



**Essential Services Commission Victoria
Determination in relation to
the General Exemption Order
for YMCA College Square**

Submission by
Trans Tasman Energy Group

on behalf of
Retirement Villages Association

September 2004

Background

The Retirement Villages Association, Victoria¹ (RVA) has recognised that retirement village residents can potentially benefit by their village becoming Embedded Networks and that if those residents were to have input into the successful development of the Embedded Networks process then the RVA would be best placed to co-ordinate their representation.

On behalf of its members, and the many thousands of retirement village residents, the RVA is providing this submission to the Essential Services Commission's Determination in respect to the General Exemption Order for YMCA College Square.

The RVA through its energy consultants Trans Tasman Energy Group² (TTEG) has been active in the development of the Embedded Network sector including submissions to:

- The Australian Competition and Consumer Commission (ACCC), in May 2004, following an application by the National Electricity Code Administrator's (NECA) on behalf of (the state of) Victoria for an extension to a Derogation contained in Chapter 7 of the National Electricity Code (the Code), to grant exclusivity for the provision of metering services to sub 160 MWh pa meters by distribution businesses in Victoria, and
- The National Electricity Markets Management Company (NEMMCO) in April 2004, in response to NEMMCO's discussion paper entitled "Embedded Networks and Retailer Choice".

The processes being conducted by the ACCC and NEMMCO are still underway and the outcomes, particularly of the ACCC process, may have a significant impact in terms of Citipower's role as a monopoly meter provider to the sub 160 MWh sector for Embedded Networks. The RVA brings this perspective to the attention of the ESC in considering their Determination of the YMCA College Square situation.

We trust our Submission and the issues we have considered will assist the ESC in its Determination. Should the ESC also form the view that Embedded Networks should be excluded from the Victorian Derogation then we encourage the ESC to advise the ACCC of this view.

Funding support from the Advocacy Panel of the National Electricity Code for RVA representation via this Submission is gratefully acknowledged.

¹ Details regarding the RVA are included in Appendix A

² Details regarding TTEG are included in Appendix A

ESC Considerations

When the RVA became aware of the Determination Process involving the YMCA College Square General Exemption Order, the relationship between the ESC's Determination and the current process³ regarding Derogations being conducted by the Australian Competition and Consumer Commission (ACCC) and the claims by Citipower were apparent and considered very relevant to the Determination process.

The Citipower/YMCA situation demonstrates the potential for reduction of benefits to Embedded Network customers if the Derogation does not recognise and exclude Embedded Networks.

The ACCC Derogation

The Submission from TTEG/RVA to the ACCC regarding the Derogation supported the extension of the Derogation for the general community but recommended that meters in an Embedded Network be excluded from the Derogation.

The reason for the exclusion is that the metering in an Embedded Network will generally be part of a system of remotely read complying meters and that when a consumer in the Embedded Network chooses to be supplied by a Retailer other than the Embedded Network Exempt Retailer, then the managers of the metering system have the ability to leave the meter that is provided by the Embedded Network Operator in place and for an MDA to read that meter and provide the data to NEMMCO and the consumer's new Retailer.

This service can be performed far more cost effectively than would be the case if the LNSP has to install another meter and then manually read that isolated meter and then forward the data to a Retailer.

The current Derogation prevents the above from occurring, which is to the detriment of:

- the consumer,
- the Retailer of choice (where that may be different to the Exempt Retailer),
- the Exempt Retailer (who will pay for certain extra costs), and
- perhaps the LNSP, as they may have to perform the service in a less than cost effective manner.

The ACCC has granted an interim extension of the current Derogation while it considers the Submission that Embedded Networks be excluded from the Derogation.

³ ACCC consideration of an application by the National Electricity Code Administrator's (NECA) on behalf of (the state of) Victoria for an extension to a Derogation contained in Chapter 7 of the National Electricity Code (the Code), to grant exclusivity for the provision of metering services by distribution businesses in Victoria.

