DRAFT DETERMINATION – PARTICIPANT RESPONSE PACK

METER CHURN PACKAGE

***Participant**: Powermetric Metering Pty Ltd*

***Completion Date**: 20 October 2014*

POWERMETRIC

20 October 2014

Jackie Krizmanic
Australian Energy Market Operator
GPO Box 2008
MELBOURNE VIC 3001

Dear Ms Krizmanic

RE: Notice of First Stage Consultation on Meter Churn Package

Powermetric Metering Pty Ltd (Powermetric) welcomes the opportunity to respond to AEMO's first stage consultation on the Meter Churn Package. Our response is in relation to the broad intent of the Meter Churn Package rather than specific clauses, and we therefore provide a short written response rather than completing the response template.

Powermetric was granted accreditation by AEMO in September 2014 to provide metering and meter data services to large business customers. As a new entrant, Powermetric is very concerned about the impact of AEMO's proposal on our ability to establish our business in competition with incumbent metering service providers.

The Meter Churn Package seeks to amend the Meter Churn Procedure for Financially Responsible Market Participants and Service Level Procedures for Metering Data Provider Services and Metering Provider Services Category B for Metering Installation Types 1, 2, 3, 4, 5 and 6 (the Procedures). The proposal would have the effect of prohibiting the replacement of a metering installation at a site prior to the completion of the retail transfer, in anticipation of the start of a retail contract.

Barrier to entry

The commencement of a new retail contract currently provides the best opportunity for a metering service provider to compete for new sites, as the customer is already reconsidering their energy service needs and anticipating change. The current Procedures allow a smooth and efficient transfer process, where the incumbent retailer can finalise its contract with the incumbent service providers. The prospective FRMP can either request the existing responsible person - or can themselves, as the prospective responsible person - enter into a new contract with its service providers of choice for the term of the associated retail contract.

The proposed Procedures would require the incoming retailer to recontract with the incumbent metering service providers, at least for a transitional period until the retail transfer has completed and the roles may be changed. The existing service providers have a strong incentive to take advantage of their incumbency to force incoming retailers into longer term contracts. To our knowledge, short term metering service agreements are offered at a significant premium for this reason. This short term contract need has the effect of an additional exit fee which customers must pay in order to exercise their choice of service providers. It is therefore a new barrier to competition and would certainly hinder our market entry.

Inconsistency with national metering policy direction

There is currently an extensive policy development work program underway to reduce the barriers to competition in metering services. This is occurring at the direction of the COAG Energy Council, and is centred around a rule change proposal on competition in metering and related services currently being progressed by the Australian Energy Market Commission (AEMC). The Australian Energy Regulator is also reviewing its approach to metering exit fees as part of its distribution pricing determinations for NSW and

Victoria to ensure this doesn't hinder efficient meter replacement. Powermetric is concerned that in this environment of encouraging choice and competition, AEMO seeks to change the Procedures to disincentivise the change of roles and advancement of the meter fleet.

Referral to the AEMC

Powermetric recommends the proposed Meter Churn Package does not proceed. We believe a more appropriate course of action would be for the AEMC to consider the need for change and the potential anti-competitive implications in the context of the current rule change process.

If you would like to discuss our response further, please contact Regulatory Affairs on 03 9214 9347 or raffairs@powermetric.com.au.

Yours sincerely,

[signed]

Tony Clark
Executive General Manager