



Tel: 032 8633 6000  
Fax: 03 8633 6977

AGL Energy Limited  
ABN 95 052 167 405

120 Spencer Street  
Melbourne 3000

PO Box 14120  
MCMC Melbourne 8001  
www.agl.com.au

1 November 2007

Manager, MCE Secretariat,  
Department of Industry, Tourism and Resources,  
GPO Box 9839  
Canberra ACT 2601

By email to [MCEMarketReform@industry.gov.au](mailto:MCEMarketReform@industry.gov.au)

## **RE: Smart Meters Cost Benefit Analysis Phase 1 – National Minimum Functionality**

AGL Energy Limited<sup>1</sup> (AGL) welcomes the opportunity to comment on the "Smart Meters Cost Benefit Analysis Phase 1 – National Minimum Functionality" (the review) released by the Ministerial Council on Energy's Standing Committee of Officials (SCO). This response is in relation to the Regulatory Impact Statement (RIS) and an independent Cost Benefit Analysis of smart meters which focuses on the Phase 1 study that aims to establish the functionality of smart meters. AGL understands that there will be a separate consultation (Phase 2 study) that will focus on the assessment for the rollout of smart meters across jurisdictions.

### **National Approach to metering**

AGL is pleased that SCO has adopted a nationally coordinated approach in conducting a cost benefit analysis for the rollout of smart meters across jurisdictions. AGL strongly supports a national approach in the administration and operation of the energy market based on a single set of metrology procedures and rules. This approach is consistent with the recent transition to a national regulatory framework including the adoption of a single metrology procedure and the harmonisation of rules across jurisdictions by NEMMCO.

As the largest retailer operating nationally, AGL believes that the long-term market efficiency and innovation of customer product and services can only be realistically achieved when there is a seamless procurement, delivery and processing of data and services across state and jurisdiction boundaries. This objective should be supported by a competitive market for the provision of meters, data and services based on an open access standards. While AGL understands that this issue will be further considered in Phase 2, the setting of meter functionality is closely related to the setting of operating standards for meters, communication, data and services. AGL encourages SCO to provide and maintain clarity on the separate requirements for the setting of operating standards and metering functionality.

---

<sup>1</sup> AGL is Australia's largest retailer of gas and electricity with around 4 million customer accounts in New South Wales, Victoria, South Australia and Queensland (Including ActewAGL and AlintaAGL customers (Joint Ventures)). AGL has significant investments in upstream energy markets. We own and operate 645 MW of hydroelectric power generation assets, the 1280 MW Torrens Island Power Station and the Somerton gas-fired power stations. AGL also has a 32.5% equity investment in the Loy Yang A power station.

In regards to the RIS on the determination of metering functionality, AGL believes that Options A and B are not in the best interest of an efficient and effective national electricity market; nor are they compatible with the development of a nationally consistent regulatory regime. These options do not provide any regulatory certainty, metrology procedures and meter functionality that will give the industry the confidence to undertake investment in metering data and services. On the contrary, they will impose untold complexity and cost on retailers to accommodate varying requirements for multiple jurisdictions, service providers, functionality and performance levels. It goes against the economic principles of scale, portability and simplicity that underpin the market efficiency and reform over the last few years. AGL therefore, strongly objects to the approach in setting metering functionality outlined in Options A and B.

### **AGL Supports Option C but....**

AGL agrees with the SCO that there should be a National Minimum Functionality (NMF) for smart meters implemented across all jurisdictions. This will provide a uniform platform for the stakeholders to develop their systems and processes. It allows the retailers to focus their resources on developing, offering and supporting innovative products and services, with confidence, that best meet the customer and business requirements. Option C facilitates the development of an electricity market with true national character that supports the rationale for improving price signals to customers that encourage efficient use of energy and investment in supply infrastructure. However, AGL notes that this can only be achieved in an environment where retail price regulation is removed to allow for time varying supply cost through smart meter technology and services.

While AGL supports the introduction of a NMF of smart meters based on a positive cost benefit analysis in Phase 1, we are concerned that the effectiveness of this set up may not be fully capitalised in the implementation of a smart meter rollout. AGL is particularly concerned that infrastructure provision and data/service delivery would be implemented in jurisdictions with jurisdictional and proprietary constraints. As mentioned before, AGL supports a competitive market that is facilitated by measures such as open communication standards and protocols, service performance guarantees and light-handed regulatory requirements with low barrier to entries.

