

15 June 2018



Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2499
Sydney South NSW 1235

Dear Mr Pierce

ERC0421 Contestability of Energy Services Draft Rule Determination and Proposed Savings and Transitional Rule

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) regarding its Estimated Meter Reads Rule Change Consultation Paper.

The attached submission is provided by Energy Queensland, on behalf of its related entities, including:

- Distribution network service providers (DNSPs), Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy Network);
- A regional service delivery retailer, Ergon Energy Queensland Limited (Ergon Energy Retail); and
- Affiliated contestable businesses, Yurika Pty Ltd (Yurika).

Should you require additional information or wish to discuss any aspect of Energy Queensland's submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely

A handwritten signature in black ink, appearing to read "Jenny Doyle", is positioned above the typed name.

Jenny Doyle
General Manager Regulation and Pricing
Telephone: (07) 3851 6416
Email: jenny.doyle@energyq.com.au

Encl: Energy Queensland submission

Energy Queensland Submission on the Australian Energy Market Commission's

Rule Change Consultation Paper – Estimated Meter Reads

Energy Queensland Limited

15 June 2018



About Energy Queensland

Energy Queensland Limited (Energy Queensland) is a Queensland Government Owned Corporation that operates a group of businesses providing energy services across Queensland, including:

- Distribution Network Service Providers, Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy);
- a regional service delivery retailer, Ergon Energy Queensland Pty Ltd (Ergon Energy Retail); and
- affiliated contestable business, Yurika Pty Ltd.

Energy Queensland's purpose is to "safely deliver secure, affordable and sustainable energy solutions with our communities and customers" and is focussed on working across its portfolio of activities to deliver customers lower, more predictable power bills while maintaining a safe and reliable supply and a great customer service experience.

Our distribution businesses, Energex and Ergon Energy, cover 1.7 million km² and supply 37,208 GWh of energy to 2.1 million homes and businesses. Ergon Energy Retail sells electricity to 740,000 customers.

The Energy Queensland Group now includes Yurika, an energy services business creating innovative solutions to deliver customers greater choice and control over their energy needs and access to new solutions and technologies. Yurika is a key pillar to ensure that Energy Queensland is able to meet and adapt to changes and developments in the rapidly evolving energy market.

Contact details

Energy Queensland Limited
Jenny Doyle
General Manager Regulation and Pricing
Email: jenny.doyle@energyq.com.au
Mobile: 0427 156 897
PO Box 1090, Townsville QLD 4810
Level 6, 420 Flinders Street, Townsville QLD 4810
www.energyq.com.au

Energy Queensland Limited ABN 96 612 535 583

© Energy Queensland Limited 2016

This work is copyright. Material contained in this document may be reproduced for personal, in-house or non-commercial use, without formal permission or charge, provided there is due acknowledgement of Energy Queensland Limited as the source. Requests and enquiries concerning reproduction and rights for a purpose other than personal, in-house or non-commercial use, should be addressed to the General Manager Customer Strategy and Engagement, Energy Queensland, PO Box 1090, Townsville QLD 4810.

1 Introduction

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its Estimated Meter Reads Rule Change Consultation Paper (Consultation Paper). This submission is provided by Energy Queensland, on behalf of its related entities Energex Limited (Energex), Ergon Energy Corporation Limited (Ergon Energy), Ergon Energy Queensland Limited (EEQ) and Yurika Pty Ltd (Yurika).

Energy Queensland in general supports the principle of allowing customers to provide self reads as an alternative to an estimated read. However, we do have some concerns. Our primary concern, which has not been highlighted in the Consultation Paper, is the likely costs, especially system costs, if a retailer is required to accept self-reads. Currently, our retailer, EEQ only accepts self-reads in limited circumstances, for example, where a customer disagrees with a read provided by the Meter Data Provider (MDP) and there are clear rules to support this. EEQ's systems are not set up to accept self-reads from customers and if this was introduced as a broad requirement, there are likely to be significant system changes required.

Notwithstanding our concerns, we recognise that an inaccurate meter read has the potential to cause bill shock to customers, and in some instances it would be beneficial to offer this service, especially to customers in remote and rural locations where access is difficult. However, we recommend caution in adopting a prescriptive approach, and any suggestion of complete removal of estimated reads. This is because, as discussed later in this submission, estimated reads are necessary for various reasons.

Energy Queensland has provided responses to the questions raised in the Consultation Paper in the following section. Energy Queensland is available to discuss this submission or provide further detail regarding the issues raised, should the AEMC require.

