

STAKEHOLDER NOTICE

3 May 2019

Report on benefits of advanced digital meters—invitation for submissions

On 24 April 2019, the QCA received a direction from the Minister for Natural Resources, Mines and Energy, the Hon Dr Anthony Lynham MP (the Minister), to provide a report on the benefits associated with the deployment of advanced digital meters (also known as 'smart' meters) in the south east Queensland designated market area. The Minister's cover letter and direction are attached to this stakeholder notice.

Table 1 outlines a list of questions QCA staff have compiled to seek stakeholder views on the preparation of this advice. Stakeholders should note that this material has been prepared by QCA staff and does not bind, nor does it represent, the views of the QCA.

Table 1 Staff questions for stakeholder comment

<i>Terms of reference</i>	<i>Question</i>
1(a)	What issues should the QCA consider when requesting, and interpreting, retailer data on advanced digital metering deployment strategies?
1(b)	Are there any electricity supply participants in addition to electricity retailers, electricity distribution and transmission network entities, electricity generators, and market administrators that the QCA should consider?
	What benefits do stakeholders consider could potentially be available to each electricity supply participant, including residential and small business retail customers?
	What do stakeholders consider to be the best methods to value these benefits?
	How do stakeholders expect these benefits could be realised over time?
1(c)	Are there any issues, beyond using costs in the Energex Distribution area, the QCA should consider to ensure the potential benefits identified are consistent with the Government's Uniform Tariff Policy (UTP)?
1(d)	What other matters, in addition to those identified above, do stakeholders consider the QCA needs to take into account in preparing this advice?
2(a)	What potential, and realised, direct benefits do stakeholders consider advanced digital meters have over accumulation meters?
	How should the value of these benefits be estimated?
2(b)	Which groups identified in 1(b) receive benefits from advanced digital meters?
	How should the QCA identify the proportion of the total benefit received by each participant group?
2(c)	How should the QCA estimate the potential for each direct benefit to be realised now and in the future?
	What factors do stakeholders consider would affect the realisation of direct benefits now and in the future?

<i>Terms of reference</i>	<i>Question</i>
2(d)	What barriers exist for realising potential benefits now and in the future?
	How should the impact of these barriers be estimated for each group identified in 1(b)?
	How could these barriers be removed?
2(e)	What factors should the QCA consider when estimating annual benefits to each group identified in 1(b)?

Submissions

QCA staff seek stakeholder views on these matters by **3 June 2019**.

Submissions, comments or inquiries regarding this paper should be directed to:

Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001

Tel (07) 3222 0548
Fax (07) 3222 0599

www.qca.org.au/submissions

Confidentiality

In the interests of transparency and to promote informed discussion and consultation, the QCA intends to make all submissions publicly available. However, if a person making a submission believes that information in the submission is confidential, that person should claim confidentiality in respect of the document (or the relevant part of the document) at the time the submission is given to the QCA and state the basis for the confidentiality claim.

The assessment of confidentiality claims will be made by the QCA in accordance with the *Queensland Competition Authority Act 1997*, including an assessment of whether disclosure of the information would damage the person's commercial activities and considerations of the public interest.

Claims for confidentiality should be clearly noted on the front page of the submission. The relevant sections of the submission should also be marked as confidential, so that the remainder of the document can be made publicly available. It would also be appreciated if two versions of the submission (i.e. a complete version and another excising confidential information) could be provided.

A confidentiality claim template is available on request. We encourage stakeholders to use this template when making confidentiality claims. The confidentiality claim template provides guidance on the type of information that would assist our assessment of claims for confidentiality.

Public access to submissions

Subject to any confidentiality constraints, submissions will be available for public inspection at our Brisbane office, or on our website at www.qca.org.au. If you experience any difficulty gaining access to documents, please contact us on (07) 3222 0555.

Attachment—Ministerial direction and cover letter



The Hon Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Ref CTS 33829/18

- 5 APR 2019

QLD COMPETITION AUTHORITY

24 APR 2019

DATE RECEIVED

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Email nrm@ministerial.qld.gov
www.dnrme.qld.gov.au

Professor Flavio Menezes
Chair
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Professor Menezes

The Queensland Government has a strong record of delivering stable electricity prices and is committed to ensuring that Queensland households and businesses continue to benefit from this government's actions in a fair and equitable way. In April 2018, I sought the Queensland Competition Authority's (QCA) advice on spreading digital metering costs across all regional small customers, rather than applying them only to customers receiving or having the new meters. This was due to my concern about the substantive impact small regional customers face, especially during the early stages of competitive metering reforms under the Power of Choice. I appreciated the QCA's advice on this matter and look forward to receiving revised advice for this year.

On 15 June 2018, I applied that original advice in setting metering prices for small regional standard contract customers for 2018–19. For a customer on Tariff 11, this reduced the annual cost of a digital meter from \$111 (as identified by the QCA) to \$44. I acknowledge that the cost of advanced digital meters is higher than standard accumulation meters and that they deliver benefits standard meters cannot.

I remain concerned that continuing with this approach will eventually mean that all customers will pay the full additional costs of digital metering without recognition of the benefits across the supply chain. For example, a retailer should achieve savings through being able to undertake remote (rather than manual reads) and by providing more frequent billing, which in turn may reduce the number of disconnections or customers in long-term hardship, providing additional benefit to retailers. A network business should also gain benefits and achieve savings by being able to respond more quickly to power interruptions, and to build a more accurate understanding of customers' energy demand, thus optimising future investments. Importantly, digital metering is the critical enabler of new cost reflective network tariffs which seek to drive more efficient use of electricity networks.

