

SUPPLEMENTARY GAZETTE



THE SOUTH AUSTRALIAN
GOVERNMENT GAZETTE

PUBLISHED BY AUTHORITY

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ADELAIDE, MONDAY, 30 OCTOBER 2000

NATIONAL ELECTRICITY (SOUTH AUSTRALIA)
ACT 1996

*Notice Under National Electricity Law and National
Electricity Code*

NOTICE is hereby given pursuant to section 6 (2) of the National Electricity Law which forms the Schedule to the National Electricity (South Australia) Act 1996 and clause 8.3.9 (d) of the National Electricity Code approved under section 6 of the National Electricity Law that clauses 5.3.7 (e) and (f), Schedule 5.6, Chapter 7 and the definitions in Chapter 10 relevant to metering and the introduction of full retail contestability of the National Electricity Code are amended.

These amendments to the National Electricity Code commence on the date of gazettal of this notice.

As required by clause 8.3.9 (d) of the National Electricity Code, a copy of the ACCC's letter dated 27 October 2000 is set out below.

The amendments referred to above and a copy of the ACCC's letter dated 27 October 2000, providing authorisation for these amendments can be viewed on the Internet website of National Electricity Code Administrator Limited (ACN 073 010 327) ('NECA') at www.neca.com.au under 'The Code' section of that website.

The National Electricity Code can be viewed on the NECA Internet website at www.neca.com.au and at the offices of NECA and National Electricity Market Management Company Limited (ACN 072 010 327). A list of addresses where the Code can be viewed is available on the NECA website.

Dated 30 October 2000.

National Electricity Code Administrator

ACCC Letter of Authorisation

27 October 2000

Stephen Kelly
Managing Director
National Electricity Code Administrator Limited
Level 5, 41 Currie Street
ADELAIDE, S.A. 5000

Dear Mr Kelly

National Electricity Code ^{3/4}
*Applications for authorisation No's: A90739, A90740
and A90741*

I refer to our letter of 21 September 2000, regarding the Australian Competition and Consumer Commission's (the Commission) decision to grant interim authorisation to a set of Code changes regarding the implementation of full retail competition (FRC), subject to a number of conditions. I understand that these code changes have yet to be gazetted.

Since making this decision, the jurisdictions and other interested parties have indicated that the conditions will result in unintended consequences. Consequently, at the Commission meeting on 25 October 2000 the Commission revoked the interim authorisation of 20 September 2000 and replaced it with this interim authorisation, subject to the amended conditions below.

The issues that were raised by interested parties and the Commission's reasons for amending the conditions are discussed below.

Review and sunset of profiling

In its previous letter, the Commission indicated that it believed that there would be benefits from allowing metering installations type 6 as a low cost solution to facilitate customer choice during the transitional phase of FRC. However, the Commission had some concerns as to whether this arrangement would be beneficial if it was comprehensive in the longer term. Therefore, the Commission imposed a condition to sunset metering installations type 6, subject to a joint review by the jurisdictional regulators. The review would identify whether metering installations type 6 were required to continue.

However, several parties raised concerns that this approach introduces practical difficulties and regulatory risks, which are likely to delay the procurement of systems and the implementation of FRC. Additional concerns were raised about the potential barriers to customer switching due to the potential for asset stranding, which would impose additional costs on customers.

In light of these concerns, the Commission has amended the conditions and specified the terms of reference for the review. The Review will still consider whether to sunset metering installations type 6 for particular customer classes. However, the terms of reference will also cover a review of the metrology procedures with an aim to develop nationally consistent procedures, the elimination of barriers to entry and have regard to jurisdictional requirements in relation to new and replacement meters.

Independent party appointed by NECA

In our earlier letter, we raised concerns regarding the design and approval of the metrology procedures by the same persons. Given those concerns, the earlier interim authorisation imposed a condition that an independent person, appointed by NECA, must approve the metrology procedures to ensure accountability, integrity and national consistency.

However, the jurisdictions and the Victorian Distribution Businesses raised concerns that the NECA appointee would not be accountable and this process would delay the introduction of FRC.

After considering these concerns the Commission has replaced the earlier conditions with a new set of conditions that allows for a flexible approach, without detracting from the objectives of integrity, accountability and national consistency. The effect of the condition is that the jurisdictional regulator will be the metrology coordinator by the date FRC is implemented in the participating jurisdictions, or by 2003 at the latest. From this time, the metrology coordinator will be responsible for approving the changes to the metrology procedures proposed by other persons. The Commission acknowledges that there needs to be a transition towards this arrangement and that it is appropriate that the jurisdictions develop and approve the initial framework for FRC. However, within 6 months of commencing its role as metrology coordinator, each jurisdictional regulator must undertake a review of the initial metrology procedures, assessing them against the principles set out in the Code.

