



9 May 2007

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

MCEMarketReform@ret.gov.au

Dear Sir/Madam,

**Re: Response to Regulatory Impact Statement Accompanying Phase 2 of MCE's consideration of a smart meter roll-out.**

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide comment on the Regulatory Impact Statement Accompanying Phase 2 of MCE's consideration of a smart meter roll-out.

The ERAA is an independent association representing 13 retailers of electricity and gas throughout the National Electricity Market (NEM) and the jurisdictional gas markets. The ERAA members collectively provide electricity to 11 million customers in the NEM and are the first point of contact for end-use customers for both gas and electricity.

As recognised in the Regulatory Impact Statement, the progressive roll-out of smart metering is being evaluated to enable the introduction of time of day pricing to allow users to better manage their demand for peak power. Cost reflective pricing is critical to the introduction of smart metering as it enables the prices of electricity to be varied over the course of the day. The ERAA believes that ongoing price regulation does not provide retailers with the flexibility to meet the COAG objective of being able to price electricity according to market demand and thus achieve the intended benefits relating to smart meters.

Retail price regulation currently operates in all electricity retail markets across Australia. In those markets where full retail contestability was introduced, governments deemed it necessary to retain retail price regulation in order to protect customers where there was insufficient retail competition. In May 2006 a commitment was made by the jurisdictions of Victoria, South Australia and New South Wales to have the Australian Energy Market Commission (AEMC) undertake an assessment of competition of their markets. In 2007 the

AEMC undertook an assessment of competition in the Victorian retail market and concluded that there is effective competition in the retail supply of electricity and gas in Victoria.<sup>1</sup>

While the ERAA strongly supports this assessment by the AEMC, the Association is concerned that of the markets where smart meters were shown to have a net positive impact, Victoria is so far the only market which has undergone the assessment of effective competition by the AEMC and looks likely to remove price regulation.

In NSW, the ERAA is of the view that despite the commitment of the NSW Government to having the market reviewed in 2009, it remains uncertain whether this will go ahead as a result of the commitment the government made in its response to the Unsworth Committee's Terms of Reference in February 2008, where it indicated that

*"IPART will continue price regulation for households and small businesses until 2013. Retail price regulation will continue beyond 2013 until such time as the NSW Government is satisfied that there is sufficient competition in the retail energy market to keep prices as low as possible."*<sup>2</sup>

With regards to the Queensland and Western Australian markets, the ERAA believes that it is unlikely that either jurisdiction will be in a position to abolish price regulation before NSW as there are no effectiveness of competition reviews planned for either market. Moreover Western Australian is likely to be further behind Queensland as full retail competition has yet to be introduced.

The ERAA is therefore concerned about the lack of coordination between the process of abolishing retail price regulation and the roll-out of smart meters. The Association is of the view that the roll-out of smart metering should not take place in any jurisdiction which has not removed retail price regulation as the full benefits relating to smart meters are unlikely to be achieved.

Should you require any further information in relation to this matter please feel free to contact me on (02) 9437 6180.

Yours sincerely

*[Transmitted Electronically]*

Cameron O'Reilly  
Executive Director

**Energy Retailers Association of Australia**

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<sup>1</sup> The Australian Energy Market Commission, "Review of the Effectiveness of Competition in Electricity and Gas Retail Markets in Victoria - Second Final Report" 29 February 2008,p.vii

<sup>2</sup> NSW Government, "Response to the Energy Consultative Reference Committee's Terms of Reference" 29 February 2008,p.vi