

Australian Energy Market Commission

## CONSULTATION PAPER

National Electricity Amendment (Estimated meter reads) Rule 2018

National Gas Amendment (Estimated meter reads) Rule 2018

National Energy Retail Amendment (Estimated meter reads) Rule 2018

### **Rule Proponents**

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17 May 2018

RULE  
CHANGE

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## **About the AEMC**

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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# Contents

<b>1</b>	<b>Introduction .....</b>	<b>1</b>
<b>2</b>	<b>Background .....</b>	<b>2</b>
2.1	Metering types, roles and responsibilities .....	2
2.2	Frequency of meter reads.....	3
2.3	Retailer billing requirements .....	4
2.4	Related projects .....	5
<b>3</b>	<b>Details of the rule change requests .....</b>	<b>7</b>
3.1	Issues identified.....	7
3.2	Proposed rule changes .....	8
3.3	Expected costs and benefits of the proposed rule changes .....	9
<b>4</b>	<b>Assessment framework and legal tests.....</b>	<b>11</b>
4.1	Rule making test.....	11
4.2	Proposed assessment framework .....	13
<b>5</b>	<b>Issues for Consultation .....</b>	<b>14</b>
5.1	Issue to be addressed.....	14
5.2	Options raised by rule proponents .....	16
<b>6</b>	<b>Lodging a submission .....</b>	<b>25</b>
6.1	Lodging a submission electronically .....	25
6.2	Lodging a submission by mail .....	25
	<b>Abbreviations.....</b>	<b>26</b>



# 1 Introduction

The Australian Energy Market Commission (AEMC or Commission) has received the following rule change requests:

- On 6 February 2018, Ms Kirsty Johnson submitted a rule change request under the National Electricity Law (NEL) and the National Energy Retail Law (NERL) to prohibit the use of estimated meter reads.
- On 27 March 2018, Dr Daryl Dodt submitted a rule change request under the NEL and NERL to require retailers to apply a specific methodology for estimates where the customer has installed a solar system.
- On 29 March 2018, the Hon Josh Frydenberg MP, Minister for the Environment and Energy, submitted a rule change request under the NEL, NERL and the National Gas Law (NGL) to require retailers to accept a customer self-read of a meter as the basis for an estimated meter read.

The Commission has consolidated the rule change requests made under each of the NEL and the NERL under s. 93 of the NEL and s. 248 of the NERL respectively. These rule seeking changes to the National Electricity Rules (NER) and the National Energy Retail Rules (NERR) to address issues related to estimated meter reads. Minister Frydenberg's rule change request also requests the Commission to consider any requisite amendments to the National Gas Rules (NGR).

This consultation paper has been prepared to facilitate public consultation and to seek stakeholder submissions on the three rule change requests:

- the consolidated NER rule change request
- the consolidated NERR rule change request
- the NGR rule change request.

The three rule change requests are being considered together.

This paper:

- sets out a summary of, and a background to, the rule change requests
- identifies a number of questions and issues to facilitate the consultation on this rule change request
- outlines the process for making submissions.

## 2 Background

This chapter sets out the provisions in the rules and Australian Energy Market Operator (AEMO) procedures that relate to meter reading, estimates and billing of customers.

Retailers must comply with billing requirements. Separately, there are requirements on metering data providers, electricity local network service providers (typically the distributor) and gas distributors to read the meter.

These obligations are aligned so that a customer's bill is likely to be based on an actual meter read (for example, see the summary of the Meter Read and Billing Frequency rule change in section 2.4 below). However, the retailer billing requirements apply whether or not meter data has been provided from the metering data provider or distributor.

**Figure 2.1 Electricity retailer and metering data provider roles and relationships**

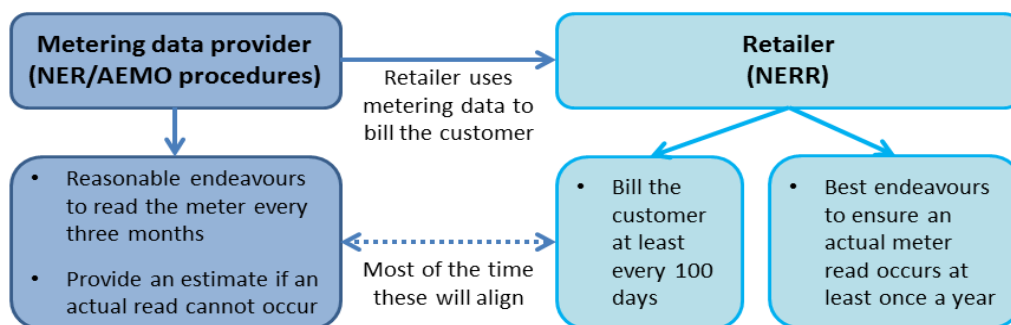


Figure 2.1 illustrates these separate roles and obligations applying to retailers and metering data providers for electricity metering data and billing. A similar separation in roles and responsibilities exists for gas.

### 2.1 Metering types, roles and responsibilities

#### 2.1.1 Electricity meters

Most small customers currently have a type 6 (accumulation) or type 5 (interval) meter that must be manually read in order to determine electricity usage.

Some customers have type 4 (advanced) meters that have remote communications functionality. These meters can be remotely read.

On 1 December 2017 the *Expanding competition in metering and related services* rule (competition in metering rule) commenced. One aspect of the competition in metering rule is that all new and replacement metering installations must be type 4 meters that

are able to provide a set of minimum services.<sup>1</sup> In some circumstances a type 4A meter can be installed (a type 4 meter that has its communications functionality disabled). For example, this can occur where the customer has opted out of a type 4 meter roll-out or the meter would be located in a region where there is no communications network to service the meter.<sup>2</sup> As type 4A meters do not have remote reading functionality, they must be manually read.

