of industry *derision* directed toward available meter reading products and solutions.

The opportunity is available to develop an efficient, cost effective, uniquely Australian manual meter reading and data processing solution. Centurion is currently in a position to develop such a solution that utilises its existing remote polling infrastructure – if it has the commercial incentives to do so.

Network Focus

Several of the presentations at the pre-determination conferences illustrate a distinctly ‘network’ centric view of the use of metering. Notably, a focus on the development of “future network price structures”² and that “networks receive the greatest gain from influencing customer time of use”³.

We note also comments that Retailers have “shown minimal interest to introduce metering innovation”⁴ and are “not innovative in metering”⁵.

Such statements totally ignore the fact that metering data is essential to the operations of electricity Retailers and that as a result of the derogations Retailers have had no opportunity to innovate.

¹ Peter Clements, Department of Infrastructure – 13 January 2005, Pre-determination Conference, Melbourne.

² Ibid.

³ Testing & Certification Australia – 14 January 2005, Pre-determination Conference, Sydney.

⁴ Intermoco – 13 January 2005, Pre-determination Conference, Melbourne.

⁵ EnergyAustralia – 14 January 2005, Pre-determination Conference, Sydney.

It is interesting that in proposing a remote polling pilot with “major distribution businesses” Intermoco lists four benefits that can only be delivered by Retailers⁶:

- Real time price signalling;
- New tariff offerings;
- Customer responsiveness; and
- Effect on peak demand.

Yet, as noted by AGL, Distributors are not responsive to the placement of meters⁷, with “one distributor requiring many months notice” and others “more concerned with installing Type 5 meters to their preferred plan”. How could Retailers possibly innovate in these circumstances?

It must be accepted that Distributors have no stake in demand side management. Distributors are concerned with network efficiency and maximum load capacity - they are not exposed to the forces of electricity supply and demand that underpins wholesale price volatility. Consequently, Distributors are not in a position to determine effective site selection and interval meter placement strategies.

Allowing Distributors to determine where interval meters are installed renders demand side response virtually impossible for Retailers to achieve.

Retailers influence customer behaviour through the development of new products that are reflective of when and how much energy is consumed. This is a complicated mechanism that relies on the development of unique product structures, effectively matching consumers to the most suitable product, trading energy and monitoring consumption against forecasts.

Even amongst those close to the industry, energy trading is an overlooked aspect of Retail operations. Energy trading involves entering into hedge contracts with trading partners (other retailers, generators, and financial institutions) to cap the cost of electricity. It is important to understand that trading structures determine the product structures that are made available to the market.

Every Retailer currently offers only peak and off-peak tariffs. This is because the vast majority of meters are accumulation meters and with only a very small percentage of interval meters currently installed. Consequently, the vast majority of energy trades continue to be structured in peak and off-peak blocks.

Interval metering provides the opportunity to enter into hedging contracts with more exotic time-of-use structures. But it is only effective to do so where sufficiently large volumes can be traded. Accordingly, Retailers must identify groups of customers who exhibit similar consumption patterns in order to build volume.

This is where meter placement is so important. If meters are haphazardly spread across a Retailer's customer base then the Retailer may not be able to discern a sufficient number of customers with similar consumption patterns to be able to set up an alternate trading structure - and with it a new product structure. The result is that Retailers are not in a position to innovate and will continue to offer Victorian consumers no more than a standard peak/off-peak product structure into the foreseeable future.

⁶ Intermoco – 13 January 2005, Pre-determination Conference, Melbourne.

⁷ AGL – 13 January 2005, Pre-determination Conference, Melbourne.

Competition affords Retailers a better opportunity to determine where interval meters are placed to facilitate the development of new energy trading and product structures.

Stranded Assets

There is an *irrational* and *myopic* fear of stranded assets in the market.

EnergyAustralia's opposition to exclude remotely read interval meters from the derogation seems predicated on its being "the first business in Australia to mandate an interval meter rollout" with some 135,000 meter installations planned to 2010⁸. It seems to have drawn the conclusion that its meters will *inevitably* be stranded (ie. removed) in the event that one or more of the fourteen Retailers currently using its network opts to act as *Responsible Person* with the use of remote polling.

For some *inexplicable* reason the present market incumbents have formed the view that if Retailers opt to be the Responsible Person so that they can invoke choice, then by extension they will also own the meters. For example, Testing & Certification Australia⁹ claims, "ownership of meters would be split between three retailers rather than two networks".

EnergyAustralia fails to consider that as the *Meter Owner* it must ensure that the necessary *technical* and *commercial* agreements are in place with Metering Data Agents – which provide data collection and management services to Retailers – to ensure that there is no need to remove existing interval meters.

The reality is that Retailers (and their customers) do not wish to own metering assets. What they do desire is choice among service providers for access to timely and reliable data that meets their needs for billing, energy trading, tariff development and settlements. And this is what competitive Metering Data Agents are there to provide.

