

CONSUMER COALITION ON ENERGY (CC93)

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Mr Ron Beatty
Senior Advisor Retail
Electricity Commission
PO Box 10041
WELLINGTON

Delivered by email to info@electricitycommission.govt.nz

Dear Ron

Submission on Advanced Metering Discussion Paper

The Consumer Coalition on Energy (CC93) welcomes the opportunity to comment on the Electricity Commission discussion paper "Advanced Metering" published June 2007. Replacing existing non-half hour metering with advanced metering could benefit most households and small enterprises as well as suppliers. In some cases though existing metering technology may still provide the best service.

In competitive markets the success of consumer uptake of new technology can be left to the market to self-manage. However there are potential risks to allowing the market to self-manage the introduction of advanced meters as follows:

- There are already doubts about the actual competitiveness of the retail electricity market. There is a risk advanced meters might further lessen competition either through the deliberate action of retailers to create barriers to entry (eg lock-in strategies) or unwittingly by the industry as a whole.
- Some of the benefits that advanced metering might provide will affect or can be influenced by the behaviour of distributors and Transpower. Market forces cannot

be relied upon to ensure economically efficient behaviour of these natural monopolies.

Risk 1: Barriers to competition

CC93 are optimistic that with careful analysis appropriate minimum guidelines as proposed in the discussion paper will overcome the first of these risks. We support further work to establish minimum standards for advanced meters. The alternative would be to rely on the generic anti-competitive provisions of the Commerce Act to inhibit and overturn barriers to competition. The lengthy time delays in the Commerce Commission court case in relation to access to meters in the Bay of Plenty has made us wary of relying on the generic competition provisions as protection.

At this stage CC93 has no comment on the details of the suggested minimum set of attributes for advanced meter infrastructure in appendix E of the discussion paper; although we may have further comments after considering the response of other parties.

Risk 2: Line monopoly behaviour may impede benefits being realised

The second risk will need to be considered separately by the Electricity Commission and the Commerce Commission. The Electricity Commission work will involve the soon to be released report of the Value/Price working panel.

Other work by the Electricity Commission would include improving locational transmission pricing signals through a review of the Transmission Pricing Methodology. Having a network congestion pricing signal to households through advanced meters would be very useful. Small savings by households at critical peak periods will defer the need for much costlier transmission investment.

The Commerce Commission will need to consider meter “market” issues as part of the reset of the threshold regime to be in place by 1 April 2009.

Next steps

The discussion paper suggests (paragraph 7.5.5 e. and f.) that a working panel to consider standard communication protocols and considers whether the panel should include appliance manufacturers. CC93 agree with using such panels including appliance manufacturers and we encourage the Commission to facilitate industry and consumer led forums as much as possible.

Advanced meters are just one part of a range of improvements that need to be made to the market to empower consumers to make better consumption choices. For example market information needs to be more freely available to allow consumers to make more informed choices and for retailers, including new entrants, to develop better products and services.

We look forward to participating in future Commission discussions on how to facilitate entry of advanced meters that will create a win-win for consumers and various service providers in the electricity supply chain.

Yours sincerely



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