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**Ms Sinead Mangan**  
**Western Australia Economic Regulation Authority**  
**PO Box 8469**  
**PERTH BC WA 6849**

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Submitted online: [www.erawa.com.au/consultation](http://www.erawa.com.au/consultation)

Dear Ms Mangan,

**Western Power – Access Arrangements 4**

AGL Energy Limited (AGL) is pleased to respond to the Economic Regulation Authority's (ERA) call for submissions on the fourth Access Arrangement (AA4) for Western Power.

AGL is one of Australia's largest integrated energy companies and the largest ASX listed owner, operator and developer of renewable generation. We supply over 3.7 million retail customers with both gas and electricity, including gas customers in Western Australia.

AGL notes that Western Power is proposing a significant investment for the rollout of smart meters. As smart meters are a key enabler of new products and services to be offered to customers, AGL recommends that this is the time to establish a clear delineation between Western Power's core regulated service, that of transporting electricity, and the various other services which can be made available through a smart meter rollout.

AGL also notes that a number of proposals made by Western Power are extending the remit of a regulated business into non-regulated activities. As such, AGL believes that the commencement of AA4 presents an opportune time to consider the framework of the retail market in Western Australia to ensure a clear delineation between the services which Western Power offers as a regulated distribution business and the associated retail market services.

Attachment A contains AGL's detailed views on each of these issues.

Should you have any questions in relation to this submission please contact Mark Riley on 0475 805 262 or by e-mail: [mark.riley@agl.com.au](mailto:mark.riley@agl.com.au).

Yours sincerely,

Elizabeth Molyneux  
**Head of Energy Market Regulation**

## Attachment A

### Investment in the Network

#### Issue 1 – general comment

Western Power has indicated that the distribution network will play a key role in the implementation of new technologies and services and this is reflected in its proposed investment in advanced meter infrastructure (AMI) to be rolled out in the network. AGL agrees that emerging and new technologies will play an important part of customer interactions with the energy industry in the AA4 period but recommends proper oversight of the AMI investment and advocates for a review of Western Power's provision of market related network services.

AGL understands that the role of a distribution network is to provide efficient connectivity between the financially interested parties. Western Power has similarly stated that this is its core function, when describing ancillary services as, 'all other services that are not core to the transport of electricity from the supplier to the end-use customer'<sup>1</sup>.

The AEMC has recently rejected a rule change submitted by Western Power associated with non-grid network services while a broader review of customer protections is undertaken, including consideration of which parties are best able to provide these solutions.

AGL is continually innovating and expanding our suite of distributed energy services and solutions for customers of all sizes (residential, business and networks). These 'behind the meter' energy solutions involve new and emerging technologies such as energy storage, electric vehicles, solar PV systems, digital meters, and home energy management services delivered through digital applications.

AGL's position is that reforms associated with non-grid and behind the meter solutions are more appropriately enacted through a broader reform program, which would allow consumer choice for non-grid services and promote competition and cost efficiencies in the electricity market, whilst ensuring appropriate consumer protections, as outlined in our response to the AEMC on this issue<sup>2</sup>.

This view appears consistent with the Access Code<sup>3</sup> objective of promoting **economically efficient** investment in, and operation and use of, electricity networks and services of networks to promote **competition in markets** upstream and downstream of the networks<sup>4</sup>. Distribution networks are regulated businesses which should focus on the regulated activities of providing network services and investment in the network should further this purpose.

#### Issues 1 and 16

Western Power is proposing to roll out AMI through AA4. AGL considers smart meters as a key enabler allowing the retailer to provide the customer with new technology and services. However, with the proposed significant investment in new metering installations, AGL recommends independent regulatory oversight to ensure adherence to the investment strategy and roll out, monitoring of charges for metering services and access services, approving minimum standards for the selected smart meter for AMI, and reform of the current access and metering regime to establish an efficient and cost effective process to allow retailers to access behind the meter solutions and services.

For these services to have the greatest value to customers, the retailer must be able to access the behind the meter solutions via the smart meter in an efficient manner, such as metering data being transferred to the market operator in a timely fashion, and appropriate service pathways through the meter to behind the meter solutions, such as controlled load management.

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<sup>1</sup> Western Power, *Access arrangement information: Access arrangement revisions for the fourth access arrangement period*, 2 October 2017, p. 83.

<sup>2</sup> AGL, *Submission to AEMC on Western Power Rule Change*, Nov 2017, [www.aemc.gov.au](http://www.aemc.gov.au)

<sup>3</sup> Electricity Networks Access Code 2004 (WA) (**Access Code**)

<sup>4</sup> ERA, *Issues Paper on Proposed Revisions to the Western Power Access Arrangement (2017/18 to 221/22 – AA4)*, 31 October 2017, pg 6, emphasis added by AGL.

