



28 October 2021

Australian Energy Market Commission
GPO Box 2603
Sydney NSW 2000

By electronic lodgment

Review of the regulatory framework for metering services – Directions Paper

Alinta Energy welcomes the opportunity to respond to the Australian Energy Market Commission's Directions Paper on its review of the regulatory framework for metering services.

Alinta Energy, as an active investor in energy markets across Australia with an owned and contracted generation portfolio of nearly 3,000MW and more than 1.1 million electricity and gas customers has a strong interest in the final recommendations made from the review process. We acknowledge the extensive consultation process that the Commission has undertaken in preparing the Directions Paper and the opportunity to participate in the reference groups chaired by the Commission.

We acknowledge that there are challenges with the roll out of advanced meters under the current rules. However, we believe the market for advanced meter deployment and the services they enable remain in an early stage of development and would encourage the Commission to focus on an approach that removes existing barriers to deployment, such as the management of site remediation, shared fuses/multiple occupancy sites and the inability to uniformly access remote services enabled by advanced meters.

There is no evidence that artificially forcing an acceleration of the roll out of advanced meters or change the current roles and responsibilities to address the challenge of split incentives will dramatically reduce costs, but these measures would increase complexity. Deploying advanced meters alone does not encourage the greater uptake of distributed energy resources by customers and even with the network benefits accruing to DNSPs (and consumers through presumably lower network costs) in Victoria, net negative social costs remain the case in the only jurisdiction where a mandatory and accelerated roll out took place.

We would support improvements to the framework that address barriers to deployment, encourage commercial negotiation between service providers and seekers, easing the regulatory burden (rather than increasing it) and ensuring that consistent policies toward remote services and advanced meter installation and remediation apply across the National Energy Consumer Framework jurisdictions.

Some of the options set out in the Directions Paper, such as enhancing the revenue streams for advanced meter services and data provision, merit further analysis; though the conditions and capacity for the objective of such an option exists today in the competitive market for metering services.

Further consideration of the availability and consistency of power quality and other data and mechanisms to support this should be considered, but the costs of implementation and the benefits involved will require thorough analysis.

Alinta Energy supports improving the customer experience of advanced meter installations and streamlining obligations for retailers and meter providers to reduce costs.

We welcome further discussion with the Commission as it works towards its draft report. Please contact David Calder on (03) 9675 5359 in the first instance.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'G. Hamilton', is positioned above the printed name.

Graeme Hamilton

General Manager, Regulatory & Government Affairs

Question 1: Benefits which can be enabled by smart meters

- (a) Are there other benefits which can be enabled by smart meters that are important to include in developing policy under the Review?
- (b) What are stakeholders views on alternative devices enabling benefits? What are the pros and cons of these alternative devices?

Q1(a): Alinta Energy believes that the key benefits of smart meters that may inform policy development are set out in table 2.1 of the Directions Paper.

Q1(b): We believe there is a role for alternative devices enabling benefits to consumers, retailers, DNSPs and energy service companies and other third parties. While we agree that meters connected to a distribution network are fundamental to the settlement of the market (and that this should remain the standard), there are alternatives available, particularly for the realisation of network benefits. To the extent that more efficient solutions exist, advanced meters do not need to be considered as the only mechanism to capture benefits. DNSPs can present the economic costs and benefits to the Australian Energy Regulator in seeking funding for capital and operating expenditure to support devices in the network that improve planning, network monitoring (such as outage detection) and optimising the use of network assets.

The internet of things and smart home applications behind the meter are a matter for consumers and technology providers and should remain outside of any regulatory oversight.

Question 2: Penetration of smart meters required to realise benefits

- (a) Do stakeholders agree that a higher penetration of smart meters is likely required to more fully realise the benefits of smart meters? If so, why? If no, why not?
- (b) Do stakeholders have any feedback on the level of smart meter penetration required for specific benefits? Or to optimise all benefits?

Q2(a): We agree that a higher penetration of smart meters is desirable and necessary to realise the full suite of benefits of smart meters. Inevitably, this penetration will occur through current roll out triggers - family failure of a particular fleet of basic meters, new and replacement meters and connection changes and alterations (for example the installation of solar PV or batteries).

