

Ms Alisa Toomey  
Senior Advisor  
Australian Energy Market Commission  
GPO Box 2603, Sydney 2001

Lodged via the AEMC submission portal

28 October 2021

Dear Ms Toomey,

## **Submission in response to AEMC Review of the regulatory framework for metering services**

ActewAGL welcomes the opportunity to comment on the Australian Energy Market Commission's (AEMC) review of the Regulatory Framework for Metering Services.

ActewAGL is an electricity and gas retailer, providing energy to Canberra and the south-east NSW region including Queanbeyan, Goulburn, the Snowy Mountains, Nowra and the South Coast.

We support the AEMC's review and agree with the majority of the key issues raised in the Directions Paper. The potential benefits of mass adoption of smart meters are well established, with customers, network businesses, metering coordinators and retailers all sharing the benefits.

Our submission to the Directions Paper outlines three key issues with the current regulatory framework, which are summarised in this letter and explored in more detail in the attachment.

ActewAGL's roll-out of smart meters has responded to customer demand and contributed to the roll-out of smart-metering in the National Energy Market. However, the pace of the roll-out reflects underlying customer demand, which in turn reflects the current benefits customers receive from smart meters.

Retailers bear the risk of providing smart meters to customers and are often faced with significant costs that cannot be adequately recovered. The existing regulatory framework does not support a rapid roll-out of smart meters because there is a misalignment of incentives, with key beneficiaries not sharing the costs or risk of the roll-out.

ActewAGL intends to continue providing smart meters to customers to meet demand. We support changes to the regulatory framework for metering services to better share costs and risks between parties that benefit from the adoption of smart meters. However, without further changes to the framework, at this stage, we consider the introduction of amendments such as the introduction of quotas, would not be in the long-term interests of customers.

Should you have any questions or wish to discuss the matters raised in this submission further, please contact Rohan Richardson (Group Manager Business Intelligence and Transformation) at [Rohan.Richardson@actewagl.com.au](mailto:Rohan.Richardson@actewagl.com.au) or on 02 6248 3592.

Yours sincerely



Rachael Turner  
General Manager Retail

## **ActewAGL's smart meter roll out meets customer demand and expectations**

The speed of the roll out of smart meters has been in line with our expectations and reflects the incentives available to customers when deciding whether to install a smart meter. ActewAGL provides smart meters where there is a new connection, a need for a replacement meter or when requested by the customer. ActewAGL is committed to providing all services to customers within the metering installation timeframes.

The pace of adoption of smart meters in the National Electricity Market (NEM) partly reflects customer demand for smart home energy management products, solar photovoltaic systems and other distributed energy resources. We have found very few instances where customers have requested a smart meter installation without an underlying need.

ActewAGL has found that the market penetration of enabling infrastructure (solar panels and other related products) in established homes, together with the construction of new homes are the main drivers for smart meter installation. ActewAGL does not expect a significant change in the construction of new homes in its market area and therefore the adoption of smart meters for this reason is expected to continue at the current pace. The pace of smart meter adoption is however, likely to increase in established homes as other technologies such as solar panels and smart home energy management products are increasingly adopted.

The current retailer led roll-out of smart meters reflects broader trends in technology take-up and underlying demand from energy consumers. Retailers have adopted cost effective approaches to meet this demand, and any changes to the current Rules should consider the broader impact and costs to customers.

## **Retailers bear the risks but most benefits accrue to other parties**

The implementation of smart meters in the NEM has not resulted in the benefits to retailers or consumers identified in the Australian Energy Market Commission (AEMC) 2015 *Competition in Metering Rule Change*.

Based on the current framework, most of the potential benefits from early adoption of smart metering flow to Distribution Network Service Providers (DNSPs) and Metering Coordinators (MC's), with minimal benefits at this stage realised by customers or retailers. This is reflected in the benefits identified by the AEMC in its Direction Paper. Over time, more benefits may flow to customers and retailers, but only after a higher adoption of smart home energy management products, or there is a reduction in the cost to install a smart meter.

This misalignment of incentives during the early roll out can be mitigated by the options proposed by the AEMC. ActewAGL supports changes to the regulatory framework that share costs and risks between the beneficiaries of a mass adoption of smart meters in the NEM.

### **Incentives are not aligned under the current framework**

For retailers it is often not commercially viable to install a smart meter. Replacement of existing meters in the Australian Capital Territory (ACT) and New South Wales (NSW) jurisdictions come at a significant cost, particularly due to legacy issues, with the most common issues being as follows:

- The presence of asbestos in existing accumulation meter installations.
- Unforeseen additional work identified during the installation of a smart meter due to poor site compliance, such as ceramic fuses, and other works required to be completed by the customer before the smart meter can be installed.
- Meter board access.
- Difficulties coordinating installations with customers.

