

27 April 2001

Michael Rawstron
Australian Competition and Consumer Commission
PO Box 1199
DICKSON ACT 2602

Dear Michael

Victorian Derogations to the National Electricity Code

Integral is fully supportive of any Code changes that allocate the responsibility for metering small customers to the Local Network Service Provider (LNSP).

Integral is concerned that the passing of this responsibility to the Financially Responsible Market Participant (FRMP) provides potential for the creation of barriers to entry, creates a conflict of interest and increases the cost of metering to the industry and ultimately the customer.

Barrier to Entry

The passing of responsibility of metering to the FRMP would allow them to create a barrier to entry. By refusing to allow subsequent Retailers to use the metering assets, or by pricing their use higher than their amortised cost, the FRMP creates a barrier to transfer equal to the cost of installing new metering.

Conflict of Interest

The Host Retailers are susceptible to any failure in metering services, as they will inherently pay the cost of any failure to record energy consumption. As all the associated risk lies with the Host Retailer and given that the FRMP is in competition with the Host Retailer, the FRMP would have no incentive to find and correct errors, and could not be regarded as an independent entity to engage these services.

Increase in Costs

There are also significant costs associated with the removal of the metering responsibility from the LNSP.

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Passing the responsibility for metering to the FRMP adds unnecessary additional complexities upon a market associated with multiple responsibility for metering services. Costs of process changes, system changes, ongoing additional transactional complexity, failure to identify unrecorded additions, unnecessary meter churn, premature retirement of metering assets, additional administration and multiple billing will all be imposed upon the industry and ultimately flow on to the end-use customers.

Integral is happy to provide the ACCC with further information on the source of these costs upon request.

In summary, Integral Energy is supportive of allocating the responsibility for metering to the LNSP, and would urge the ACCC to give consideration to the matters raised in this submission. It is important to note that although the cost of metering services to small customers is only in the order of 1-2% of the bill the entire National Market relies on the integrity of these services.

Yours sincerely

Rod Howard
General Manager
Full Retail Contestability