The RVA seeks to alert the Essential Services Commission to the significance of a potential change to the Derogation representing a situation where the ACCC may recommend the exclusion of Embedded Networks from the Derogation so that the National Electricity Code would apply to customers in the YMCA Network. The effect would be that customers would no longer be in a situation where they may (as Citipower words suggest) be “disadvantaged by the Embedded Network arrangements” – a claim that we dispute in any case.

Any perceived barrier to switching raised by Citipower, only exists because the current Derogation denies customers in the YMCA (and other) Embedded Network(s) access to alternatives such as the system installed at the YMCA.

YMCA and Citipower Submissions

In considering the respective submissions of Citipower and the YMCA we contend that the unsupported issues raised by Citipower in relation to the YMCA are not likely to be valid and will become even less valid if the current Victorian Derogation is varied to remove Citipower’s meter provision and meter reading monopoly for second tier customers as contained in the YMCA (and other) Embedded Network.

As a general comment we note that Citipower’s concerns are of a general nature and not supported by any evidence. The RVA is concerned that Citipower’s claims could potentially be raised for all Embedded Networks.

On the other hand, the YMCA has clearly stated its commitment, actions and compliance with meeting all the requirements of the General Exemption Order including the relevant requirements of the Distribution Code, the Retail Code, the Pricing Rule, the Electricity Customer Metering Code and the Metrology Procedure.

Citipower nonetheless has raised concerns with the ESC. In its letter Citipower contends that:

1. Retailers will not be interested in selling power to customers at YMCA
2. Barriers to switching exist because Citipower is the only meter provider.
3. Barriers may be erected making it difficult for customer’s connection.

These concerns and the impact of the Derogation are considered below.

1. Retailers will not be interested in selling power to customers at YMCA

This assertion is unsupported and dubious, and becomes even more so if the metering and meter reading facilities available at the YMCA are available to Embedded Network customers and Retailers at a lesser cost than provided by Citipower.

It is our experience that Retailers (other than the supplier to the Embedded Network) may not be interested in marketing to customers in the Embedded Network because they recognise that they cannot match or better the prices and services provided by the Embedded Network Exempt Retailer.

Despite the above comment, a number of YMCA College Square Embedded Network end user consumers do not purchase from the Exempt Retailer for reasons that may include either being unable to (eg existing contracts with other Retailers) or they have chosen not to be supplied by the YMCA. The existence of these *second tier child customers* in the Embedded Network demonstrates that Retailers other than the Exempt Retailer can in fact supply them. It follows that if other Retailers already supply some consumers in the Embedded Network, then any consumers in the Embedded Network can be supplied by other Retailers should they choose to do so.

2. Barriers to switching exist because Citipower is the only meter provider.

Citipower's second assertion is the result of (we believe) an inappropriate restriction on end user customers.

Any barrier to switching that Citipower complains of exists only because the current Derogation denies Embedded Network customers (including the YMCA's) access to alternatives including the system that has been installed at the YMCA and other similar systems that exist in many other Embedded Networks in Victoria.

The points raised in Citipower's letter and in particular the second point relate to

"the need to change the provider of metering services to enable a tenant to receive electricity from a Licensed Retailer in which case the metering responsibility would revert from the embedded network operator to Citipower".

This is precisely the thrust of the submission⁴ that TTEG made on behalf of the Retirement Village Association, Victoria (RVA) to the ACCC when that body sought comment on the

⁴ RVA submission to the Australian Competition and Consumer Commission, May 2004, following an application by the National Electricity Code Administrator's (NECA) on behalf of (the state of) Victoria for an extension to a Derogation contained in Chapter 7 of the National Electricity Code (the Code), to grant exclusivity for the provision of metering services by distribution businesses in Victoria

request by the Victorian Government to NECA for an extension of the Derogation that makes it mandatory for all sub 160 MWH meters in Victoria to be supplied and read by the LNSP.

Citipower's monopoly role and this requirement would successfully be resolved by a variation for Embedded Networks to the Derogation to the National Electricity Code.