Access to data from advanced meters and the price of this provision should remain on commercial terms and not be regulated. As penetration increases, DNSPs, retailers, metering coordinators (and their associated meter data providers) necessarily have a collective incentive to negotiate and price new services and types of data provision.

Q2(b): A total penetration level above 50 per cent is desirable and will be achieved outside of Victoria well before 2030 in the National Energy Consumer Framework jurisdictions. Victoria has 100 per cent deployment of advanced meters and many of the original benefits identified have still not been realised, almost a decade on.

Question 3: To reach a critical mass in a timely manner, options to accelerate the roll out should be considered

- (a) Do you consider that the roll out of smart meters should be accelerated? Please provide details of why or why not.
- (b) What are the merits, costs and benefits of each option? Is there a particular option which would be most appropriate in providing a timely, cost effective, safe and equitable roll out of smart meters?
- (c) How would each of these options for rolling out smart meters impact the cost profiles of smart meters?
- (d) Are there other options that you consider would better provide a timely, cost effective, safe and equitable roll out of smart meters?

Q3(a): An accelerated roll out from the present pace of installation of advanced meters may be desirable, but the changes to the incentives required to encourage more rapid deployment may result in higher costs through complexity, system changes and further complications triggered by competing roles and responsibilities.

The consumer-led focus of the roll out under the Power of Choice reforms remains the most efficient approach to meter deployment. There is nothing preventing those seeking to access services and data enabled by advanced meters from negotiating with metering providers directly. This has always been the case, and while we would support the removal of unnecessary barriers to those seeking to access (and pay) for the services that advanced meters provide, we believe there is limited useful scope for regulatory intervention, which is likely to have the effect of discouraging innovation and competition. The roll out of advanced meters and the services they enable was always intended to be competitive in nature and this approach should be maintained.

Q3(b): Alinta Energy does not believe accelerating the roll out will bring forward or increase the realisation of material benefits. The presence of an advanced meter alone may still not generate enough benefits to cover the cost of installation, even if the provision of additional data to DNSPs, or the ability for retailers to offer cost-reflective pricing or remote services are considered. The take up of distributed energy resources by customers is a trigger for meter installation, but having an advanced meter installed does not of itself contribute in any material way to consumers investing in DER. The Victorian roll out was accelerated and mandatory and is unlikely to ever (given the time elapsed since the initial investment was made) result in net benefits to consumers.

Alinta Energy does not support the options described in section A.1.3 of the Directions Paper. Site remediation is an issue at present and the costs would be amplified under an age trigger. There is a role for energy safety regulators, retailers, DNSPs, meter providers and State and Federal Governments to manage remediation for reasons of safety alone. This may mean that to improve customer acceptance of advanced meters, the cost of remediating or replacing consumer assets (such as meter boards) needs to be partly or fully funded by government if customers are unable to afford to do so. As the Commission is aware, customers who are informed they need to replace a meter board (for example) will often attribute remediation costs on the installation of an advanced meter, rather than as part of safety regulation.

A retailer installation quota, or a backstop target by which time retailers must have replaced a high percentage of meters, is likely to result in the negative outcomes identified by the Commission (retailers choosing the least cost installation sites first for example). In addition, placing a target on retailers assumes all retailers are in a similar position to manage the costs and access to economies of scale that these acceleration options would require. These two options are not supported.

Q3(c): We do not consider it likely that in chasing scale economies, the benefit of a marginal reduction in meter costs will exceed the additional costs to retailers of funding meters where the

business case is loss making. Nor do we believe an accelerated roll out will resolve split incentives that arise where parties are unable to form commercial agreements over data and services enabled by advanced meters. Under the mandated, accelerated roll out in Victoria, economies of scale guaranteed upfront costs, but did not bring forward benefits to outweigh these.

Q3(d): Alinta Energy believes that the recommendations in the Commission's final report should focus on reducing existing barriers to the installation of smart meters. Improved and uniform visibility of aged meter fleet data and replacement schedules from DNSPs, removal of barriers to remote services and streamlining communication requirements will all contribute to a more rapid deployment of advanced meters.