Over time, type 5 and 6 meters will be phased out and replaced with type 4 and 4A meters.

Under the NER, the metering data provider is responsible for providing metering data services,<sup>3</sup> which includes reading the meter or calculating an estimation, in each case to determine the electricity usage of the customer.

Prior to the commencement of the competition in metering rule, the distributor carried out the metering data provider role. With the commencement of this rule, the metering data provider is appointed by the new metering coordinator,<sup>4</sup> who in turn is appointed by the retailer.<sup>5</sup>

### **2.1.2 Gas meters**

The regulatory framework for gas meters is significantly different to electricity meters. Requirements for gas meters and meter reading, including estimated reads, are set out in AEMO's gas retail market procedures for each jurisdiction.

The network operator (that is, the distributor) is responsible for installing and reading the meter, including the calculation of estimates. There are no requirements for the distributor to install a certain type of meter (such as a remotely read meter) for small customers.

## **2.2 Frequency of meter reads**

Requirements around the frequency of meter reads for both electricity and gas meters are set out in AEMO's procedures. These procedures impose obligations on metering data providers and distributors regarding how often an actual meter read for manually read meters must occur:

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1 The minimum services specification is set out in Schedule 7.5 of the NER and includes (among other things) remote on demand meter reads and remote scheduled meter reads.

2 Clause 7.8.4 of the NER.

3 Metering data services are defined in Chapter 10 of the NER as "the collection, processing, storage and delivery of metering data and the management of relevant NMI standing data in accordance with the rules."

4 Clause 7.3.2(d) of the NER.

5 As a transitional arrangement, per clause 11.86.7 of the NER, the distributor will be the metering coordinator (and metering provider) for type 5 and 6 metering installations, until the meter is replaced and the retailer appoints a new metering coordinator and metering data provider.

- For electricity meters, AEMO's Metering Data Provider Service Level Procedures require metering data providers to use reasonable endeavours to collect the metering data at least once every 3 months.<sup>6</sup>
- For gas meters, AEMO's Retail Market Procedures for each NEM jurisdiction require distributors to use reasonable endeavours to undertake an actual meter read by the scheduled read date. For example, in NSW, meters must be read either daily, monthly, bi monthly or quarterly<sup>7</sup> depending on the type of customer. In contrast, in South Australia, meters must be read at least annually.<sup>8</sup>

Where a metering data provider or distributor is unable to carry out an actual meter read, AEMO's procedures allow for the estimation of the metering data, which is used for billing and settlement purposes.

### 2.3 Retailer billing requirements

The requirements on retailers with regard to billing arrangements are set out in the NERR and apply to billing for both electricity and gas usage. The Commission notes that the NERR has not been adopted in Victoria. However, similar retailer billing requirements are set out in the Victorian Energy Retail Code.

Under the NERR, retailers must issue bills to small customers at least every 100 days.<sup>9</sup> Retailers must base customers' energy bills on an actual reading of the meter if one is available, unless another arrangement is agreed with the customer.

The NERR allow retailers to base bills on an estimated read if an actual read is not provided or the customer agrees to the use of estimates. Where an estimate is used, the estimate may be based on:<sup>10</sup>

- the customer's own reading of the meter
- historical actual reads for that customer
- if there are no historical actual reads for that customer, average use by a comparable customer.

Retailers must use their best endeavours to ensure that an actual read of the customer's meter occurs at least once a year<sup>11</sup>

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<sup>6</sup> Clause 3.6 of AEMO's Service Level Procedure: metering data provider services, Version 1.7.

<sup>7</sup> Clause 3.1 of AEMO's Retail Market Procedures (NSW and ACT) Version 18.

<sup>8</sup> Clause 149(3) of AEMO's Retail Market Procedures (South Australia) Version 11.

<sup>9</sup> Clause 24(1) of the NERR.

<sup>10</sup> Clauses 21(1) and (2) of the NERR. These requirements apply to both standard retail contracts and market retail contracts (where the market retail contract allows for estimations).

<sup>11</sup> Clause 20(2) of the NERR.



Some retailers (and distributors) already have voluntary arrangements that allow customers to submit their own meter reads.<sup>12</sup> However, there is no requirement for a retailer to accept a customer's meter read as the basis for an estimate if one is provided.

Where a customer's bill is based on an estimated read, the NERR requires that any over payment be repaid and allows for any under payment to be adjusted, once an actual meter read occurs. Where undercharging has occurred, the customer is able to request additional time to pay the bill in instalments. The customer is also able to request that the retailer replace an estimated bill with a bill based on an actual meter reading. However, if the estimated read was due to an act or omission of the customer, the retailer may pass on any additional costs involved, such as for carrying out an additional meter read.<sup>13</sup>

The NERR also allows a small customer to dispute a bill,<sup>14</sup> which may involve a review of the meter reading or arranging another meter reading. The customer is required to pay for any costs involved, unless the meter or metering data is found to be faulty or incorrect.<sup>15</sup>

## **2.4 Related projects**

### **2.4.1 Meter Read and Billing Frequency rule change**

In June 2016 the AEMC published a final determination for the *Meter read and billing frequency* rule change. Ergon Energy Queensland had raised the issue that if a meter data provider is late in providing a meter read every three months, the meter read would not be aligned with the requirement (at the time) for retailers to bill customers at least once every three months.

The final rule amended rule 24(1) of the NERR to require retailers to issue a bill to small customers on standard retail contracts at least once every 100 days, replacing the previous requirement that a bill be issued at least once every three months. This meant that if a retailer received the metering data before day 100, it would be able to issue a bill to a consumer based on their actual energy use rather than an estimate. As a result, many customers who would have received an estimated bill under the previous arrangements instead received a bill based on their actual energy consumption under the new arrangements, albeit delayed by a few days.