Additionally, the identified benefits to retailers, such as remote reading or offering innovative tariffs take significant time to pay back.

For customers, the identified benefits of a smart meter, including real time energy usage data to inform decision making only attract certain customers, and the underlying demand for smart meters reflects the take up of other technologies. ActewAGL's experience suggests the benefits to consumers, particularly from early adoption has not materialised.

ActewAGL supports the AEMC's options, which are being considered to assist in aligning incentives. The response should be two-fold, with changes that reduce the barriers to other parties accessing the benefits, such as better data sharing, sharing costs or changing the parties responsible for the roll-out of smart meters in the NEM.

Incentives were better aligned in the past when DNSPs were responsible for the roll-out of meters and could recover the costs through their regulated revenue. This approach better aligned incentives for parties to deliver a mass roll-out which may reduce costs due to economies of scale.

If DNSPs and MCs are the primary beneficiaries of mass adoption of smart meters they should contribute to the costs. The adoption of smart meters is likely to continue at its current pace unless there is a change to the framework to better share costs.

### **Operational improvements will benefit consumers**

There are several regulatory barriers preventing retailers and customers from deriving benefits from smart meters. These barriers include:

- Potential benefits to retailers (such as remote disconnections) have been prohibited by state/territory governments.

- The Default Market Offer (DMO) in NSW is based on the assumption that retail customers have a distributor supplied Type 5 or Type 6 meter, when a customer could have a Type 4 meter installed by their retailer. Each year the proportion of customers with a Type 5 / Type 6 meter declines, making the metering cost element of the DMO increasingly obsolete. In the ACT, the regulator of ACT Electricity prices, the Independent Competition and Regulatory Commission (ICRC) has included the cost of smart meters in its regulated prices and related reference bill and ActewAGL believes this should also occur in NSW.
- Limited incentive for retailers to initiate DNSP meter family failure Type 4 deployments due to poor site compliance, potential cost to the customer and a cohort of customers refusing the upgrade.
- Expensive and sometimes unnecessary physical field assessments before meter installs can take place.
- Site access issues (multiple occupancy) in NSW and ACT requiring provision of DNSP and/or landlord keys to access locked sites and meter rooms.

Addressing these issues under the current framework will reduce costs to retailers and customers. However, a DNSP led roll-out of smart meters in the NEM will overcome a number of these issues at a lower overall cost.

A coordinated DNSP led roll-out will provide economies of scale in installation and unlock potential benefits which will reduce costs for all parties. This approach will also be in the long term interest of customers because it will remove the incentives retailers face to provide smart meters to customers with uncomplicated installation requirements first.

## **Introducing quotas or a ‘backstop’ date will not be in the long run interests of energy customers**

The current roll out of smart meters reflects a market driven approach which allows retailers to plan for and deliver smart meters in a cost-effective way. Any changes to the current arrangement should be carefully considered to ensure they do not impose additional costs on customers.

ActewAGL does not support a change to the metering framework to introduce quotas or a backstop date without other changes that align incentives and better share costs. Changes to the framework in isolation would not be in the long term interests of customers.

### **The costs of a mass roll-out of smart meters exceed the benefits for retailers**

As previously outlined, under the current regulatory framework the costs to retailers and consumers of a mass roll-out of smart meters exceed the benefits. A faster retailer led roll-out of smart meters can only be achieved if incentives are better aligned.

In ActewAGL's customer base there are few opportunities to deliver economies of scale from large scale roll-outs. Further, a mass roll-out will impose significant costs and potentially safety risks on retailers and may only provide limited benefits to customers. It is unlikely that the benefits to customers will outweigh the costs of the roll-out in the short term.

The AEMC should only consider a rule change that provides binding targets if DNSPs lead the roll-out of smart meters, and can recover the costs of the roll out through their regulated revenue. This ensures a level playing field for retailers competing for customers and avoids the potential inequality of a smart meter rollout as outlined below. ActewAGL supports changes to the regulatory framework to better align incentives.

### **Quotas or a 'backstop' date will disadvantage some customers**

Introducing quotas or a backstop date without aligning incentives may lead to perverse outcomes for customers. Retailers may target easy installation sites to meet quotas, to the detriment of other customers with more complicated installation requirements. ActewAGL has found significant variation in the cost of meter installations depending on site requirements.

Further, retailers may spend more efforts attracting customers with existing smart meter connections to meet targets imposed by the regulator. If installation quotas are adopted to help accelerate the roll out of smart meters, the AEMC needs to consider the impact on all customer groups.