2 Table of detailed comments

Consultation Paper Feedback Question	Energy Queensland Comment
Issue 1: Consultation questions on the issues to be addressed	
<p>1. Do stakeholders agree with the characterisation of the issues with estimated meter reads to be addressed?</p>	<p>No. Energy Queensland considers that the use of estimates is important in the overall management of meter data. If a premises cannot be accessed, estimates provide a method of billing the customer and ensuring some form of consumption is recorded, thereby avoiding potential bill shock and debt issues for customers when an actual reading is obtained. The use of estimates also avoids prolonged revenue shortfalls for retailers of such premises.</p> <p>In Energy Queensland’s opinion, the majority of customers receive bills based on actual reads. For example, for the month of April 2018, 95% and 96% of all reads, for Energex’s and Ergon Energy’s distribution area respectively, were actual reads. Energy Queensland respectfully disagrees with the AEMC’s view that the issues with estimated reads will continue to be relevant. We believe that the roll-out of type 4 digital meters will greatly reduce the characterisation of this issue.</p>
<p>2. Are there any differences in the nature of the issue for gas customers compared with electricity customers?</p>	<p>Energy Queensland provides no comments.</p>
<p>3. Are there any shortfalls in the way the existing provisions in the NERR protect customers from the impacts of inaccurate estimates:</p> <ul style="list-style-type: none"> a) Do the rules sufficiently protect customers from over and under charging? b) Does rule 29 provide adequate recourse for a customer to dispute a bill based on an inaccurate estimate? 	<p>Energy Queensland does not see any limitations in the existing provisions of the National Energy Retail Rules (NERR). We think that they adequately provide mechanisms that afford consumers protections and provide them appropriate recourse.</p>

Issue 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?

Energy Queensland is concerned with a proposal for all customers' bills being based on actual meter reads. The benefits of estimated reads being available outweigh any likely benefits of a move towards mandated actual reads for billing purposes. For example, estimated meter reads are essential when access is not possible or provided. Many customers in Ergon Energy's distribution area are in isolated or rural areas. For some of these customers the reading of meters requires access by helicopter or long drives as customers' premises are hours apart. For these customers, Ergon Energy allows them to provide self-reads every quarter and an attempt is made to read the meter once a year. Also, in our view, the majority of estimates are caused by customers not providing safe access to their meter. Estimated reads provides a mechanism for distributors/retailers to deal with access issues, and ultimately bill a customer and allow settlement in the National Electricity Market.

Only allowing billing on actual reads, could significantly impact retailers and DNSPs through requiring complex meter reading and billing processes to ensure actual reads and the issuing of bills can be undertaken on a timely basis. Such an arrangement would also lead to some customers being unbilled for significant periods, resulting in even greater bill shock and potential debt and hardship issues when an actual read is finally obtained. It should be noted that if to address this, a requirement to perform an actual read every three months is introduced this will significantly increase the costs of meter reading especially in rural and remote areas.

Energy Queensland is not convinced that this option should be considered given that the benefits of estimated meter reads outweigh any likely benefits of mandated actual reads for billing purposes.

Issue 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?

Although, Energy Queensland is generally supportive of Minister Frydenberg's proposal to introduce a requirement to accept a self-read as the basis for an estimated read, Energy Queensland has some concerns regarding particular aspects of the conditions associated

with this requirement. These are dealt with separately below:

- 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:

We consider that providing a seven day time period is too long. It would result in the billing process having to be conducted again as the customer was billed on an estimate. Further, there would be costs involved in the additional file production, print and mailing run.

- the retailer reasonably considers this meter reading to be accurate:

In order to assess “how reasonably accurate” this reading is, a “reasonable” algorithm would need to be implemented and validation processes run to determine how close to “accurate” the customer’s read is. This would require costs and resources, which will ultimately be borne by customers.

Currently estimation rules are completed in accordance with the AEMO Metrology Procedures. Estimations are intended to provide an accurate estimate for Market Settlement as well as customer billing. If this proposal was successful, a clear definition of “grossly inaccurate” would be required, including examples. An estimate cannot be determined to be inaccurate until after the event when an actual read is obtained.

Energy Queensland agrees that where no historical data exists, an estimated read based on a comparable customer is likely to be inaccurate and this could be due to a range of reasons. However, both Ergon Energy and Energex do not always have access to detailed customer information, for example, how many air conditioners are installed. This may cause a fluctuation between bills and therefore lead to inaccurate estimated meter reads. Having access to this information would lead to more improved estimated meter reads.