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<sup>12</sup> For example, Ergon will authorise customers to read their own meter in some circumstances: [www.ergon.com.au/network/connections/metering/self-meter-read](http://www.ergon.com.au/network/connections/metering/self-meter-read). Other retailers allow customers to submit their own reads to facilitate monthly billing, such as Powershop and AGL.

<sup>13</sup> Clauses 21(3),(4) and (5) of the NERR. Clauses 30 and 31 of the NERR also set out requirements where a retailer has undercharged or overcharged a small customer.

<sup>14</sup> Clause 29 of the NERR.

<sup>15</sup> Clause 29(5) of the NERR.

This rule change meant that the bills that customers received from retailers achieved the right balance between being accurate and being timely, and applied to both electricity and gas standing offers.

#### **2.4.2 Using estimated reads for customer transfers rule change**

In February 2017 the AEMC published a final determination for the *Using estimated reads for customer transfers* rule change. The COAG Energy Council had suggested that in-situ customer transfers (where a customer changes retailers but remains in the same premises) should be able to use an estimated read. This was expected to improve the efficiency of customer transfers, as the retailer would not need to wait for the next scheduled read date to complete the transfer.

The Commission decided not to make a final rule, as it considered the benefits would not be outweighed by the likely cost to consumers for in-situ transfer to occur through an estimated read. The Commission's own research showed that significant reduction in transfer times had already occurred and transfer times were likely to continue to improve as the roll out of smart meters continue. The Commission also considered in-situ transfer on estimated reads would add another level the complexity to the transfer process as customers would be required to provide explicit informed consent. Overall, the Commission considered the introduction of estimated reads for in-situ transfer would not significantly improve transfer times and would likely reduce customers' confidence in the retail market.

### 3 Details of the rule change requests

This chapter summarises the issues raised by the rule proponents, the proposed solutions and costs and benefits identified by the rule proponents.

The Commission encourages readers to also review the copies of the rule change requests published on the AEMC website.<sup>16</sup>

#### 3.1 Issues identified

In the rule change requests, Minister Frydenberg and Ms Johnson identified the issue that estimated meter reads based on historical usage or average usage by similar customers can be inaccurate. The rule change requests argue that this can result in bill shock and can have a high impact on customers. Ms Johnson noted that receiving a large bill after nine months of sequential estimates is particularly difficult for low income families that are unable to budget for unexpected costs.<sup>17</sup>

In addition to the concern with the impact of inaccurate estimated meter reads on customers, Minister Frydenberg raised the following as potential shortfalls in the current framework:

- The ability for a customer to request that an estimated read be replaced with an actual meter read is quite limited and only available in specific circumstances. The customer is also required to pay costs associated with the additional actual meter read.
- The billing dispute provisions do not adequately address the issue of incorrect estimates, given the bill is based on an estimate and not a meter read. Again, the customer is required to pay any costs associated with an additional actual meter read.

Dr Dodt raised a related, but specific, issue with estimated reads that may occur following the installation of solar panels. Dr Dodt noted that where solar panels have recently been installed and an estimated meter read is carried out based on usage from the previous year, the estimate does not take into account the changed usage patterns.<sup>18</sup> As a consequence the bill will likely be based on an estimate that is significantly higher than the actual electricity use of the customer.

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<sup>16</sup> [www.aemc.gov.au/rule-changes/estimated-meter-reads-self-reads](http://www.aemc.gov.au/rule-changes/estimated-meter-reads-self-reads).

<sup>17</sup> Ms Johnson, rule change request, *Actual meter read requirements*, p. 3.

<sup>18</sup> Dr Dodt, rule change request, *Estimated meter reads - solar systems*, p. 1.

## 3.2 Proposed rule changes

### Minister Frydenberg's proposed changes

To address the issues raised above, Minister Frydenberg proposed the following rule changes to "minimise the likelihood and impact of such occurrences, and to incentivise retailers to ensure their estimated bills are as accurate as possible".<sup>19</sup>

1. Requiring that a retailer must not use a grossly inaccurate meter estimate as the basis for a customer's bill. This is proposed to be a civil penalty provision.
2. Requiring retailers to use a customer provided meter read as the basis for an estimated bill, where:
  - (a) this has been requested by the customer
  - (b) the customer provides a meter read within a 7 day time period agreed with the retailer and
  - (c) the retailer reasonably considers the meter read to be accurate.
3. Requiring retailers to provide an adjusted estimated bill based on a customer read where:
  - (a) the customer requests an adjustment within 21 days of receiving the estimated bill and that estimated bill is not based on a customer reading
  - (b) the customer provides a customer meter read and
  - (c) the retailer reasonably considers it to be an accurate meter read.
4. Requiring the retailer to inform customers of their right to request an adjusted estimated bill and that the customer may provide a customer read of the relevant meter as the basis for an adjustment.

The rule change request from Minister Frydenberg included a proposed rule.

In addition to the proposed rule changes, Minister Frydenberg provided a list of questions and complementary changes that should be considered.<sup>20</sup> These are discussed throughout chapter 5 of this consultation paper.

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<sup>19</sup> Minister Frydenberg, rule change request, *Estimated meter reads*, p. 4.

<sup>20</sup> Minister Frydenberg, rule change request, *Estimated meter reads*, p. 10.

## Ms Johnson's proposed changes

Ms Johnson proposed the following rule changes:<sup>21</sup>

1. Prohibiting the use of estimated meter reads.
2. Requiring that actual meter reads occur every three months, instead of once a year.

The rule change request from Ms Johnson does not include a proposed rule.

