



EnergyAustralia

LIGHT THE WAY

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Mr John Pierce
Dr Brian Spalding
Ms Allison Warburton
Mr Charles Popple
Ms Michelle Shepherd
Australian Energy Market Commission
PO Box A2449
Sydney South, NSW, 1235

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Lodged electronically

Dear Commissioners,

ERC0241 – Estimated meter reads - consultation paper – 14 June 2018

EnergyAustralia welcomes the opportunity to make this submission to the Australian Energy Market Commission's (AEMC) consultation paper on the rule change request for estimated meter reads.

We are one of Australia's largest energy companies with over 2.6 million electricity and gas accounts in New South Wales, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion-dollar energy generation portfolio across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market and an annual gas portfolio of over 100PJ.

The intent of the proposed rule change is to reduce the impacts of inaccurate estimated meter reads on customers by requiring retailers to ensure their bills are not based on estimations that are grossly inaccurate. While, we support the intent of the proposed rule change, we caution that there are different underlying reasons for estimated reads that should be considered in designing the best regulatory solution. We outline our views further below.

Characterisation of issues

The rule change proposal is aiming to improve a customers' ability to submit their own meter reading as a basis for an estimated read. In 2017 estimates made up around 5.2% of our mass market customers' bills. These customers can already submit their own electricity or gas meter reading to EnergyAustralia, if they don't have solar panels or a smart meter, and receive an adjusted bill.¹

¹ <https://www.energyaustralia.com.au/home/bills-and-accounts/understand-your-meter/submit-meter-reading>

Putting an obligation on retailers for the 'small number of circumstances in which the obligation is expected to arise'² is likely to be highly onerous, particularly when retailers are not responsible for calculating meter read estimates. Distributors and meter data providers are responsible for the provision of meter reading services and meter read data. Distributors apply local area averages, seasonal shaping and other factors to determine their estimates. Retailers do not have access to the calculations applied by distributors and meter data providers to produce estimate readings in the absence of actual reads or in cases of missing smart meter interval data.

Our greater concern with estimated meter reads is customers with chronic no meter access issues. This problem affects around 1% of our electricity and around 2% of our gas customers. This means a customer does not receive an actual read due to the distributor or meter data provider not being able to access the meter (i.e. due to locked gates, locked meter boxes, dangerous dogs blocking meter access, and where the gas meter is inside a premise – often under the sink). While we have processes in place to work with the customer and the distributor or meter data provider to obtain an actual read, using a customer own read can help to ensure that overcharging or undercharging does not occur.

Prohibiting estimated reads

EnergyAustralia does not support the prohibition of estimated meter reads. There are valid practical reasons why estimates are required sometimes, and the estimation methods are appropriate in the majority of circumstances. As noted above, many customers face the inconvenience of having their gas meters located in their kitchens or electricity meters locked behind a gate.

For customers where their meters are inaccessible, their only option to facilitate an actual read is to pay for a special out of cycle meter read or stay at home for the next scheduled meter reading date. Depending on the geographical location of the customer, the cost of a special meter read can range for an electricity meter from \$8.76 to \$93.19³ and for a gas meter from \$7.19 to \$53.67.⁴ As retailers are required under the National Energy Retail Rules (NERR) to provide a bill every 100 days, the cost of requiring that all customer bills be based on actual meter reads could be substantial. These options are an enormous imposition and estimated meter reads provides a pragmatic way to work within these constraints.

Conversely, by requiring retailers to only bill on actual reads, some customers may be incentivised to block access to meters. Without data, a retailer cannot provide a bill and this may result in adverse impacts and bill shock if the customer eventually receives a bill that covers a longer period.

² Minister Frydenberg, rule change request, *Estimated meter reads*, p.9

³ Electricity special meter reads: ActewAgl, \$35.38; Endeavour Energy, \$40.02; Essential Energy, \$93.19; Ausgrid, \$11.61; Energex, \$8.76; SA Power Networks, \$15.07; Jemena, \$35.81; Citipower, \$32.49; Powercor, \$51.19; AusNet Services, \$20.86; United Energy, \$24.20.

⁴ Gas special meter reads: ActewAgl, \$17.82; Jemena, \$16.28; Envestra Country, \$53.67; Envestra, \$13.53; Envestra SA, \$11.44; Envestra Vic, \$9.90 (metro) \$13.53 (non-metro); Multinet, \$7.19; AusNet Services, \$9.96.