Alinta Energy notes that the level of deployment of advanced meters in the NECF jurisdictions is similar to the total number of meters deployed in Victoria over a similar timeframe (2.5 million). In absolute terms, the Power of Choice reforms have resulted in a deployment rate the same (if not slightly greater) than the mandatory, accelerated roll out in Victoria. In this regard, we do not consider that there is evidence that accelerating the roll out will bring forward benefits but will result in additional costs.

Question 4: Options to assist in aligning incentives

- (a) What are the costs and benefits of each option? Is there a particular option which would best align incentives for stakeholders?
- (b) Are there other options that you consider would better align incentives?

Q4(a): The development of revenue streams (for meter providers and MCs) for services enabled by advanced meters is possible under the current framework. Both service and access seekers (for example DNSPs) and meter providers (MCs) are incentivised to arrive at commercial terms if data and services are worth providing.

It should also be noted that DNSPs do not pay for metering data provided to them from advanced meters under the Power of Choice reforms, and that if they did the costs would simply be passed through network charges. This decision has set a poor precedent for the payment and provision of other services and the costs borne by those responsible for appointing MCs (retailers). Nevertheless, this first option of developing additional revenue streams may be the best approach of the three set out in sections 3.2 and A.2 of the Directions Paper.

The issue of split incentives associated with the cost of deploying advanced meters is really a failure for parties to reach a commercial agreement. While we understand that third parties may encounter difficulties negotiating with providers of advanced meter services, the main contributor to split incentives is a failure to negotiate between parties that could jointly benefit from a commercial arrangement.

Spreading the cost of the installation across multiple parties may have merit, but regulation of the amount and scope of cost recovery is unlikely to improve the efficiency of the roll out where an existing, unregulated alternative exists right now via commercial negotiation.

Allowing multiple parties to install advanced meters would be costly to implement and regulate (requiring access arrangements to be in place) and amplifies the split incentives problem as parties who do not directly compete with each other, or have different regulatory obligations, would all vie to install advanced meters – for example retailers and DNSPs, retailers and energy service companies.

Q4(b): Alinta Energy supports efficient and least cost outcomes in relation to the provision of data and services enabled by advanced meters. One approach that could encourage improved alignment of incentives would be for the AER to require DNSPs to seek market-based

solutions (rather than through the economic regulation of network costs) to network monitoring and other services that could be procured from the competitive market (MCs). Meter providers should equally be incentivised to negotiate access to and the price of additional services

Question 5: The current minimum service specifications enable the required services to be provided

- (a) Do you agree with the Commission's preliminary position that the minimum service specification and physical requirements of the meter are sufficient? If not, what are the specific changes required?
- (b) Are there changes to the minimum service specifications, or elsewhere in Chapter 7 of the NER, required to enable new services and innovation?
- (c) What is the most cost-effective way to support electrical safety outcomes, like neutral integrity? Would enabling data access for DNSPs or requiring smart meters to physically provide the service, such as via an alarm within the meter, achieve this?
- (d) Do you agree smart meters provide the most efficient means for DNSPs to improve the visibility of their low voltage networks? Why, or why not? What would alternatives for network monitoring be, and would any of these alternatives be more efficient?
- (e) Can smart meters be used to provide an effective solution to emerging system issues?

Q5(a): Alinta Energy agrees with the Commission's preliminary position. As noted by the Commission, the current minimum service specification strikes a balance between the services and capabilities of the standard advanced meter fleet and the cost of providing the meters.

Q5(b): We do not believe changes to the minimum service specifications are required at this time. There is nothing preventing commercial agreement between service seekers (for data or other capabilities of advanced meters) and meter providers.

Q5(d): Advanced meters have the potential to provide enhanced visibility of the low voltage network for DNSPs. To the extent alternative network monitoring devices are a substitute, the DNSPs should be required to demonstrate this to the AER, who should test the efficiency of alternatives by first requiring DNSPs to procure market-based alternatives before opting for a regulated asset alternative.

Q5(e): Advanced meters will play a role in emerging system issues and have been able to adapt already under the South Australian Smarter Homes regulations to address minimum system demand.