## Dr Dodt's proposed changes

Dr Dodt proposed the rules be amended to provide that estimates for households with solar panels should be based on data of energy generated by similar sized solar panels within similar latitudes. This should be used in conjunction with previous year billings for the customer to determine the estimated usage.<sup>22</sup>

The rule change request from Dr Dodt does not include a proposed rule.

### 3.3 Expected costs and benefits of the proposed rule changes

The rule proponents considered that the proposed rule changes would have the following benefits:<sup>23</sup>

- The likelihood and impact of under and over charging in energy bills will be reduced.
- Customer engagement will be encouraged as they would be able to provide their own meter reads. The changes may also build trust and limit the risk of bad customer experiences.
- Customers will have a more accurate understanding of their energy usage.
- The costs of resolving billing disputes and follow-up site visits will be potentially reduced.
- Where there are ongoing meter reading issues, the changes could encourage switching to a remotely read meter.

Minister Frydenberg noted several risks and costs involved with the proposed rule changes. The Minister considered these to be minor compared with the benefits of the rule change and able to be mitigated:<sup>24</sup>

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<sup>21</sup> Ms Johnson, rule change request, *Actual meter read requirements*, p. 1.

<sup>22</sup> Dr Dodt, rule change request, *Estimated meter reads - solar systems*, p. 1.

<sup>23</sup> Minister Frydenberg, rule change request, *Estimated meter reads*, p. 8; Ms Johnson, rule change request, *Actual meter read requirements*, p. 3; Dr Dodt, rule change request, *Estimated meter reads - solar systems*, p. 2.

- Administrative costs on retailers to process customer self-read are not expected to be significant. Any costs should be offset by reduced costs associated with resolving customer bills and follow up site visits.
- The risk that a customer self-read is incorrect is mitigated through the retailer being able to specify the manner in which a self-read is made, and reject a self-read if the retailer does not reasonably believe the self-read to be accurate.
- The obligation to provide an adjusted estimated bill may impose additional costs on retailers.<sup>25</sup> However, this is likely to occur in limited circumstances and is outweighed by the benefits for consumers of being able to avoid higher bills or significant repayment sums.
- The impacts of providing an adjusted estimated bill on the billing cycle are managed by imposing a time limit in which a customer may request an adjusted estimated bill.

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<sup>24</sup> Minister Frydenberg, rule change request, *Estimated meter reads*, p. 9.

<sup>25</sup> Dr Dodt also raised retailer costs as a potential consideration in his rule change request.

## 4 Assessment framework and legal tests

The Commission's assessment of these rule change requests must consider whether the proposed rule promotes, as appropriate, the National Electricity Objective (NEO), National Gas Objective (NGO) and National Energy Retail Objective (NERO).

### 4.1 Rule making test

#### 4.1.1 Achieving the NEO, NGO and NERO

Under the NEL the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the NEO.<sup>26</sup>

The NEO is:<sup>27</sup>

“To promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to -

- (a) price, quality, safety, reliability and security of supply of electricity; and
- (b) the reliability, safety and security of the national electricity system.”

Under the NGL, the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the NGO.<sup>28</sup> This test applies in relation to Minister Frydenberg's rule change request only.

The NGO is:<sup>29</sup>

“to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, safety, reliability and security of supply of natural gas.”

Under the NERL, the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the NERO.<sup>30</sup>

The NERO is:<sup>31</sup>

“to promote efficient investment in, and efficient operation and use of, energy services for the long term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy.”

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26 Section 88 of the NEL.

27 Section 7 of the NEL.

28 Section 291(1) of the NGL.

29 Section 23 of the NGL.

30 Section 236(1) of the NERL.

31 Section 13 of the NERL.

The Commission must also, where relevant, satisfy itself that the rule is "compatible with the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers" (the "consumer protections test").<sup>32</sup>

Where the consumer protections test is relevant in the making of a rule, the Commission must be satisfied that both the NERO test and the consumer protections test have been met.<sup>33</sup> If the Commission is satisfied that one test, but not the other, has been met, the rule cannot be made.

There may be some overlap in the application of the two tests. For example, a rule that provides a new protection for small customers may also, but will not necessarily, promote the NERO.

#### **4.1.2 Making a more preferable rule**

Under s. 91A of the NEL, s. 296 of the NGL and s. 244 of NERL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NEO, NGO and NERO (respectively).

#### **4.1.3 Northern Territory**

From 1 July 2016, the NER, as amended from time to time, apply in the Northern Territory, subject to derogations set out in Regulations made under the Northern Territory legislation adopting the NEL.<sup>34</sup> Under those Regulations, only certain parts of the NER have been adopted in the NT.<sup>35</sup> As the proposed rule relates to parts of the NER that currently do not apply in the Northern Territory, (that is chapter 7 of the NER), and any consequential changes to other chapters of the NER will have no practical effect in the Northern Territory (for example if transitional arrangements were introduced under Chapter 11 of the NER), the Commission does not consider that the proposed rule needs to be assessed against additional elements set out under the Northern Territory legislation.<sup>36</sup>

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<sup>32</sup> Section 236(2)(b) of the NERL.

<sup>33</sup> That is, the legal tests set out in s. 236(1) and (2)(b) of the NERL.

<sup>34</sup> National Electricity (Northern Territory) (National Uniform Legislation) (Modifications) Regulations 2017.

<sup>35</sup> For the version of the NER that applies in the Northern Territory, refer to: [www.aemc.gov.au/regulation/energy-rules/national-electricity-rules-northern-territory](http://www.aemc.gov.au/regulation/energy-rules/national-electricity-rules-northern-territory).