Metering Data Agents do not want to unnecessarily change meters either – it is expensive and disruptive. Only if the interval meter does not meet minimum technical specifications or if the Meter Owner's charges to access the metering data are too high will the meter be changed.

To prevent the likelihood of interval meters being replaced, EnergyAustralia and other Distributors must ensure that the interval meter model(s) selected for rollout:

1. Have a proven (and tested) remote polling capability – either using remote polling interface devices supplied by the meter manufacturer or a preferred supplier;
2. Have the necessary *ports* and *internal modem power supply* so that the required remote polling interface devices can be retrospectively fitted;
3. Can hold the remote polling interface device (ie. modem) inside the meter casing rather than as an external unit;
4. Are pre-programmed for remote polling (as well as manual meter reading) to facilitate conversion without the need to reprogram the meter in the field; and
5. Together with the remote polling interface devices, have a communication capability that allows meter data and functional access only by the appointed Metering Data Agent, which can be re-set if a new Metering Data Agent is appointed.

⁸ EnergyAustralia – 14 January 2005, Pre-determination Conference, Sydney.

⁹ Testing & Certification Australia – 14 January 2005, Pre-determination Conference, Sydney.

If EnergyAustralia and other Distributors (and Meter Owners generally) are sensible about the interval metering technologies they choose to deploy then Centurion is more than prepared to pay a reasonable rate for the right to access data from those meters when appointed as Metering Data Agent by a Retailer.

But if any meter does not meet our technical or commercial requirements then we should have every right to replace it with one that does – without penalty to the Retailer, the retail customer or ourselves. The financial consequences should rest with the Meter Owner for making a poor decision in the first place.

It is time for Distributors to understand that as Meter Owners their customers are Metering Data Agents.

Remote Polling Solutions

Intermoco has suggested that excluding two-way communications (ie. remote-polling) from the derogations may “result in uncertainty... and a reluctance to invest in innovation for fear of stranding assets”¹⁰.

Quite the opposite is true. Excluding remote polling from the derogations requires greater innovation – particularly from the manufacturers and suppliers of interval metering and remote polling solutions.

Over the years many organisations have *incorrectly* formed the view that there can be no contestability for metering services below given thresholds. In Victoria, for example, under Section 7 of the National Electricity Code, the Metrology Co-ordinator allows the use of Type 5 & 6 metering installations only at connection points with electricity flow of less than 160 MWh per annum. Type 4 (ie. remotely polled) metering installations are required where the electricity flow is 160 MWh or greater.

But the existing derogations, which grant Distributor exclusivity to metering services for Types 5, 6 & 7 metering installations, have generally been interpreted in Victoria to apply to connections points with electricity flow of less than 160MWh per annum as well.

Of course, this has never been the case. The derogations do not specifically preclude Retailers from opting to act as the *Responsible Person* if the intention is to install a remotely polled interval meter at a connection point with a flow (even substantially) less than 160MWh. It is simply a matter of whether it is cost effective to do so.

Unfortunately, this misinterpretation has extended into the development of ‘mass-market’ remote-polling (automated meter reading) solutions, such that they do not support contestability between metering service providers. Many solutions do not easily accommodate (or accommodate at all) changes to the nominated Metering Data Agent – something that can be expected to occur relatively frequently in a competitive market.

A solution that has been properly scoped and developed for Australian market conditions must allow the interval meter and communications to be remotely reset whenever a change in the Metering Data Agent role has occurred.

For solution providers that have failed to appreciate this fundamental requirement, their products have little or no relevance in the Australian market. Meter Owners would be unwise to select them, as the risk of *stranded assets* is too great.

¹⁰ Intermoco – 13 January 2005, Pre-determination Conference, Melbourne.

The only prospects for these solution providers is:

1. For the derogations to be broadened to include remote polling also – thereby eliminating the ability for Retailers to choose between Metering Data Agents; or
2. To upgrade those solutions to enable Retailer choice of Metering Data Agent.

Centurion's experience is that some manufacturers and suppliers of interval metering and remote polling solutions remain reluctant to accept that they have misunderstood the structure and direction of the market.

Yet others have embraced the competitive opportunity and developed *robust, flexible* and *cost effective* solutions that can be deployed for manual meter reading, upgraded later for remote polling and reset to accommodate changes to the assigned Metering Data Agent. This level of innovation must be encouraged.

Conclusion

In conclusion, Centurion accepts the Draft Determinations but opposes broadening the scope of the derogations to include remotely polled interval meters.

This will encourage the development of robust, flexible and cost-effective remote polling solutions and the entry of new and competitive metering service providers, such as Centurion, to the market.

Thank you again for the opportunity to respond.

Yours sincerely,



Marco Bogaers
Managing Director

cc/- Dr David Cornelius