AGL also understands that there has been little engagement or information provided on the technical specifications, standards and communications capability of the smart meters which Western Power is proposing to rollout, nor have Western Power provided any implementation program or detailed costs of the AMI rollout. Western Power is unilaterally making this decision without consultation or providing choice to retailers.

AGL's view is that the selection of smart meters should meet the same minimum technical specifications as those used within the National Energy Market (NEM) and, where possible, allow choice in metering and related services to consumers as recently rolled out in the "Power of Choice" program in the NEM. The necessary market infrastructure has now been built in the NEM and "Power of Choice" went live this month on 1 December 2017. This means there are appropriate standards, processes and transactions which exist in the NEM which could be leveraged for a more cost efficient solution.

Further, in the previous AA periods, Western Power failed to commence the approved AMI rollout for which it received revenue, which resulted in significant and consistent underspending by Western Power. This is of concern as proposed capital expenditure can form the basis to justify an increase in network tariffs.

As such, and in consideration of the gain sharing that Western Power receives, there needs to be a clear requirement for Western Power to commence and complete this smart meter program during the AA4 period and any proposed capital expenditure in this period should be subject to independent regulatory oversight to ensure proper governance.

In addition, the pricing of any proposed new AMI services to be provided by Western Power should be tightly monitored and subject to regulatory scrutiny to ensure that Western Power is not charging customers twice through both network service tariffs and metering service charges, potentially allowing over recovery by Western Power.

In any event, it is important that any approved investment in an AMI rollout by Western Power does not prohibit or restrict the ability for contestable metering services to be made available in the Wholesale Electricity Market (WEM) during the AA4 period or beyond depending on West Australian government policy.

## Operating Cost Efficiencies and Service Standards

### Issue 2

Western Power is proposing an increase in its service standards. However, it does not seem to have addressed the time value of daily read metering data. At present, the Western Power SLA for the provision of remotely read metering data is 'within two business days of the scheduled read date'. AGL does not consider this an appropriate service level.

Victorian distributors and commercial meter data providers servicing the NEM are required by regulation to provide remotely read smart meter data by 6.00 am the next day. The successful introduction and provision of innovative services to consumers requires good and timely metering data. AGL's experience of consumers using smart meter data is that they expect this level of service.

Victorian distributors can provide this level of service in relation to data delivery, as well as the provision of other remote services in a timely fashion. These levels of services were provided during the AMI rollout while manual meters were still serviced with their own SLAs.

Further, AGL notes that the services identified within the Metering Code<sup>5</sup> would need review to account for the new opportunities presented by remotely connected smart meters. The provision of remote services opens up further services which can be provided to consumers, and the access arrangements for meters and the provision of metering data needs to accommodate these new services.

AGL notes that in this AA4, Western Power is proposing to set its benchmarks on a five-year average of actual performance. While this may be an acceptable mechanism at this point in time, the basis for establishing benchmarks should be reviewed as the rollout of smart meters grows and the broader benefits of this rollout become visible.

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<sup>5</sup> Electricity Industry (Metering) Code 2012 (WA) (Metering Code)

## Customer Connections

### Issues 4, 11 and 12

Western Power is proposing new time of use, demand based services and bi-directional services as part of AA4. AGL notes that these services all depend on the provision of timely metering data and retailer access to demand services through the meter.

AGL notes that these services are ones which retailers are well able to supply and aggregate. The proposed changes to allow constrained connections in the WEM will lead to further products and services becoming available to support supply and demand balance. In a competitive market, these requirements will lead to new products and services being made available to consumers and the market.

Smart meter data and access to that data will play a key role in the development of these products and the new wholesale market design and as a result, the obligations relating to the rollout of smart meters and the delivery of services plays a pivotal role in the upcoming period.

Specifically, AGL notes that Western Power has not made a number of fundamental decisions regarding advanced metering publicly available. The technical specification and communications base for advanced metering, as well as the Business to Business Service Order (B2B SO) structure, are extremely important and this information should be disclosed to the market. NEM participants have spent substantial time and money establishing a national framework for smart meter infrastructure, technology and services.

AGL strongly recommends that the NEM meter and service standards be adopted by Western Power to ensure the interoperability across Australian electricity markets to allow open access by all participants. AGL also recommends that access to meters, meter data and other associated services provided by Western Power be dealt with in a regulatory framework that is consistent with the implementation of Power of Choice within the NEM.

AGL has noted that Western Power is mandating their new time of use tariff with the installation of an AMI meter. AGL does not support this position and strongly contends that it is not for the network operator to unilaterally determine the service that should be provided to a customer, as this is a matter to be negotiated and agreed between the retailer and customer. In the NEM, there is no mandatory linking by the network operators between the customer's meter and tariffs as network tariffs are a feed in, and should not drive a retailer and its customer's selection of a retail product.