Conditions of interim authorisation

The conditions of the interim authorisation have been amended as follows:

- C1 The proposed Code changes must be amended to provide that:
- (a) the metrology coordinator appointed for a participating jurisdiction will be responsible for the development and approval of the initial metrology procedures for metering installation types 5, 6 and 7 for that participating jurisdiction;
 - (b) in each participating jurisdictional regulator must be appointed as the metrology coordinator by the date that full retail competition is implemented in the participating jurisdiction and, in any event, no later than 1 January 2003;

- (c) the jurisdictional regulator must, within 6 months of being appointed as the metrology coordinator, complete a review of the initial metrology procedures that are in place when it is appointed as the metrology coordinator. The review must assess the initial metrology procedure against the objectives in 7.3.1 (ba) (3A). The review must be conducted in accordance with the Code consultation procedures set out in clause 8.9 of the Code and a copy of the report must be provided to the Commission and made publicly available; and

- (d) when the jurisdictional regulator is appointed as the metrology coordinator, it then becomes responsible for reviewing and approving changes to metrology procedures that are proposed by other persons in the participating jurisdiction in accordance with procedures developed by the metrology coordinator (see paragraph (b) of conditions C3).

C2 Clauses 7.3.1 (ba) (3) (i) and 7.3.1 (bc) must be deleted and the following clause must be inserted into clause 7.3.1 (ba) of the proposed Code changes:

‘(ba) A metrology procedure must:

- (3A) be prepared and approved with a view to achieving the following objectives:

- (i) the promotion of an efficient market;
- (ii) the avoidance of unreasonable discrimination between Market Participants;
- (iii) minimisation of the barriers to entry for competing retailers; and
- (iv) technical soundness and economic efficiency,

provided that, to the extent of any conflict between the application of these objectives to a particular metrology procedure, the metrology coordinator may determine the manner in which they can best be reconciled or which of them should prevail.’

C3 The proposed Code changes must be amended to provide for the following to apply to metering installations associated with those connection points identified by clause 7.1.1 (b) (2) and which are classified as metering installation types 5, 6 and 7 as specified in Schedule 7.2:

- (a) the initial metrology procedures for each participating jurisdiction are to be prepared and approved by the metrology coordinator appointed in the participating jurisdiction in accordance with the Code consultation procedures and other interested persons;
- (b) the metrology coordinator in each participating jurisdiction must, by the date that full retail competition is implemented in the participating jurisdiction and no later than 1 January 2003, develop and document a process for changes to the metrology procedures to be prepared by other persons in the participating jurisdiction and proposed to the metrology coordinator for approval;
- (c) changes to metrology procedures for a participating jurisdiction may be proposed to the metrology coordinator appointed in that participating jurisdiction in accordance with the process referred to in paragraph (b);

- (d) changes to metrology procedures for a participating jurisdiction are only effective if approved by the metrology coordinator appointed in that participating jurisdiction;
- (e) the metrology coordinator may only approve changes to metrology procedures:
- (i) in accordance with the process referred to in paragraph (b);
 - (ii) following consultation with Code Participants and other interested persons; and
 - (iii) in accordance with clause 7.3.1 (ba) 3(A); and
- (f) the metrology coordinator must provide the metrology procedures to NEMMCO for publication by NEMMCO.
- C4 Clause 7.3.4 (e) of the proposed Code changes must be deleted and the Code must be amended to provide that the jurisdictional regulators must, by 31 December 2003, jointly conduct and complete a review of metering installation types 5 and 6 and the metrology procedures that have been implemented in the participating jurisdictions. The review must:
- (a) in relation to metering installations types 5 and 6:
 - (i) consider whether barriers exist to consumers adopting economically efficient metering solutions or other economically efficient technology. If it is determined that such barriers exist, the review must make recommendations in relation to reducing those barriers, in order to promote the adoption of economically efficient solutions for example, recommendations regarding the accelerated replacement of type 6 meters with type 5 meters;
 - (ii) consider whether there is a need for a sunset of load profiling for certain customer classes, after considering historic and future metering costs;
 - (iii) include in the economic analysis the cost to consumers of any stranded assets; and
 - (iv) take into account any jurisdictional requirements in place at the time of the review in relation to new and replacement meters;
 - (b) in relation to the metrology procedures that have been implemented in the participating jurisdictions, seek to achieve national consistency for the purpose of meeting the objectives set out in clause 7.3.1 (ba) (3A);
 - (c) propose to NECA any changes to the Code that are necessary to implement the recommendations made by the review; and
 - (d) specify a date for a further review to be conducted.
- The review must be conducted in accordance with the Code consultation procedures set out in clause 8.9 of the Code and a copy of the report must be provided to the Commission and made publicly available.
- In conducting its full assessment of the Code changes and submissions the Commission may consider it necessary to impose conditions that are additional to those imposed in this interim authorisation. It should be noted that the interim authorisation will lapse when the Commission reaches a final determination in regard to the applications and that, under subsection 91 (2) of the Act, the Commission may revoke an interim authorisation at any time.
- If you have any queries about any issue raised in this letter, please contact either Tanya Barden on (02) 6243 1254 or Louis Tirpcou on (02) 6243 1216.

Yours sincerely,

R. F. SHOGREN, Commissioner