This Submission proposes that if Citipower's claim that tenants of College Square may be disadvantaged by the Embedded Network arrangements because:- "a barrier to switching arises from the need to change the provider of metering services" was considered to have substance, then it follows that the change to the National Electricity Code (the Code) that is provided via the Derogation (as requested by (the state of) Victoria) is the cause of that barrier.

If the Derogation to the Code were to exclude Embedded Networks then any registered Meter Provider and Meter Data Agent would be able to provide the service required by a consumer's Retailer of Choice within the Embedded Network.

When a registered Meter Provider and Meter Data agent operates the metering system throughout the entire Embedded Network then there would be minimal (if any) additional meter provision and meter reading costs incurred when a consumer exercised their right to choose a Retailer other than the Exempt Retailer and hence there would be no barrier to switching.

The RVA supports choice of electricity Retailer for consumers including the right to choose either an Exempt Retailer, or any other Retailer, where the consumer's village has become an Embedded Network.

The RVA supports the right of end user consumers within Embedded Networks to utilise metering services that may be available to them via the Embedded Network and which will not encumber them with otherwise unnecessary costs that would diminish competition in their choice of electricity Retailer whether it be the Exempt Retailer or another Retailer.

3. Barriers may be erected making it difficult for customer's connection.

Citipower does not support its concern in any way.

Alternatively there appears to be numerous customers of other Retailers in the YMCA Embedded Network that are connected to the Citipower distribution system.

The Electricity Retail Code requires that a facility to enable customer connection be provided and the YMCA have clearly made commitments in their correspondence to the ESC to ensuring choice of Retailer and access to the distribution system.

ESC support of Embedded Network Exclusion in the Derogation

Although separate from the YMCA Determination process, it follows that if the ESC also forms the view that it would be beneficial that Embedded Networks be excluded from the Victorian Derogation then we encourage the ESC to advise the ACCC of this view.

Further Assistance

We trust our Submission and the issues we have raised will assist the ESC in its Determination and we invite the ESC to seek further comments on any points in this Submission from:

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APPENDIX A

The Retirement Villages Association, Victoria and Tasmania (RVA)

The Retirement Village Association Ltd is the peak industry body for the retirement village industry. Active in all states of Australia, the RVA supports and promotes its members and retirement living lifestyles by providing advice and assistance, products and services to retirement villages and their residents. The RVA website at <http://www.rva.com.au> provides further information about its activities.

The RVA represents the interests of more than 300 retirement villages nationally and in this matter represents the interests of many thousands of retirement village residents who would potentially benefit from their villages becoming Embedded electricity Networks.

Retirement villages vary greatly from village to village with many models and styles of villages. Accommodation options, services and facilities vary from place to place, however typically a village may include many (up to 500) independent living units or "Villas" which may comprise one, two, three and even four bedrooms, plus a number of "Serviced Apartments" with personal care and meals provided and sometimes some higher care accommodation facilities. Usually the village will include "Communal Facilities" that may include dining and socialising facilities, medical and personal care services, mini shops, craft and garden centers, bowling greens, croquet, swimming pools, gymnasiums and even golf courses.

The mix of resident and "communal" use of electricity in a village provides the opportunity for the village to exercise a degree of bulk buying power which can reduce the cost of electricity directly for residents and indirectly by virtue of lowering costs for operation of the "communal" activities. The net effect of the electricity savings is a welcome saving for residents, the majority of whom are on pensions and fixed incomes.

Trans Tasman Energy Group (TTEG) Consultants

Trans Tasman Energy Group Consultants (TTEG) has prepared this Submission in collaboration with Marden Energy Pty Ltd for the Victorian Retirement Village Association.

TTEG Consultants (www.tteg.com.au), provide specialist energy sector advice including commercial and regulatory aspects pertaining to Embedded Networks.

TTEG's own work on Embedded Networks supports the view of this Submission.

In working with the Victorian Retirement Village Association and its members for the past two years we advise ACCC that we are well versed in terms of commercial and regulatory aspects pertaining to Embedded Networks.