



20 December 2004

The Essential Services Commission of South Australia
GPO Box 2605
Adelaide
South Australia 5001

Dear Sirs

Prepayment Metering Code: Consultation Draft

Thank you for the opportunity to comment on your Consultation Draft of a Prepayment Metering Code dated November 2004.

Background

NGC is New Zealand's largest meter owner, with electricity meters and load-control equipment at over 800,000 homes and businesses, or around 45% of the New Zealand market. NGC is not an electricity retailer or distributor but independently provides meters and metering services to electricity retailers (who under NZ electricity governance rules are responsible for the provision of meters at their customers' premises).

During 2004 NGC introduced a new prepayment metering service to the New Zealand market, based on the PRI Liberty prepayment meter. We selected this meter after reviewing a wide range of available technologies. After piloting the service to favourable customer feedback, we now provide the service to customers in conjunction with a major NZ electricity retailer.

The PRI Liberty prepayment meter is PIN-based and includes a customer display unit located inside the house. Customers can choose whether to vend by telephone, web, or over the counter at a local bank. As well as offering superior payment flexibility, NGC's experience is that PIN-based prepayment metering systems have lower capital and operating costs than card-based systems. These were significant factors in NGC's choice of a PIN-based prepayment metering solution.

Through researching, piloting and deploying a new prepayment metering solution for NZ, NGC has gained valuable experience that we hope permits us to provide worthwhile input to your draft.

Benefits of prepayment meters

NGC believes that prepayment meters offer significant benefits to customers and to the industry as a whole. For customers struggling to budget effectively, for whom a monthly electricity account is challenging, the option to purchase a smaller amount weekly represents great value. And the real-time consumption and demand information offered by

a typical prepayment meter enables these and other cost conscious customers to better manage their electricity use.

For the industry as a whole, there is reason to believe that prepayment meters can reduce overall energy consumption by providing real time consumption information to customers. In addition, many prepayment meters support smart time-of-use tariff options, giving retailers the opportunity to implement time-variable pricing and encourage customers to shift consumption away from times of peak demand.

When designing regulation, we encourage ESCOSA to consider the value of these benefits and accordingly to avoid erecting cost barriers that could limit the commercial viability of prepayment metering and so constrain the realisation of these benefits by customers and industry. Our comments on the draft code are centred mainly on this issue.

Comments on the Draft Code

We are generally supportive of the code. However there are two areas that we consider could be counter-productive to ESCOSA's objectives.

1. Retailers to bear removal costs of prepayment meters

In 2.5.1, the retailer bears the costs of removing the prepayment meters of customers who change their mind within 3 months of getting a prepayment meter installed.

In 2.8.2 (a) the retailer bears the costs of removing the prepayment meters of any customers who claim to be experiencing payment difficulties.

And, in 2.15.3 the retailer bears the costs of removing the prepayment meter of customers who move into new premises and want the prepayment meter out.

Our view is that it would be unreasonable and counter-productive for a retailer to always bear these costs.

The magnitude of the costs would be difficult for a retailer to quantify, requiring the retailer to somehow predict how many customers will make each of the choices outlined above. The retailer would presumably then fund the estimated removal costs by a higher metering fee for all customers that take up the prepayment metering option: effectively a cross-subsidy to the benefit of those customers who make the choices above.

The result could be less take-up of the prepayment option overall and the loss of the attendant benefits to customers and the industry as a whole. Hence it is our view that these proposed meter-removal subsidies could be counter-productive to ESCOSA's objectives.

While we agree that any customer should be able to revert to standard metering at any time, it would also seem reasonable for that customer to bear the (actual) cost of the meter change, whether it be one week or six months after the installation of the prepayment meter.

2. Capacity of prepayment meter management system

In 2.8.1 there is a requirement for the prepayment system, at the time of vending, to inform the retailer of the quantity and duration of the customer's self-disconnections. In our view this requirement is onerous and excessive, effectively prescribing a 2-way card system and ruling out many otherwise capable prepayment meter options.

It would be unfortunate to lock in a significantly higher level of costs than necessary and rule out the customer flexibility benefits of PIN-based systems through this requirement, unless the benefit attached to the information sought outweighs these disadvantages.

Higher costs and less flexibility for prepayment customers are likely to lead to less take-up of the prepayment option and the loss of the attendant benefits to customers and the industry as a whole. Hence it is our view that the proposed requirement of 2.8.1 could be counter-productive to ESCOSA's objectives.

For enquiries

Thank you again for the opportunity to comment. Please feel free to contact the writer on the numbers above, or at phil.hawkey@ngc.co.nz.

Yours sincerely,

Phil Hawkey

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