<sup>36</sup> See section 14A of Schedule 1 to the National Electricity (Northern Territory) (National Uniform Legislation) Act 2015, inserting section 88(2a) into the NEL as it applies in the Northern Territory and section 14B of Schedule 1 to the National Electricity (Northern Territory) (National Uniform Legislation) Act 2015, inserting section 88AA into the NEL as it applies in the Northern Territory.



## 4.2 Proposed assessment framework

To determine whether the proposed rules would be likely to promote the NEO, NGO and NERO, the Commission will assess the rule change requests against an assessment framework. The framework may be refined during the rule change process.

The relevant considerations in the above objectives are the promotion of efficient investment and operation of energy services for the long term interests of consumers of electricity and gas with respect to prices.

The rule change requests suggest a number of options that may reduce the likelihood or impact of inaccurate estimated meter reads. It is argued that this will reduce the likelihood of consumers experiencing bill shock or financial distress due to unexpectedly high energy bills.

At this stage, the Commission is seeking stakeholder views on its proposed assessment framework which includes the following criteria to assess whether the proposed rules are likely to promote the NEO, NGO and NERO, namely the impact the rule has on:

- **Efficient use of energy:** Currently, customers whose meters are unable to be read will have bills calculated on an estimated consumption basis. Some customers, such as those with ongoing issues that limit access to the meter, could receive several consecutive bills based on estimated consumption. This limits the ability of these customers to understand their energy usage and make informed decisions about how they use energy.
- **Consumer protection:** If a bill is based on an estimated read that is significantly lower than the customer's actual usage, the customer can receive a large bill when actual meter read is made and the customer is charged for the difference between estimated and actual usage. For some consumers this may create bill shock and potential financial distress. The proposals put forward by the rule proponents may reduce this. The Commission intends to consider the impact of the proposed rule change on protecting customers from bill shock and financial distress. The AEMC will also consider whether the proposed new rules are compatible with the development and application of relevant consumer protections under energy laws and regulations of Victoria.<sup>37</sup>
- **The regulatory and administrative burden:** The Commission intends to consider the benefits of the proposed rule change against the implementation costs that would likely pass through to consumers in a workably competitive market.

The proposed rules will be assessed against the relevant counterfactual of not making the proposed changes; that is, against the current arrangements with regard to the meter reading and retailer billing requirements.

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<sup>37</sup> The AEMC is not required to take into account the consumer protections specific to non-NECF jurisdictions (that is, Victoria), as the proposed changes to the NERR would only apply in those jurisdictions that have implemented the NECF. However, Victorian consumer protections may have some relevance insofar as they indicate potential directions for the development of consumer protections in NECF jurisdictions.

## 5 Issues for Consultation

Taking into consideration the assessment framework, a number of issues have been identified for initial consultation. Stakeholders are encouraged to comment on these issues as well as any other aspect of the rule change requests or this paper, including the proposed assessment framework.

### 5.1 Issue to be addressed

#### 5.1.1 Inaccurate estimated meter reads

The rule proponents have raised concerns with the use of estimated electricity and gas meter reads, on the basis that under certain circumstances these can be inaccurate. Inaccurate estimates can occur for a number of reasons:

- **Error:** an estimate is not calculated in accordance with the approved methodology, or transcribed incorrectly.
- **Chronic access issues:** the meter is not easily accessible and estimates are used for consecutive billing periods. This increases the likelihood that the estimate is inaccurate.
- **Changing usage patterns:** where a customer has recently changed their usage, for example with the installation of solar panels, an estimate based on previous usage will be inaccurate.
- **Lack of comparable previous usage data:** where a customer has recently moved in to the premises, their usage may be different to similar sized premises on which an estimate is based.

Currently, retailers must use their best endeavours to ensure customers receive at least one bill per year based on an actual meter read.<sup>38</sup> At this point any difference between the actual meter read and the previously estimated usage can be rectified. Following an estimated meter read and bill, a customer may receive a bill that is higher or lower than previous bills, depending on the accuracy of the estimates and how long estimates were previously used for the basis of billing.

For example, if a customer receives three successive bills that are based on estimates of usage that are lower than their actual usage for the corresponding period, the fourth bill (if it is based on an actual meter read) is likely to be significantly higher and may cause bill shock for that customer. This can be a significant issue for low income households or any customer that is not able to easily manage unexpected costs.

While bills based on estimates that are higher than actual usage will eventually be rectified with the customer receiving a low bill, this can also be damaging for the

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<sup>38</sup> Clause 20(2) of the NERR.

customer. In this case, the customer paid higher costs than necessary and may have foregone expenditure on other items at the time.

Inaccurate estimated meter reads also make it difficult for the customers to align their behavioural patterns with the bills they receive. For example a customer may try to reduce his or her energy usage, but see no corresponding reduction in their bills and therefore cease to attempt to reduce energy usage. Alternatively, if a customer's energy use is increasing over time but he or she sees no corresponding increase in the bill, the customer has received no signal of increasing energy usage (and therefore costs). This issue is exacerbated where successive estimates are used, such as where there are chronic access issues.

### **5.1.2 Will the use of estimates change over time?**

As discussed in section 2.1, a consequence of the competition in metering rule change is that the number of type 5 and 6 meters is expected to decrease as they will be systematically replaced by type 4 (or type 4A) meters. This means that over time there will be fewer manually read meters and more remotely read meters.

This will necessarily reduce the number of electricity meters that may need estimated reads, as obtaining physical access to premises to read meters is not required. Remotely read meters can be read at any point in time, subject to a functioning communications network.

However, meters will continue to be manually read and estimated reads may still need to occur:

- Type 4A meters may be installed where a customer opts-out of a type 4 metering installation or there is no communications network to service the meter (for example in remote areas). As the communications functionality is disabled, these will be manually read.
- It may take a number of years for the existing type 5 and 6 meters to be completely replaced as a consequence of the competition in metering rule. In the meantime, these meters will continue to be manually read.

