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Mr Chris Pattas
General Manager, Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email: TASelectricity2017@aer.gov.au

Dear Mr Pattas

Submission on the AER's Issues Paper on TasNetworks' Electricity Distribution Regulatory Proposal for 2017-2019

Introduction

1. This is Vector Limited's ("Vector")¹ submission on the Australian Energy Regulator's ("AER") *Issues Paper, TasNetworks Electricity distribution regulatory proposal, 1 July 2017 to 30 June 2019*, dated March 2016.
2. Vector's metering business (Advanced Metering Services - VAMS) is actively engaging with customers in Australia's advanced metering market. On 11 January 2016, we received accreditation from the Australian Energy Market Operator to operate as a type 3 & 4 Metering Provider and Metering Data Provider in the National Electricity Market (NEM). We intend to start installing advanced meters in NSW in 2016.
3. We are therefore highly interested in regulatory and commercial developments in Tasmania's electricity market, particularly the implementation of the Australian Energy Market Commission's *Competition in Metering Rule Change*. This rule change, which is the focus of our submission, would introduce competition in metering and related services to small-to-medium businesses and residential consumers across the NEM effective 1 December 2017.
4. We have been consistent in our support for the expansion of competition in metering services in Tasmania and the wider NEM. We believe the benefits of advanced meters are best delivered through a competitive market, where consumers benefit from greater choice of more efficient and innovative products, and better quality services from their providers.

¹ For more information on Vector, see www.vector.co.nz and <http://vectorams.com.au>.

Removal of metering exit fees and transfer fees

5. We note that TasNetworks is not proposing the imposition of “exit fees” for the replacement of its legacy (Type 6) meters with advanced meters, and administration “transfer fees” for the transfer of customers to another metering service provider. These fees were initially proposed by distributors in other NEM jurisdictions. We welcome TasNetworks’ decision not to include such fees in its regulatory proposal.
6. The imposition of exit fees and administration fees has been discussed extensively in the AER’s consultations on distributors’ regulatory proposals in other NEM jurisdictions. Our previous submissions to the AER and other regulators reflect our opposition to these fees which create a barrier to market entry, limiting competition and hampering the deployment of advanced meters to the mass market.
7. Exit fees also create a significant disadvantage for a first mover into the market, who bears the cost of the exit fee that subsequent entrants do not – an outcome that is inefficient and unfair.
8. We support the AER’s Final Determinations not to impose metering exit fees and transfer fees in NSW, ACT, Queensland and South Australia for the next regulatory control period. We reasonably expect the AER to apply a similar treatment to metering services in Tasmania.
9. In our view, the above regulatory settings provide potential investors the right incentives to enter the metering market in Tasmania. In this case, it is investors who carry the risk of the investment rather than Tasmanian consumers or taxpayers.

Recovery of residual metering capital cost

10. While we oppose the imposition of exit fees, we recognise that distributors should be able to recover the efficient cost of their metering investment approved by regulators. This avoids the ‘stranding’ of these legacy assets.
11. We broadly support the cost recovery approach developed by the AER which avoids exit fees, while allowing distributors in NSW, ACT, Queensland and South Australia to recover the residual capital cost of their regulated investment in legacy meters. We welcome TasNetworks’ agreement with the AER’s cost recovery approach (page 141 of TasNetworks’ Regulatory Proposal, 2017-2019).
12. We reasonably expect the AER to apply similar cost recovery settings for metering in its Draft and Final Determinations for TasNetworks (electricity distribution) for the 2017-2019 regulatory control period.

Concluding comments

13. We are happy to discuss with AER officials any aspect of our submission.
14. Please contact me if you have any questions or require further information at +644 803 9051 or Luz.Rose@vector.co.nz.
15. No part of this submission is confidential and we are happy for it to be made publicly available.

Yours sincerely
For and on behalf of Vector Limited

A handwritten signature in black ink, appearing to read 'Luz Rose', with a long, sweeping underline.

Luz Rose
Senior Regulatory Specialist