Bills based on grossly inaccurate estimated meter reads

The rule change proposes that retailers will be required to ensure an estimated bill is not based on a meter estimate that is grossly inaccurate. It is also proposing that the AEMC consider whether it may be appropriate to apply a civil penalty provision to minimise the likelihood and impact of overcharging or undercharging.

The consultation paper does not define 'grossly inaccurate', noting that it could be a fixed number or percentage deviation. We understand the intention of setting limits on accuracy, however, in practice it will be meaningless to set restrictive limits on what is grossly inaccurate and what it not.

Estimation methods for meter data are based on the historical reads at the site and the seasonality of those reads. Consider the following cases where even the appropriate estimation of missing meter data could be deemed to be grossly inaccurate:

- a customer has installed a new split system and this replaces an old gas heater;
- a customer had an extended holiday in one year but not the other;
- a new customer moves into a premise and they have a very different usage profile to the previous tenant; and
- the customer has a baby or other major change in lifestyle and is at home more or less often.

For these practical reasons, we strongly believe that there should be no explicit regulation on meter read estimates being grossly inaccurate. Instead, we suggest that retailers should continue to use their best endeavours to ensure overcharging or undercharging of a customer does not occur.

If a problem did occur with a bill being based on a grossly inaccurate estimate, then the retailer would have to prove it had been appropriately validated. In the circumstances where a premise has a Type 5 or Type 6 meter and a customer's energy usage changes, we do not believe that it is warranted that retailers need to go to invasive or onerous lengths to predict more detailed changes per site. A customer can contact us to provide a more accurate estimated meter read in these circumstances.

It should also be remembered that retailers do not create the estimates – these come from distributors and meter data providers. Retailers have the ability to verify meter data sent by these parties, but are unable to recalculate the estimate.

A stronger form of regulation and higher penalties would be excessive and unnecessary. Retailers are well aware that customers dislike bills based on estimated meter reads, especially ones that are clearly inaccurate. It is in retailers' interests to check the meter data up front and avoid calls from dissatisfied customers and avoid negative media articles. In 2017, we received around 2000 complaints in some way related to billing and estimated accounts but found that in around half of these cases, no retailer fault was identified. We are confident that the NERR continues to provide adequate protections

for customers from any impacts from overcharging and undercharging⁵ and as such, we consider these existing provisions are sufficient.

The need for customer self-reads

There are effectively three types of situations where customers may wish to provide their own read to their retailer:

1. The customer regularly receives estimated bills.
2. The customer occasionally receives an estimated bill.
3. The customer disagrees with the bill amount, but the bill is based on actual reads.

EnergyAustralia believes that this rule change should focus on situations 1 and 2 only.

There should be no requirement for retailers to accept customer self-reads that replace or adjust an actual read as per situation 3. A customer self-read will be categorised as an estimate according to industry procedures, and therefore accepting estimated reads as a replacement for an actual read will obstruct retailers' meeting the obligation to provide at least one actual read per year. Retailers frequently get calls from customers unhappy about high actual bills and we have well-established processes in place to step through the different possibilities and resolve the issue. High actual bills can arise for many reasons, including faulty meters, crossed metering, and inadvertent high usage by the customer.⁶

Situation 1 is usually the result of an inaccessible meter. This situation makes it difficult and expensive for retailers to ever get an actual read, and it makes it inconvenient for customers to have to stay at their premise to let in a meter reader. However, we don't see that allowing customer self-reads is an effective solution for anything but the short term. The questions that should be addressed for these customers is – why is the meter inaccessible and who is responsible for the lack of access to the meter?

In general, there are several parties who are responsible for meter access; these are the distributor or meter data provider and the current or previous site owner or tenant. Where a meter installer has placed the meter in a location that is difficult to access, a retailer or customer should be able to have this rectified at the expense of the party responsible. Where the owner or tenant has made the meter inaccessible to meter readers, for example by building over or around the meter or placing locks on gates, this should be identified as early as possible and addressed at the root cause.

Another solution could be to shift these customers to Type 4 electricity meters which can be remotely read and are also more accurate and reliable. There is no easy solution for gas meters other than to resolve the physical access issue and this can mean moving the meter, setting up a way for the meter to be viewed, or to provide access to unlock gates or meter boxes when readings are required.

We are concerned that a rule change that enhances the rights of customers to provide their own meter reads will provide an incentive for customers to restrict access to their meters, provide fake low reads and be less amenable to helping retailers organise an actual read every 12 months. If chronic no access issues are not solved in the long term,

⁵ NERR, rule 21,30 and 31.