I wish to better understand the benefits associated with the deployment of advanced digital meters and seek the following advice:

- The potential benefits that may be realised by the various participants in the electricity supply chain.
- The extent to which these benefits are currently being realised by these participants.
- The barriers, if any, which currently limit potential benefits being passed through to customers and other participants in the electricity supply chain.

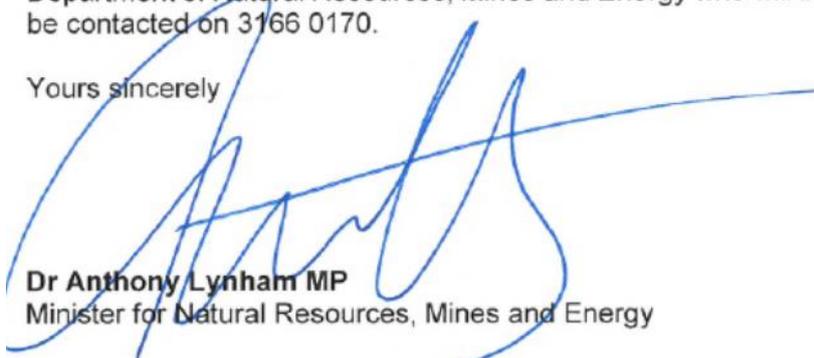
- Any anticipated future technology and/or retail product developments that may result in direct benefits to customers, or provide products and services that customers may be willing to pay a premium for.

Accordingly, I am issuing a direction notice under section 89B of the Electricity Act 1994 (the Act) for the QCA to provide advice. In making this request, I acknowledge the limitations to the QCA's information gathering powers under the Act.

The QCA is to provide written advice to me by 16 September 2019. I would also request the QCA publish the report on its website on 20 September 2019.

If you have any questions, please contact Ms Gayle Leaver, General Manager, Energy Division, Department of Natural Resources, Mines and Energy who will be pleased to assist you and can be contacted on 3166 0170.

Yours sincerely



Dr Anthony Lynham MP
Minister for Natural Resources, Mines and Energy

Att

ELECTRICITY ACT 1994
Section 89B(1)

MINISTER'S DIRECTION NOTICE

Pursuant to section 89B(1) of the *Electricity Act 1994* (the Act), I hereby direct the Queensland Competition Authority (the QCA) to provide a report on the potential benefits that are readily and directly available to participants in the Queensland electricity supply chain, and residential and small business customers for the period of 1 July 2018 to 30 June 2019 as the result of those customers having or receiving advanced digital electricity metering (Type 4), and being in addition to and compared to, the same customers having standard accumulation metering (Type 6).

The following are the Terms of Reference of this direction:

Terms of Reference

1. This report should consider:
 - a. retailers' advanced digital metering deployment strategies, including deployments completed by 1 July 2019 and forecast installations to 30 June 2020;
 - b. as far as is possible, the benefits from advanced digital metering that:
 - i. various electricity supply sector participants such as but not limited to, electricity retailers, electricity distribution and transmission network entities, electricity generators, and market administrators; and
 - ii. small retail customers can reasonably be expected to have available to them in 2018-19, or in future, regardless of whether or not they act to realise those benefits.
 - c. In evaluating the potential direct benefits in the form of cost savings or avoided costs, reference should be made to the costs associated with providing retail advanced digital metering services to residential and small business customers in the Energex distribution area, in a manner consistent with the Government's Uniform Tariff Policy; and
 - d. any other matter the QCA considers relevant.
2. The report should set out potential direct benefits for each relevant electricity chain participant group, and where possible be supported by:
 - a. consideration of the available direct benefits advanced digital meters currently offer over standard accumulation metering setting aside considerations of any barriers to realising benefits;
 - b. consideration of which participant group or groups each of those direct benefits can be largely accessed by, including the proportion of the total benefit each group may access;
 - c. the potential for each of those direct benefits to be realised by 30 June 2019, compared to forecasts for 30 June 2020, and over the period when the expected maximum (up to 100%) meter deployment is reached;
 - d. assessment of the barriers for each group in realising each of those direct benefits, and potential outcomes for retail customers if barriers are not removed; and
 - e. where possible, assessment of the annual value of each benefit to each group, adjusted for the impacts of barriers to achieving the benefits.

Timing and publication of report

In accordance with section 89B(2)(b) of the Act, the QCA must provide me a final version of its written advice no later than 16 September 2019.

In accordance with section 89B(2)(c) of the Act, the QCA must publish this direction on the QCA website, and publish its written advice to me on the QCA website on 20 September 2019.

DATED this

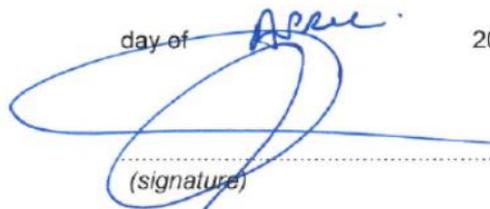
THIRD

day of

April

2019.

SIGNED by the Honourable)
Dr Anthony Lynham MP)
Minister for Natural Resources,)
Mines and Energy)


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(signature)