

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

16 April 2008

Dear Sir/ Madam,

**METERING AND DIRECT LOAD CONTROL - SUBMISSION ON THE PHASE-2
COST BENEFIT ANALYSIS**

Thank you for the opportunity to make a submission on the cost benefit analysis of the prospective roll-out of electricity smart meters.

Landfill Gas & Power is a boutique producer and retailer of renewable electricity operating in the principal Western Australian market. We operate four landfill-gas power stations and supply some 20 customers operating 150 loads.

In Western Australia, customers consuming in excess of 50MWh per year are contestable and all customers supplied by private retailers (that is, all retailers except the state-owned Electricity Retail Corporation, Synergy) are required to be fitted by the network operator (Western Power) with interval storage meters with remote-reading communications prior to supply commencing. The retailer is required to pay upfront the capital costs of a meter upgrade and communications, being in the region of \$750 each - \$1,500 in all. Nonetheless, we understand that these meters are not “smart” as defined by the MCE papers.

As a boutique retailer with extremely flexible billing systems, we have found the use of interval meters to facilitate innovate tariff design and understanding of the cost structure of our business, with particular emphasis on hedging our exposure to the Wholesale Electricity Market. We are satisfied with the local practice of the network operator installing and operating the meters. However, we perceive the requirement to pay upfront the capital cost of the meter installations to be a barrier to entry and for that reason limit our operations to supplying customers that consume in excess of 160MWh per year, being non-“Small Use Customers”. Specifically, it is not economically viable to supply customers that have a total annual bill of \$7,500 and an upfront capital cost of \$1,500.

On this basis we support a model in which smart meters are rolled out by the network operator (“Distributor”) and added to its capital inventory via either a capital contribution from government or a network levy applied to an appropriate class of customers, so as to remove the barrier to entry.

In the specific case of Western Australia, we note that Full Retail Contestability is still under review, and advise that we perceive the two issues to be inter-related; a mandated smart meter rollout to residential and small business customers only has merit if it is accompanied by deregulation of those customers.

Regarding the nature of the meters recently installed in Western Australia to facilitate deregulation, we consider it inappropriate for retailers to be further charged for any necessary upgrade or replacement to make them “smart”. That said, we would encourage measures to minimize the cost of fit-for-purpose meters and recognize that economies of scale via national uniformity is a sound means of achieving this.

We would also express our support for Direct Load Control device rollout as a means of achieving firm demand reductions. We note that Western Power, the local network operator, has trialed such a system for reducing network demand and obtained encouraging results. We strongly endorse extension of this initiative.

Yours sincerely

GRAEME ALFORD
CHIEF EXECUTIVE OFFICER