### **Phase 1 Data collection and Analysis process**

AGL is also concerned with the manner in which the cost benefit analysis is conducted in Phase 1, the results of which have formed the basis for decisions on NMF.

AGL applauds the leadership taken by SCO in conducting a national assessment of smart meter functionality that includes the cost associated with the retail sector. AGL notes that until now, the potential impact of a smart meter rollout on retail operation, cost and risk has not been duly recognised. Retailers rely heavily on the reliability, security and integrity of data and services interfaces to service its customers across jurisdictions. AGL is pleased that the study highlights the need to take into account the cost, risks and benefits that are associated with retail operations.

However, AGL is concerned that the extremely short time allowed for the response to data request has limited its ability to conduct a thorough and proper investigation on the cost, benefits and risks associated with retailers in the roll out of smart meters.

Given the scope, scale and magnitude of potential investment, and the uncertainty in benefits of smart meters, it is prudent to adopt a robust process whereby data can be reliably sourced and assumptions tested and verified. In particular, the benefits for retailers have not been adequately considered and tested, and in some cases, lack of such information would lead to erroneous assessment. As pointed out in the SCO document, the major risk for adopting the recommended Option C is the reliability of the data and assumptions used in Phase 1 study. AGL encourages SCO to consider the outcomes of this study as preliminary findings and that further investigations and validations are warranted.

## Minimum National Functionality

The table below provides AGL's comments on the NMF recommended in Option C.

Minimum National Functionality	AGL Comments
<b>Included in Option C</b>	
Daily Remote Reading	Agree
Power factor measurement (3 phase)	Agree
Import/export meter	Agree
Remote connect/disconnect	Agree
Supply capacity control	Agree
Load management via dedicated control circuit	Agree
Quality of Supply and other event recording	Agree
Meter loss of supply and detection	Agree
Remote configuration	Agree
Remote Software upgrades	Agree
Plug and play device commissioning	Agree
<b>Under Consideration</b>	
Interface to other load control devices	See comments below
Interface to home area network using open standard	See comments below
Customer supply monitoring	No comments
Inter-operability for meters/devices at application layer	No comments
Hardware component inter-operability	No comments
<b>Excluded in Option C</b>	
Power factor measurement (2 phase)	Agree
Provision of an in home display	See comments below
Interface for communications with gas and water meters	No comments
Real-time service checking	No comments
Separate standard base plate	No comments
Non-meter board installation	No comments

### Interface to other load control devices and home area network using open standard

AGL believes that interface to other load control devices, and interface to home area network using open standard, are critical enablers for retailer to implement time-of-use pricing that reflect supply cost, one of the fundamental reasons why smart meters are required. These functionalities facilitate customer response to price signals and enable load control decisions to be pre-defined and associated with various price points. By enabling the ability to offer this product and tariff, customer responsiveness to price signals would be greatly enhanced. AGL therefore, concur with SCO that these two functionality warrant further consideration.

### Provision of an in-home-display

AGL agrees that the in-home-display unit should be excluded from the NMF. However, AGL would like the interface capability compatible with home display unit to be included in the NMF. This will allow each retailer and customer the flexibility to choose and implement products and services that rely on in-home-display at a minimum cost.

## Mandatory Requirements for Option C

AGL does not support the proposed voluntary implementation of NMF for meter installations where a rollout has not been mandated<sup>2</sup>. AGL believes that once a decision on NMF is made and the Rules for smart meters are agreed and implemented, all new and replacement meters across all jurisdictions should comply with the NMF requirements.

<sup>2</sup> Page 32 in RIS

As pointed out in the RIS, the NMF will be selected based on a robust assessment and decision process that include cost benefit analysis, stakeholder involvement and industry-led detailed requirements. The review goes on to say that the implementation of NMF will be subject to further assessment and consultation before the Rules are finalised<sup>3</sup>.

AGL believes that once a NMF is agreed under this national process coordinated by the SCO, and later determined by the national regulator AEMC, it is important that the decision applies to the national market. AGL accepts that it may not be economic to replace existing meters with NMF meters unless the benefits outweigh the cost. For new and replacement meters, NMF meters should be installed to facilitate a transition to a nationally consistent metering arrangements.

Should you have any questions regarding this submission please contact Kong Min Yep on (03) 8633 6988.

Yours Sincerely



Sean Kelly  
General Manager Energy Regulation

---

<sup>3</sup> Page 31 in RIS.