Further, gas meters may need to be manually read (with a corresponding need for estimates) as there is no requirement for these to be systematically upgraded to remotely read meters.

Therefore, the issues related to estimated reads will continue to be relevant.

**Box 5.1****Consultation questions on the issues to be addressed**

1. Do stakeholders agree with the characterisation of the issues with estimated meter reads to be addressed?
2. Are there any differences in the nature of the issue for gas customers compared with electricity customers?
3. Are there any shortfalls in the way the existing provisions in the NERR protect customers from the impacts of inaccurate estimates:
  - (a) Do the rules sufficiently protect customers from over and under charging?<sup>39</sup>
  - (b) Does rule 29 provide adequate recourse for a customer to dispute a bill based on an inaccurate estimate?<sup>40</sup>

## 5.2 Options raised by rule proponents

The rule proponents have put forward a number of solutions to address the issues outlined above. The Commission is seeking feedback on these options and any others that would reduce the likelihood or impact of inaccurate estimated meter reads.

### 5.2.1 Prohibiting estimated reads

Ms Johnson suggested that estimated meter reads should be prohibited, given the impact of bill shock on low income households.

This proposal would result in customers receiving accurate bills based on accurate meter reads.

However, estimated reads help to prevent bill shock for customers. A retailer may use an estimate to provide a bill to a customer where there is no actual meter data, for example where the metering data provider was unable to carry out an actual meter read. If an actual read does not occur and estimated reads were not available, there would be no data on which a retailer could provide the bill, which could result in significant delays in receiving a bill and bill shock when the customer eventually receives a bill that covers a longer period of time.

Estimates also help to maintain efficient costs associated with reading the meter. If an actual meter read is unable to be taken, the retailer can use an estimate instead of organising another site visit. Prohibiting the use of estimated meter reads may increase costs as a result of the need for more of these special meter reads.

For these reasons, estimated reads continue to have an important role in certain circumstances. However, any feedback on this issue is welcome.

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<sup>39</sup> For example, rules 21, 30 and 31 of the NERR relate to under charging or over charging of small customers.

<sup>40</sup> As discussed in section 2.3, rule 29 of the NERR allows a small customer to dispute a bill, which may involve a review of the meter reading.

**Box 5.2****Consultation questions on prohibiting estimated reads**

1. What are the costs and benefits of requiring that all customer bills must be based on actual meter reads? Should this option be considered further?

**5.2.2 Bills based on grossly inaccurate estimated meter reads**

Minister Frydenberg proposed introducing a new requirement on retailers to improve the accuracy of estimated meter reads:<sup>41</sup>

“Where a retailer uses an estimation as the basis for a small customer's bill, the retailer has an obligation to ensure this bill is not based on a meter estimate that is grossly inaccurate.”

Minister Frydenberg considered this change would create a greater incentive for retailers to make sure an estimated read is as accurate as possible, to avoid under or over charging of customers. This obligation would complement the proposals related to customer self-reads, discussed below. It would encourage retailers to seek out customer reads where an estimate is provided, particularly successive estimates, to avoid the risk that the estimate is grossly inaccurate.

The rule change request does not define a "grossly inaccurate" meter read, although it notes the definition could be a fixed number or percentage of deviation.

The NERR currently specify the basis on which an estimate must be undertaken and an estimate may only be based on:<sup>42</sup>

- the customer's own reading of the meter
- historical actual reads for that customer
- if there are no historical actual reads for that customer, average use by a comparable customer.

However, the metering data provider and distributor are responsible for reading electricity and gas meters and calculating estimated reads in accordance with AEMO's procedures and an approved methodology.

Where a metering data provider or distributor provides an estimated meter read to a retailer, the retailer is not able to determine whether the estimate is accurate. There are reasons a customer's energy use may fluctuate between bills. For example if the customer is on holiday the energy use may lower than previous billing periods, or if the customer has installed air conditioning the energy use may be higher than previous billing periods. As discussed in section 2.3, these variations are currently managed through the under and over charging provisions in rule 21 of the NERR.

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<sup>41</sup> Minister Frydenberg, rule change request, *Estimated meter reads*, p. 6.

<sup>42</sup> Clauses 21(1) and (2) of the NERR.

**Box 5.3****Consultation questions on prohibiting bills based on grossly inaccurate meter reads**

1. To what extent does the option address the issues with estimated meter reads? What are the benefits?
2. How would the option be implemented by industry and what are the costs involved?

**5.2.3 Customer self-reads**

Minister Frydenberg proposed the introduction of new requirements on retailers to accept customer self-reads as the basis for an estimated meter read.<sup>43</sup>

“Where:

1. a small customer has requested a retailer use the customer's reading of the relevant meter as the basis for estimation of the customer's next bill; and
2. before the bill is issued and within a seven day time period agreed with the retailer, the small customer has provided a self-read of the meter to the retailer in the format required by the retailer; and
3. the retailer reasonably considers this meter reading to be accurate,

the retailer must use this meter reading as the basis for the estimated bill.”

This proposal would enable customers that are likely to receive a bill based on an estimate, for example where there are chronic access issues, to provide their own self-read of the meter on which the next bill can be based.

The retailer would be obliged to accept the self-read from the customer, so long as it is provided in the form specified by the retailer and within the specified time period. For example, a retailer could allow the customer to enter the meter read into a website or phone application, or send the meter read or a photo of the meter by email. The retailer would be able to refuse a customer self-read if it does not believe the meter reading to be accurate.

