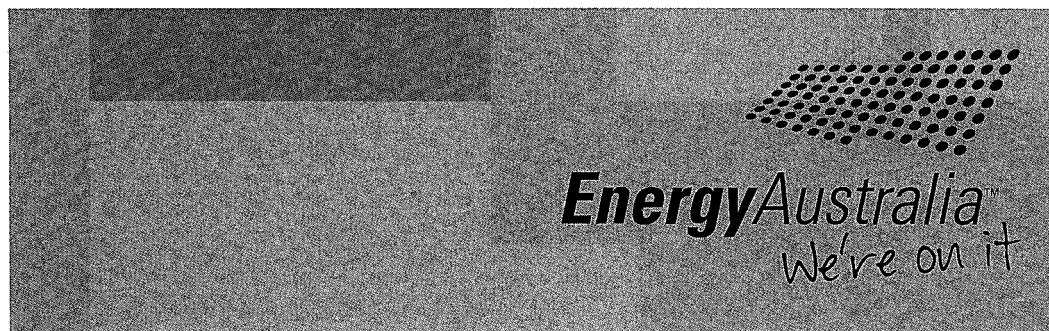


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27 July 2007

Dr John Tamblyn
Chairman
Australian Energy Market Commission
Level 16, 1 Margaret Street
SYDNEY NSW 2000

Dear Dr Tamblyn,

NEMMCO Proposed Rule Change for Harmonisation of Metrology

EnergyAustralia welcomes the opportunity to comment on NEMMCO's proposed National Electricity Rule change to harmonise metrology rules for first and second tier metering and to incorporate first tier metering into a single Rules framework, albeit with some continuing jurisdictional differences.

EnergyAustralia fully supports the objectives of the proposed Rule change. Further, we consider that overall, NEMMCO's proposals deliver these objectives. We were extensively consulted by NEMMCO during the process for preparation of the Rule change proposals.

In general, we do not consider the Rule change proposals cause significant difficulties for EnergyAustralia, as they largely represent a continuation and tidy up of the status quo. In addition, in its capacity as Responsible Person, EnergyAustralia has for some time now applied a single set of operational procedures to both first and second tier metrology services. We think the grandfathering clause is sensible, but we do not expect to have excess supplies of non-compliant meters as we have already adopted a single specification for both tier one and tier two meters.

While we support the Rule changes, this is not to say the changes are without an overall compliance cost. Examples of additional costs include increases in requirements relating to record keeping and the volume of metering related data that must be stored by the RP. There is also a risk that the provision for additional facilities (Rule change number 4) could conceivably result in large scale switch outs of existing metrology assets.



These are matters that we will consider in further detail and which we will take into account in our network pricing submission for the Australian Energy Regulator.

We suggest the AEMC may wish to consider providing a definition for the term "affected parties" in proposed Rule change 8 (proposed Rule 7.6.2(bb)). As far as we are aware, this is not a defined term in Chapter 7.

From EnergyAustralia's perspective, a further advantage of the Rule change proposals is that it prepares the ground for the more substantive changes to metrology rules necessary to implement MCE policies regarding the mass market deployment of 'smart meters'. Under the COAG timetable, these changes are due to be proposed and made during 2008.

In relation to smart meters, we consider one useful change that could be considered as part of the current rule changes is relaxation of the Accuracy Tables (Rule change number 23). This approach has already been adopted in Victoria and we understand officials advising MCE have considered relaxation of these requirements during the transition to smart meters as it would reduce the quantity of non-smart meters installed in the meantime before mass market deployment, due to commence from 2009. While EnergyAustralia as a matter of policy now only purchases upgradeable Type 5 (manually read interval) meters for new and modified installations and replacements, we suggest there would still be considerable merit in relaxing the meter accuracy requirements.

As you will be aware from our previous submissions regarding the Rule changes made by the Commission in November 2006, we continue to hold concerns regarding some aspects of Chapter 7 in its current form. In particular, we are concerned about the recoverability of our substantial investment in Type 5 (manually read interval) meters, on a new and replacement basis.

This is because, under the Rules as they stand, these meters would all become automatically contestable as soon as they are upgraded to have remote reading capabilities (communications). Our investment in interval meters depends on recovery of their cost over their entire operational life, both before and after their conversion to being "smart" meters. We will continue to press for a satisfactory resolution of this issue and hope it will be achieved during the 2008 Rule change process.

Please do not hesitate to contact Mr Harry Colebourn on (02) 9269 4171 to discuss any of the matters raised above.

Yours sincerely



Geoff Lilliss
Executive General Manager Network