Question 6: Enabling appropriate access to data from meters is key to unlocking benefits for consumers

- (a) Do you agree there is a need to develop a framework for power quality data access and exchange? Why or why not?
- (b) Besides DNSPs, which other market participants or third parties may reasonably require access to power quality data under an exchange framework? What are the use cases and benefits that access to this data can offer?
- (c) Do you have any views on whether the provision of power quality data should be standardised? If so, what should the Commission take into consideration?
- (d) Do you consider the current framework is meeting consumers' demand for energy data (billing and non-billing data), and if not, what changes would be required? Is there data that consumers would benefit from accessing that CDR will not enable?

Q6(a): Alinta Energy agrees there is merit in the development of a power quality data access process. The cost of establishing such an exchange however needs to be funded by the beneficiaries of the data and in line with the development of revenue streams option in section

A.2.3 of the Directions Paper. As the competitive metering environment remains the model applying to advanced meter deployment and operation, funding the establishment and ongoing use of a data exchange should accrue on a user pays basis and reduce costs to retailers as the Responsible Person for metering installations.

Q6(d): In Alinta Energy's experience, the current framework meets consumer demand for energy data. Awareness and utilisation of the data provided by advanced meters by consumers is still at a nascent stage. Any changes at this stage would benefit relatively few consumers but would ultimately be funded by all advanced meter customers. This is not consistent with NEO or NERO.

Question 7: Feedback on the initial options for data access that the Commission has presented

- (a) What are the costs and benefits of a centralised organisation providing all metering data? Is there value in exploring this option further? (e.g. high prescription of data management).
- (b) What are the costs and benefits of minimum content requirements for contracts and agreements for data access to provide standardisation? Would such an approach address issues of negotiation, consistency, and price of data?
- (c) What are the costs and benefits of developing an exchange architecture to minimise one-to-many interfaces and negotiations? Could B2B be utilised to serve this function? Is there value in exploring a new architecture such as an API-based hub and spoke model?
- (d) What are the costs and benefits of a negotiate-arbitrate structure to enable data access for metering? Is there value in exploring this option further? (e.g. coverage tests or nonprescriptive pricing principles).
- (e) Are there any other specific options or components the Commission should consider?

Q7(a): While we see value in standardising data, the cost of centralising it through a single organisation, would be significant. To the extent that retailers (as Responsible Persons for advanced metering) do not require access to such data, they should not contribute (through market fees for example) to the establishment or operation of any central body's costs to store and distribute data. Data provision should not be free; data recipients should pay for data that they will benefit from and new streams of revenue for data holders should reduce the costs of meters to retailers.

However, at this stage we believe it is premature to be considering such a substantial change to the provision of data provided by advanced meters. The cost of establishing a centralised data hub or using AEMO's existing architecture as market operator will be material. Small consumers themselves are unlikely to seek access to power quality data and the benefit of use cases that are bespoke in nature will not cover the cost of setting up and operating a centralised data hub. At this stage, gradual change to power quality data access should be the focus of any recommendations and commercial agreement the basis of data procurement and sharing.

Q7(b): While setting out standard minimum content for contracts for data access may have merit, it should not come at the cost of innovation and flexibility for meter data providers and data holders. Alinta Energy is concerned that regulatory solutions are being proposed to problems that can and should be solved via commercial negotiation in competitive markets. MDPs and MCs have incentives to expand the sources of revenue available to them and this includes the provision of power quality and other data useful to DNSPs. Careful further consideration is necessary before committing to any minimum content or contract standard.

Q7(d): Alinta Energy does not support the development of a coverage test or similar access regulation at this time. The case for market failure has not been articulated and the penetration of meters, along with the relatively early stage of the roll out more than suggest it is premature to consider (even a light handed) negotiate-arbitrate model.

Question 8: A higher penetration of smart meters will enable more services to be provided more efficiently

- (a) Are there other potential use cases that third parties can offer at different penetrations of smart meters? What else is required to enable these use cases?
- (b) Noting recommendations in incentives and the roll out, are there other considerations for economies of scale in current and emerging service models?

As discussed above, removing barriers and disincentives to install meters (that often are governed outside of the NERL, NER and NERR) should be the immediate focus of industry, regulators and governments if the objective is to see faster deployment of advanced meters. Enabling remote services, consistent and harmonised regulation around safety and installation issues and addressing customer site remediation should take precedence over arbitrary quotas and backstops.