The Commission notes that some meters are relatively easy for a customer to read, while others may be difficult or not possible. For example, some type 6 meters have an electricity clock dial and some customers may be likely to misread the meter, although for these meters the customer could simply take a photo and send it to the retailer. To read some of the newer digital meters a customer may have to navigate several screens to find the right data, or take several photos to send to the retailer. The Commission is interested in feedback on the types of metering and tariff arrangements for which it

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<sup>43</sup> Minister Frydenberg, rule change request, *Estimated meter reads*, p. 6.

may be difficult for a customer to provide a self-read, and how this could be addressed.

If this option were implemented and customers with chronic access issues are providing self-reads to the retailer, another consideration will be whether this data should be provided to other participants. For example, if the data is provided to the metering data provider and distributor, it may be able to be used for settlement purposes. Alternatively the retailer could use the estimate for billing purposes only.

**Box 5.4 Consultation questions on requiring the retailer to accept a customer self-read**

1. To what extent does the option address the issues with estimated meter reads? What are the benefits?
2. How would the option be implemented by industry and what are the costs involved?
3. Are there any types of metering or tariff arrangements that would make it difficult for a customer to provide a self-read?
4. What are the appropriate timeframes in which a customer should provide a self-read to a retailer to inform a bill?
5. What arrangements should apply if the retailer rejects a customer self-read? For example, should the retailer be required to provide reasons to the customer and allow the customer to rectify the self-read?

#### 5.2.4 Adjustments to estimated bills

Minister Frydenberg has proposed the introduction of new requirements on retailers to adjust a customer's estimated bill when requested by the customer.<sup>44</sup>

“Where:

1. a small customer requests a retailer provide an adjustment to an estimated bill and that estimated bill is not based on a customer's reading of the relevant meter; and
2. the small customer makes this request within 21 days of the issue date of the estimated bill; and
3. the small customer provides the retailer with a self-read of the meter that the retailer reasonably considers to be accurate,

the retailer must provide the small customer with an adjusted estimated bill based on the meter reading information provided by the customer.”

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<sup>44</sup> Minister Frydenberg, rule change request, *Estimated meter reads*, p. 6.

Minister Frydenberg also proposed that retailers be required to inform customers of these rights, where a bill is based on an estimated read.

This proposal would enable customers that receive an estimated bill to seek an adjusted bill based on a customer self-read, instead of the adjustment occurring next time there is an actual meter read. Customers would be able to check their meter to determine whether an estimate is accurate, as the estimated read is provided on the bill. If the estimate is inaccurate, the customer could request the retailer to adjust the bill and provide a self-read in support of the adjusted bill.

This option could include a threshold for the customer requesting an adjusted bill, as this option may not be cost efficient where there is only a small difference between the estimated meter read and the customer self-read of the meter. As noted in section 2.3, any under or over charging would be rectified in the next bill based on an actual meter read.

Given this proposal would have implications for the timing of issuing and payment of customer bills, the Commission is interested in any feedback on the nature and extent of these implications and how they could be managed.

**Box 5.5 Consultation questions on adjustments to estimated bills**

1. To what extent does the option address the issues with estimated meter reads? What are the benefits?
2. How would the option be implemented by industry and what are the costs involved?
3. What are the implications of an adjusted estimated meter read and how should these be addressed? For example, are there implications on the billing cycle?

### **5.2.5 Strengthening the requirements to carry out actual meter reads**

Two of the rule change proponents suggested tightening the requirements to carry out actual meter reads.

Currently retailers must use their best endeavours to ensure that an actual read of the customer's meter occurs at least once a year.<sup>45</sup> Minister Frydenberg suggested that in addition to the proposed rule changes discussed above, the AEMC may wish to consider shortening this requirement to every 6 months, as a complementary measure to his other proposals. He considered this could help to improve the likelihood that customer bills are based on actual meter reads, but noted that "such an amendment may also reduce flexibility for retailers, particularly in circumstances where a meter is

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<sup>45</sup> Clause 20(2) of the NERR.



difficult to access, and has potential to increase meter reading costs, which will ultimately be borne by consumers”.

Ms Johnson suggested an actual meter read should be carried out every three months and these should be used for the basis of billing (that is, estimates should not be used). This proposal would require stricter obligations on both:

- metering data providers and distributors to carry out actual meter reads at least every three months, instead of to use their reasonable endeavours to carry out an actual meter read every three months
- retailers to base customer bills on those actual meter reads.

As discussed in section 5.2.1 above, estimated reads are valuable. However, the Commission is interested in any feedback on the merits of tightening the requirements on retailers and/or metering data providers and distributors to carry out actual meter reads, and how this could be done. The Commission notes that the obligations on metering data providers and distributors to use reasonable endeavours carry out actual meter reads within a specified timeframe are currently contained in AEMO procedures and are not set out in the rules. Therefore any changes to these obligations may be implemented through a procedure change process.

**Box 5.6                      Consultation questions on strengthening the requirements to carry out actual meter reads**

1. To what extent do these options address the issues with estimated meter reads? What are the benefits?
2. How would the options be implemented by industry and what are the costs involved?
3. What would be the most effective way to strengthen the requirements to carry out actual meter reads (if any)?

### **5.2.6 More accurate estimations where energy usage has changed**

A household's energy usage may change for a number of reasons. The installation of air conditioning or other energy intensive devices may increase energy usage. The installation of solar panels, batteries or energy efficient devices may decrease energy usage. In addition, the number of people living in a premises can impact energy usage. All of these may affect the accuracy of an estimated meter read.

Dr Dodt proposed a solution that is specifically related to premises that have installed solar panels. However, the Commission is interested in feedback more generally on whether estimated meter reads should capture all situations where a customer's energy usage has significantly changed.