Some of the network tariffs may only be enabled or supported by a smart meter, however, a network operator can only reject a selected service if the customer does not meet the eligibility requirements of the tariff, for example a business customer requesting a residential tariff or when a meter does not support the tariff. Western Power is a service provider to the retailers in the WEM, and therefore should be focussed on meeting the connection needs of the retailers, who in turn have the relationship with the customers.

## Network Charges and Metering

### Issue 1

Western Power has detailed that during AA4 it will roll out smart meters for forecasted meter replacements, new connections and retailer requested meter replacements at no cost to the customer. However, for other customers during this period, meters may be replaced with a smart meter for a fee, as will be the case for customers after the AA4 period. While AGL strongly supports competition in metering as a preferred outcome, AGL believes that while metering is a monopoly service of Western Power then it is an unreasonable position to penalise some customers who may not receive a smart meter during AA4 because of Western Power's own programming decisions.

In terms of the smart meter rollout, there will need to be adequate expenditure in establishing the necessary infrastructure, processes and resources to implement a successful program. However, it appears that Western Power's customers have paid for this service during the AA3 period and are again being asked to pay for this expense through their network charges in AA4.

AGL's view is that this previously approved expenditure, which was not delivered in the AA3 period, should be accounted for by Western Power in this AA4 period. AGL believes that once the decision is made to implement smart meters, there should be no consideration of rolling back and smart meters should become the standard meter with Western Power completing its rollout on the principles applied at the start of the program.

Western Power have pointed to the benefits of smart meters to significantly reduce network and metering costs due to remote meter reads, remote re-energisation, and especially cost benefits associated with access to the network data, which for example allows load and asset monitoring. Experience with the Victorian distributors, who have completed their smart meter rollout, is that the greatest benefits accrue where there is a high concentration of smart meters on the network.

As Western Power have not published a AMI deployment schedule, the benefits of any roll out could be diluted significantly if there is not regulatory oversight of the implementation program to ensure accountability and completion of its objectives.

Further, AGL strongly disagrees with Western Power's proposal that advanced metering services, which fall within neither standard or extended metering services and appear likely to be enhanced technology services, will not be subject to a price cap and will be determined by bilateral negotiation with the network operator. This service description needs to be clarified and priced accordingly. AGL considers this lack of clarity to be unacceptable for a regulated business and not reflective of similar services in the NEM.

Eastern state networks have been required to separate out the metering charges within their tariff structures as capital and operating charges. This allows customers to clearly see the costs they are being charged for metering services as opposed to connection services, and allows greater transparency of this specific aspect of the regulated monopoly business.

AGL has concerns that a regulated entity is able to impose uncapped charges onto a customer for a service which is presently a monopoly service. AGL has long maintained a position that regulated entities should only operate in regulated activities.

Metering and meter reading services are fundamental to customer billing, not the efficient transportation of electricity. Further, as these proposed services are not ring fenced or competitive, they will undoubtedly be funded by regulated income. Therefore, AGL believes that these services should be based on clearly specified and regulated charging regimes.

## Issue 15

Western Power has proposed that it would only report proposed amendments to technical rules which result in a material increase or decrease in cost, rather than individual changes. Consideration should be given to the cumulative effect of changes to multiple technical rules. Individual changes may not have a material effect, but the impact of cumulative changes could provide a material benefit or cost. AGL suggests that some sort of mechanism be put in place to review the changes holistically.

## Supplementary Matters

AGL notes that a number of structural elements in the retail market are an outcome of having a distribution business providing retail market services to retailers. Western Power is seeking to clarify these obligations within this AA4 proposal.

As stated above, AGL's position is that it is no longer appropriate for Western Power to provide any retail market services, as these are **not** the 'core services' of a distribution network. This is particularly relevant with Western Power proposing to offer new services (e.g. demand services) and tariffs during AA4 which cross the boundary between distribution and retail offerings. Western Power defines its core service as transporting electricity from the supplier to end-use customer and it is these regulated services which Western Power should operate within, not market or commercial services.

With the change in the market structure, it is an appropriate time to consider the retail market and non-distribution services being offered by Western Power and the services which AEMO can offer. AEMO provides, as part of its suite of services, retail market allocations for over 12 million customers across Australia. AGL believes that with AEMO now operating in WA, it is an appropriate time to review the structure of the retail market and the parties providing services to that market.

As a final comment, AGL considers that the distribution network should focus on the services for which it is regulated (i.e. distribution services) and that retail market services should be moved to the market operator, AEMO, who is focussed on providing those services. AGL's view is that AEMO, as market operator, can offer the current services and any improved services more efficiently and at a lower cost, as the inclusion of Western Power customers would be incremental to AEMO's existing customer base.