Question 9: Improving customers' experience

- (a) Do you have any feedback on the proposal to require retailers to provide information to their customers when a smart meter is being installed? Is the proposed information adequate, or should any changes be made?
- (b) Should an independent party provide information on smart meters for customers? If so, how should this be implemented?
- (c) Should retailers be required to install a smart meter when requested by a customer, for any reason? Are there any unintended consequences which may arise from such an approach?

Q9(a): We support any improvement in the customer's experience with smart meters and believe the proposed information is relevant when an advanced meter is due to be installed. We note that some of the information described in 3.6.1 duplicates requirements under the NERR.

In relation to customer rights and responsibilities, customer obligations to remediate sites that are unsafe will vary if the customer is a tenant or a homeowner. Before this element of a notice provided in advance can be included, we suggest state safety regulators and governments have a consistent view on the steps to remediation (and the need to potentially de-energise the customer's site until it is remediated) and importantly, that it is clear who is responsible for funding any required electrical work. We do not believe this issue has been adequately dealt with to date or considered in enough depth by state governments.

Retailers may not always know the network tariff that may apply following the installation of an advanced meter. Further consultation with industry (retailers, DNSPs) and consumer groups should take place before committing to providing information relating to tariff type and structure.

Q9(b): Independent advice and education on advanced meters may be a role that state governments could involve themselves in as independent from the energy sector. Information provided to customers would need to be accurate and reflect the realities of installation processes and meter capabilities.

Q9(c): Customers very infrequently ask for advanced meters to be installed, but subject to safety and installation considerations, most retailers will install a meter on a customer's request. Alinta Energy does not believe this should be mandated; the purpose of a competitive retail and energy market is for it to cater to consumer preferences. If a customer's retailer as the Responsible Person for their meter refuses to install an advanced meter, the customer has the

right to choose a retailer that will. Such market-based incentives are more appropriate than additional regulation.

Question 10: Reducing delays in meter replacement

- (a) Do you have any feedback on the proposed changes to the meter malfunction process?
- (b) Are there any practicable mechanisms to address remediation issues that can prevent a smart meter from being installed?

Q10(a): We believe the proposed changes to the meter malfunction process, while logical, require further discussion amongst stakeholders to better understand the logistical and cost implications.

Q10(b): As stated in our response to question 3(b) above, consistency and certainty around the management of site (often meter board/panel) remediation and who bears the cost of remediation needs to be addressed as this is a material and persistent barrier to advanced meter installation, at times resulting in multiple site visits and costly rework. There may be a role for government to assist vulnerable and low-income households manage the cost of remediation work and further consideration is required to resolve this important issue.

Question 11: Measures that could support more efficient deployment of smart meters

- (a) Do you have any feedback on the proposal to reduce the number of notices for retailer-led roll outs to one?
- (b) What are your views on the opt-out provision for retailer-led roll outs? Should the opt-out provision be removed or retained, and why?
- (c) Are there solutions which you consider will help to simplify and improve meter replacement in multi-occupancy premises? Should a one-in-all-in approach be considered further?

Q11(a): Alinta Energy supports the reduction in the number of notices under a retailer-led roll out to a single notice. This will reduce the administrative burden and costs associated with metering installations, notwithstanding the additional information proposed in section 3.6.1 of the Directions Paper.

Q11(b): Customer opt-out from installations should be rare, particularly if customer concerns relate to the communications modem in a standard advanced meter and the option to disable or remove it as a type 4A meter. To the extent that customers retain the right to opt out, they may face increasing costs to keep a basic meter as the marginal cost of maintaining and reading this DNSP asset will increase over time.

Q11(c): There is merit in considering a wholesale replacement of meters in situations of multiple occupancy arrangements to avoid taking customers off supply multiple times and revisiting the same site over and over. This proposal should be further developed in consultation with stakeholders.

Question 13: Improvements to roles and responsibilities

- (a) Are there any changes to roles and responsibilities that the Commission should consider under this review? If so, what are those changes, and what would be the benefit of those changes?

Alinta Energy supports the proposal to explore improvements to the roles and responsibilities in

relation to competitive provision of advanced meters. There may be an opportunity to further clarify and streamline these roles and we welcome further consultation with industry, consumer groups and other stakeholders on these opportunities.