

14 November 2016

Department of Environment, Land, Water and Planning  
PO Box 500  
Melbourne Victoria 3000

Submitted by email: [metering.competition@delwp.vic.gov.au](mailto:metering.competition@delwp.vic.gov.au)

### Transition to Metering Competition in Victoria Options Paper

Simply Energy welcomes the opportunity to provide a submission to the Department of Environment, Land, Water and Planning (The Department) in response to the Transition to Metering Competition in Victoria Options Paper (The Paper).

Simply Energy operates in Victoria, South Australia, New South Wales and Queensland retailing electricity, gas and solar services to close to 600,000 customers.

Simply Energy considers that decisions about the most appropriate way for Victoria to transition to the new national arrangements for metering competition should be based on maximising the long-term benefits to residential and small business electricity consumers.

Simply Energy reviewed the four options provided in The Paper:

- **Option 1** - Full adoption of the new framework for *all* customers with the *national minimum services specification*,
- **Option 2** - Adoption for *all* customers with the *Victorian meter specification*,
- **Option 3** - Adoption for *new connections* only with the *Victorian meter specification*, and
- **Option 4** - Defer adoption of metering competition for now.

and the questions raised on page 23 of The Paper.

1. *Do you support implementing metering competition in Victoria so that the current Victorian meter specification and/or the minimum service levels are retained?*
2. *Should other considerations about the respective capabilities of the meters and service levels be taken into account?*
3. *Do you have any comments or views on options 1, 3 or 4?*

Simply Energy does not support implementing metering competition in Victoria so that the current Victorian meter specification and/or the minimum service levels are retained (the adoption of Option 2 above).

Simply Energy instead endorses Option 1. The national specification under Option 1 will provide stakeholders, predominantly retailers, a greater amount of flexibility to innovate and cater for customer needs than the Victorian specification. By adopting Option 1 consumers and key stakeholders in the energy industry can rely upon a nationally consistent platform when regulatory considerations are to be addressed.

Industry participants currently have to negotiate and comply with two sets of industry regulations – national requirements that are common to the National Electricity Market (NEM), and requirements that are specific to Victoria. This adds complexity and cost, which are ultimately borne by consumers, for little if any demonstrated benefit to consumers.

Implementing metering competition in Victoria under a specification and requirements that differ from the national arrangements will add further complexity and cost, and will further entrench Victoria as a 'special case'.

Energy industry policy in Australia, as embodied in the National Electricity Law and similar statements, is based on research that shows that competition will always improve service and product development in order to best serve consumers. Competition in metering services is no different.

Consumers benefit from access to more diverse and innovative energy products. Smart metering is a platform for delivering new energy products and services. Option 1 has national scope, which supports the adoption of higher levels of innovation and service diversity than a specification that applies only to Victorian consumers.

Adoption of other options, including Option 2, will add regulatory burdens and limitations that will limit the service and cost benefits that Victorian consumers will be able to access.

Questions 4 through to 8 focus on details relating to Option 2 only. Simply Energy cannot usefully respond to these questions, given our strongly held position in support of Option 1.

*9. If an access regime is introduced, who would be the responsible regulator and how should it be funded?*

The Paper does not explain clearly how an access regime would benefit consumers sufficiently to outweigh the costs from creating new administrative burdens and significant inconsistencies with the national framework.

Effective metering competition does not require an access regime. Before considering an access regime, proponents should clearly establish that a market failure has occurred. Metering competition under Option 1 should be implemented, and reviewed after an appropriate time, before considering any form of access regime.

*10. What is the role for the Victorian Government in ensuring that the potential benefits of energy data are unlocked through this process, including ensuring electricity distributors have appropriate access? Are there other mechanisms, other than the 'traditional' access regime model, that could be utilised?*

The Victorian Government does not have to regulate to unlock the potential benefits of energy data. The National Electricity Rules already require that energy data is provided to industry participants, including distributors, that require it. If there is additional data that distributors seek access to in addition to the data they already receive, then they are in a strong position to obtain this by negotiation. This is because they are the sole purchaser of this data, which can potentially be provided by a number of suppliers, given that they do not require 100% coverage of all connection points to obtain the network benefits identified in smart grid and similar studies.

*11. Should Victoria vary its current policy position that smart meters are mandatory and allow households and small business to opt-out of having a communicating smart meter?*

Simply Energy supports the position that Option 1 provides for industry consumers. The national framework provides for individual consumer choice while putting in place a structure that supports the replacement of manually-read meters by smart meters.

*12. Do you support setting the small customer threshold at 160 MWh per annum rather than 40 MWh per annum as suggested by the AEMC? If not, please provide a reason.*

Yes, Simply Energy supports the 160 MWh threshold. This is the threshold that the national specification under Option 1 applies to.

Question 13 focuses on details relating to Option 2 only. Simply Energy cannot usefully respond to this question, given our strongly held position in support of Option 1.

*14. With metering competition commencing on 1 December 2017, what timing issues does the Victorian Government need to be aware of, and how might these be managed?*

The Options paper outlines the various regulatory changes required specifically to Victorian instruments. We agree that these instruments need to be changed and we also note the acknowledgment from the Department that the changes are substantial. For this reason, Simply Energy believes that adopting Option 1 creates a smoother, more efficient transition for regulatory change and creates certainty to such change with less costs and resources required to make these changes.

It must be noted that there are other significant changes being proposed in Victoria affecting many regulatory instruments. These include but are not limited to the proposed Payment Plans Framework (which will change the Energy Retail Code in Victoria substantially from a proposed 1 July 2017 launch date), as well as changes following the review of Distributed Generation, which are also being adopted during 2017.

*15. Are there any other factors or conditions that should be considered to successfully implement metering competition in Victoria?*

Simply Energy is not aware of any other factors or considerations.

## Conclusion

Simply Energy sees metering competition being most effective for consumers under Option 1. The Options Paper shows a preference for Option 2 but does not demonstrate why Option 2 provides the best outcomes for consumers.

Simply Energy considers that Option 2 is suboptimal, because it creates a barrier to offering innovative energy products into the market for Victorians. Opportunities to innovate gained through metering contestability at the national level will be lost in Victoria if the state persists with a standard that is different to the national specification. This is because the limited market opportunity and the high level of prescription of the Victorian specification act as barriers to development of new meters that can support innovative new services, leading to a loss of future consumer benefit.

Simply Energy does not wish to see an option adopted where new customers will have access to a competitive market but those existing customers do not get the same access. In our view (a view shared by the Australian Energy Council) is that maintaining a separate specification in Victoria does not provide value to the customer and it will not deliver the competitive benefits and economies of scale that the adoption of a national specification is more than likely to.

Simply Energy also endorses the Australian Energy Council's submission in full. Their submission sets forward a proposal of an Option 3a. The submission for this option states "that retailers should at least have the option of adopting new connections and replacement meters with the national minimum services specification. While option 1 remains the optimum outcome for Victorian consumers, this option provides a better transition to full national consistency (better than Option 2) while avoiding any associated cost barriers imposed through the higher Victorian minimum functionality specification".

Simply Energy strongly encourages the Victorian Government to choose Option 1 over Option 2, given the opportunities for reduced costs and new services that Option 1 provides for consumers. We look forward to further engaging the Department on this submission and the subsequent work on this important matter.

If you have any questions or wish to speak to a representative from Simply Energy regarding this submission, please do not hesitate to contact Alan Love on 03 8807 5113.

Yours sincerely,



James Barton  
General Manager, Regulation