## **Changed usage due to solar installations**

Dr Dodt proposed that the rules for estimating energy use should be updated to require retailers to take into account changed energy usage from the installation of solar panels.

Specifically, Dr Dodt suggested that estimates for households with solar panels should be based on data of the energy generated by similar sized solar panels within similar latitudes. The calculations of solar output would be used in conjunction with previous year billings for the customer to more accurately determine the estimated usage.

To implement this proposal, the retailer or metering data provider would need to know that the customer has recently installed solar panels, as well as specific information to make the calculation such as the size of the solar panels.

The Commission's understanding is that after the commencement of the competition in metering rule on 1 December 2017, the likelihood that a customer who has installed solar panels will require an estimated meter read is low, given the installation of solar panels would generally require a new metering installation (type 4 meter) that can be remotely read. However, manual meter reading, and therefore the possibility of an estimated read, could occur in the following circumstances:

- The solar panels are installed with a type 4A meter.
- The solar panels were installed prior to 1 December 2017 with a type 5 meter.

If the solar panels were installed much earlier than 1 December 2017, the retailer would likely have previous customer usage on which an estimated read could be based. Any issues with estimated reads for solar installations prior to December 2017 will phase out as the retailer will generate customer usage on which estimated bills can be based.

However, there may continue to be issues where solar panels are installed with type 4A meters. As such, the Commission is seeking feedback on the significance of this issue and how it may be addressed.

## **Changed usage for other reasons**

In other circumstances the premises is more likely to have a type 5 or 6 meter that requires an estimated read. For example, a household with a type 5 or 6 meter may install an air conditioner and significantly increase its usage. If an estimated read is carried out shortly after installation of the air conditioner, it may be significantly lower than actual usage.

Similar to Dr Dodt's proposal, to make estimated meter reads more accurate the retailer or metering data provider would need more accurate information about any changed customer usage.

The Commission is seeking feedback on whether there are any options that would improve the accuracy of estimates where a customer's energy use has significantly changed.

**Box 5.7****Consultation questions on more accurate calculation of estimated usage**

1. To what extent does Dr Dodt's proposal address the issues with estimated meter reads? What are the costs and benefits of the proposal?
2. What other solutions would improve the accuracy of estimates where a premises has significantly changed its usage? Would the Minister's proposals in section 5.2.3 (customer self-reads) or 5.2.4 (adjustments to estimated bills) effectively address situations where energy usage has changed significantly?

**5.2.7 Civil penalties**

The Commission cannot create new civil penalty provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NER, NGR or NERR be classified as civil penalty provisions.

Minister Frydenberg has requested the Commission to consider whether it may be appropriate to apply a civil penalty provision to:

- the existing requirements in rule 21 of the NERR, including rules 21(1) and (2), noting that “Ensuring that breach of all enforceable parts of this rule can result in a financial penalty may act as an effective deterrent to non-compliance and the provision of inaccurate estimations”<sup>46</sup>
- the Minister’s proposed requirement that retailers must not provide a bill based on an estimate that is grossly inaccurate (see section 5.2.2 above).

The Commission notes that existing rule 21(4) of the NERR is a civil penalty provision,<sup>47</sup> and requires the retailer to:

- (a) adjust a bill based on an actual meter reading or on metering data for any overcharging of the customer that has occurred from an earlier bill based on an estimation
- (b) offer the customer in certain circumstances, time to pay any undercharged amounts from a bill based on an actual meter read or metering data within the appropriate timeframe when the meter reading or data was not available (where that period is no more than 12 months).

In relation specifically to the existing requirements in rule 21(1) and 21(2) of the NERR, the Commission also notes that these parts of rule 21 only impose obligations on the retailer indirectly by mandating circumstances when a small customer’s bill may be

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<sup>46</sup> Minister Frydenberg, rule change request, *Estimated meter reads*, p. 10.

<sup>47</sup> Under the National Energy Retail Regulations, clause 6 and Schedule 1.

based on an estimation and the bases upon which an estimate may be made. The need for giving these specific provisions civil penalty enforceability is unclear.

Notwithstanding, the Commission is seeking feedback on the merits and implications of applying civil penalties to the proposed and/or existing rules (which are not currently civil penalty provisions). In particular, whether compliance with these provisions is an issue and whether such a civil penalty would help to improve compliance with estimation and billing requirements.

**Box 5.8                      Consultation questions on civil penalties**

1. Is compliance with rule 21 of the NERR an issue, and would civil penalties help to improve compliance?

## **6 Lodging a submission**

The Commission has published a notice under s. 95 of the NEL, s. 303 of the NGL and s. 251 of the NERL for this rule change proposal inviting written submissions. Submissions are to be lodged online or by mail by **Thursday 14 June 2018** in accordance with the following requirements.

Where practicable, submissions should be prepared in accordance with the Commission's Guidelines for making written submissions on rule change requests.<sup>48</sup> The Commission publishes all submissions on its website subject to a claim of confidentiality.

All enquiries on this project should be addressed to Jenessa Rabone on (02) 8296 7800.

### **6.1 Lodging a submission electronically**

Electronic submissions must be lodged online via the Commission's website, [www.aemc.gov.au](http://www.aemc.gov.au), using the "lodge a submission" function and selecting the project reference code ERC0241. The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

### **6.2 Lodging a submission by mail**

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. The submission should be sent by mail to:

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

The envelope must be clearly marked with the project reference code ERC0241.

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<sup>48</sup> This guideline is available on the Commission's website [www.aemc.gov.au](http://www.aemc.gov.au).

## Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
Commission	See AEMC
NEL	National Electricity Law
NEO	National Electricity Objective
NER	National Electricity Rules
NERL	National Energy Retail Law
NERO	National Energy Retail Objective
NERR	National Energy Retail Rules
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules