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Rory Campbell
Senior Director
Australian Energy Market Commission
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Dear Mr Campbell

**Submission on the AEMC's Supplementary Paper – Framework for
Open Access and Common Communication Standards**

Introduction

1. Vector Limited ("Vector")¹ welcomes the opportunity to make this submission on the Australian Energy Market Commission's ("AEMC") *Supplementary Paper – Regulatory Framework: Framework for open access and common communication standards*, dated 24 February 2014.
2. Vector supports the AEMC's draft recommendation to allow the development of the market for smart metering services without regulatory intervention.
3. No part of this submission is confidential and we are happy for it to be made publicly available.
4. Vector's contact person for this submission is:

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¹ Vector is one of New Zealand's largest listed companies. We provide services in the New Zealand electricity, gas and telecommunications sectors. Our metering business, Advanced Metering Services ("AMS"), is New Zealand's leading smart meter provider.

While our operations are currently limited to New Zealand, we are investigating commercial opportunities in the Australian smart metering market.

Smart metering access and charges

5. Vector supports the AEMC's position that it does "not consider that the case for regulation of access to smart meters and access charges has been made at this point" and that "there is no clear case of market failure".
6. We agree with the AEMC's assessment that "it is difficult to draw definitive conclusions about the level of competition in a market that is in the early stages of development and where behaviour cannot be observed".
7. The AEMC allowing the development of the smart metering market without intervention supports 1) the rule change request made by the Standing Council for Energy and Resources ("SCER"), intended to introduce greater contestability to the metering market, and 2) the government's objective of promoting competition in the electricity sector.
8. This is also consistent with the Australian Energy Regulator's ("AER") proposed classification of Types 5 and 6 (legacy) metering services in most states from "standard control" to "alternative control", unbundling (potentially contestable) metering services from (natural monopoly) lines services. The AER considers that competition could emerge in the market for these services.²
9. The unbundling of legacy metering charges from lines charges would minimise (but not eliminate) the risk of cross-subsidies across services. It would provide more accurate pricing signals to market participants intending to provide improved services to customers. It would also provide greater transparency for potential entrants to the smart metering market, enabling competition in this market.

Competition review

10. Vector supports the AEMC's recommendation that the "SCER direct the AEMC to undertake a review of competition for end-use services enabled by smart meters... at an appropriate point in time". This is consistent with the recommendation we made in our submission, dated 31 January 2014, on the AEMC's *Draft Report: Framework for Open Access and Communication Standards Review*.³ We recommended that if the AEMC has reason to believe there is market failure, it should undertake a competition analysis to determine whether market failure exists.

² Australian Energy Regulator 2014, *Stage 1 Framework and approach paper: Ausgrid, Endeavour Energy and Essential Energy*, March 2013, page 44

Australian Energy Regulator 2014, *Stage 1 Framework and approach paper: ActewAGL*, March 2013, page 23

³ <http://www.aemc.gov.au/Media/docs/Vector-7976c452-b353-4ecc-9253-8ded46393160-0.pdf>

11. If market failure is proven to exist, the AEMC should further assess whether it warrants regulatory intervention and that any recommended intervention would deliver significant net benefits to consumers.
12. As suggested in our January 2014 submission, the AEMC could consider and gain insights from the competitive New Zealand smart metering market. New Zealand's market-led approach has facilitated the deployment of 1.1 million smart meters across the country (55% penetration) over the past few years.

Accreditation of new MC functions

13. Vector does not have any issues, in principle, with the AEMC's recommendation "that persons providing services to manage access to smart meter functionality be subject to accreditation under the NER by AEMO". This is particularly in relation to ensuring safety and managing congestion so consumers' confidence in the provision of smart metering services by market participants is not undermined.
14. We would, however, like to see the above outcomes achieved without the Metering Coordinator ("MC") accreditation requirements being too onerous and costly for market participants and ultimately, consumers. And that any costs will be allocated as much as possible to their causers, users or beneficiaries.
15. We reserve further comment until the AEMC has developed implementation details for this proposal.

Technical standards

16. Vector reiterates its position that mandating technical standards is not to the long-term interest of consumers. This is because it is likely to:
 - limit market competition;
 - dampen investment incentives;
 - stifle technological and service innovation;
 - compromise technology neutrality;
 - shift upfront risks from investors to consumers; and
 - increase implementation and compliance costs without overriding benefits.
17. Our views on the above are discussed in our January 2014 submission.

Our New Zealand experience

18. We are happy to share with AEMC officials and staff our insights and experience in the competitive New Zealand metering market, including the accreditation process for MC and similar functions.

Yours sincerely



Bruce Girdwood
Group Manager Regulatory Affairs