2. How would the option be implemented by industry and what are the costs involved?	The costs will depend on the detailed regulatory requirements. However, as noted above there are likely to be significant costs involved in implementing and applying the new requirements.
---	---

Issue 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?	<p>As highlighted above, Energy Queensland's retailer, EEQ only accepts customer self reads in limited circumstances and there are rules supporting this mechanism. In order to comply with this proposal, EEQ anticipates there will be significant costs related to system changes in allowing acceptance of customer self-reads. .</p> <p>From a market transaction perspective, we also see benefits where the self-read is shared amongst other participants. For example, where the self-read is submitted to the retailer, it should be provided to the MDP to submit to all relevant parties for the purpose of settlements.</p>
2. How would the option be implemented by industry and what are the costs involved?	<p>This could be implemented in the form of photographic or phoned in self read although we anticipate that the response rate would be very low. For example, the response rate for designated self-read customers in Ergon Energy's distribution area is 18%.</p> <p>It is important to highlight that regardless of the solution, to ensure more accurate reads in order to prevent bill shock, there may be significant revenue implications if self-read or accurate read are the only form of meter reading to be accepted.</p> <p>Energy Queensland is looking at ways of improving the customer self reads process and methods of accepting self reads. We consider that there is value in allowing MDPs to accept self-reads, as all relevant parties can then receive that read.</p>
3. Are there any types of metering or tariff arrangements that would make it difficult for a customer to provide a self-read?	Meters with multiple registers and more complex meters may prove difficult for customers to provide a self-read. For example, Energy Queensland has some complex metering arrangements with multi dial and register meters. Often, instructions have to be provided to customers on how to complete self-reads.

<p>4. What are the appropriate timeframes in which a customer should provide a self-read to a retailer to inform a bill?</p>	<p>As previously stated, Energy Queensland supports the idea of self-reads, and our retailer EEQ, accepts them in limited circumstances. In the event that this rule change proceeds, Energy Queensland recommends two business days from the original read date as this will avoid the issues of the number of bills that would potentially need to be re-issued if the customer is allowed seven business days to provide a self-read.</p>
<p>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?</p>	<p>Energy Queensland supports the ability for retailers to reject self-reads in certain circumstances. Additionally we believe that reasons should also be provided. However, we do not support the proposition that customers are provided with mechanisms to remedy the self-read as this may lead to an increased verification process. If a retailer rejects the read and provides reasons, the retailer should instead be able to estimate the bill based on historical usage.</p> <p>Energy Queensland supports a streamlined process that does not create various layers of validation.</p>

Issue 5: Consultation questions on adjustments to estimated bills

<p>1. To what extent does the option address the issues with estimated meter reads? What are the benefits?</p>	<p>Energy Queensland's retailer, EEQ does have concerns rebilling a customer based on a customer provided self-read. Despite EEQ offering this service in very limited circumstances, if this were to become the norm, then there is the potential for costly systems changes in order to facilitate this function.</p> <p>The requirement to inform a customer of their right to request an adjusted bill based on an estimated read is not supported. There is a general sentiment that a customer's bill already contains a number of matters, and it tends to lean towards "information overload". Therefore an alternative recommendation is that this right is published on the retailer's website.</p>
<p>2. How would the option be implemented by industry and what are the costs involved?</p>	<p>Energy Queensland refers to comments above.</p>
<p>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</p>	<p>Energy Queensland refers to comments above.</p>

cycle?

Issue 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?

We do not see that tightening the requirements on retailers/MDPs will necessarily address the issues raised by the rule change proponents. This is primarily because customers are so intimately involved in the process of a meter read. For example, customers are required to provide access and this is the most common reason to as why a meter reading is not obtained. This obligation should not be overlooked. In addition, in circumstances where locations are so remote, requiring an actual meter every 3 or 6 months will be significantly more costly on the industry and therefore customers.

Estimations are certainly appropriate in certain circumstances and should not be excluded as a means of billing customers.

2. How would the options be implemented by industry and what are the costs involved?

Energy Queensland refers to our comments above. We do not support a more prescriptive approach where the ability to estimate a meter read is removed. As previously discussed, estimated meter reads are required for a range of reasons, and this has been reflected in the current framework. Additionally, Energy Queensland has a 96% and 95% rate of actual meter reads in Ergon Energy's and Energex distribution area respectively.

3. What would be the most effective way to strengthen the requirements to carry out actual meter reads (if any)?

The installation of type 4 digital meters could meet the requirements to carry out actual meter readings.

Issue 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?

Energy Queensland considers that using estimating methodology based on location will be administratively complex. Additionally, we note that Dr Dodt argues for this rule change based on the accuracy of an estimate. However, solar output is influenced by a number of factors including but not limited to aspect, shade, solar manufacturer, or dust on the panels.

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?

Firstly, we are not aware of any direct correlation between inaccurate estimated reads and premises where consumption has changed significantly. Self reads may work in certain circumstances where consumption has changed. However, depending on the reason for the change in usage, a validation process by internal staff may still be required, for example, for solar installations. This is likely to be a cumbersome and costly exercise.

Issue 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?

Energy Queensland does not consider that compliance with rule 21 of the NERR is a significant issue. As previously highlighted in this submission, Energy Queensland has a 96% and 95% rate of actual meter reads in Ergon Energy's and Energex distribution area respectively. In particular we do not support the imposition of a civil penalty regime as a mechanism to improve compliance as we do not believe that the penalty proposed is commensurate with any resultant harm of non-compliance.