⁶ We have seen cases where customers use both heating and air conditioning at the same time and this usually leads to very high bills.

then customers and retailers will continue to have to pay for these inefficient and ineffective workarounds. We strongly recommend that this situation is considered in assessing the overall costs and benefits of the rule change.

EnergyAustralia does support, and already provides, the ability for customers to send in self-reads. We note that these are most effective for situation 1 in the short-term and situation 2.

Accepting customer self-reads

We support accepting a customer reading for Type 6 meters, customers without solar panels and gas meters if the meter read is in the right format and the data is valid. Reads from these meters are determined by subtracting the previous reading from the latest meter reading, therefore, the customer self-read must be higher than the most recent actual reading, otherwise the usage would be a negative amount. However, self-reads are not feasible for all customers.

It would not be possible for customers to provide meter reads for interval electricity meters for small customers (Types 4 and 5) as the read consists of 48 half-hourly reads each day. While the meter shows the total accumulated energy usage or generation since the meter was installed (index reads), this is not data that the industry uses to measure usage or generation at the site. In many cases the index reads are not provided and where they are, these reads are not verifiable by retailers. Where interval (half-hourly) reads are provided by the meter, retailer systems require this data to be able to bill the customer and to provide detailed usage reporting. It would be difficult, expensive and confusing to accept an index read for an interval meter. However, there are likely to be far fewer instances of interval metered customers needing to supply their own reads as these types of meters are more accurate and reliable and estimates are much less frequently used.

Additionally, interval meters would often be more difficult for customers to read as there are often multiple screen display which can depict different types of usage (i.e. all-time usage, solar generation and dedicated off peak usage for hot water or slab heating are the most common types).

Timing of receiving customer only reads

It is proposed that before a bill is issued, and if, within seven days the customers has provided their own read, the retailer must use this as the basis for the next estimated bill. We are unsure how this would work in practice. Firstly, it would rely on customers being more engaged with their billing cycle and knowing that their bill would be based on an estimate not an actual meter read. Secondly, this would create substantial and costly changes to our billing practices for a small number of customers. Instead, the rule change should focus on the longer-term reasons for why some customers received continuous estimated bills.

Adjustment to estimated bills

Our systems don't allow us to issue a bill outside of the billing cycle, that is using a customer own read to align the bill to the date of their read. As such, customers should not be able to send through own reads more frequently than the normal billing cycle. Currently, when we accept a customer own read, we match the read to the bill dates on

their estimated bills. This requires a pro-rata calculation to align with the original estimated bill date. We then cancel their estimated bill and issue a revised bill based on the customer own read.

Further, until distributors are required to update their estimates with the customer own reads, there is an unreasonable gap between what retailers must pay the distributors and what costs they are able to recover from their customers.

It is also proposed that retailers must inform a customer, on an estimated bill, that they may provide a self-read of the relevant meter. Bill content is already heavily regulated across state and federal schemes. We strongly encourage the AEMC to consider the benefit of the costs associated with requiring retailers to provide any additional information on bills, particularly for a small customer base.

Strengthening the requirements to carry out actual meter reads

We do not support more frequent requirements for actual meter reads. Any requirement to increase the mandated frequency of official in-person meter reads would adversely impact customers and add to costs that are borne by customers. If an actual meter read is required, say, every six months, this means that customers are required to provide access for this to occur.

A requirement for more frequent actual meter read will mean customers will be pressured to stay home more often. In some cases, as distributors do not schedule appointments, for efficiency reasons, a customer may be asked to stay home for well beyond a week. Alternatively, they will be asked to schedule an 'out of cycle' meter read which are mostly chargeable, as previously discussed.

It is not practical for retailers to simultaneously accept customer only reads and mandate more frequent in-person reads. We will face material increases in print and post costs as the obligation for customer contact increases. Ultimately, requiring more actual meter reads, in our view, will not solve the issue of chronic no meter access.

Conclusion

In summary, EnergyAustralia supports the continual practice of accepting customers own reads for Type 6 meters and gas meters to be used for estimated bills if the meter read is valid. However, we do not see the need for stronger regulation or higher penalties for what we see as only a short-term solution. We consider that the real issue lies with inaccessible meters, where customers do not receive actual reads. We encourage the AEMC to consider this issue as part of the rule change.

If you would like to discuss this submission please contact Carmel Forbes on (03) 8628 1596 or at carmel.forbes@energyaustralia.com.au.

Regards

Melinda Green

Industry Regulation Leader