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Dear Ms Toomey

Thank you for the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) Review of the Regulatory Framework for Metering Services Directions Paper (**the Directions Paper**). Ausgrid operates a shared electricity network that powers the homes and businesses of more than 4 million Australians living and working in an area that covers over 22,000 square kilometres from the Sydney CBD to the Upper Hunter. As a Distribution System Operator (**DSO**) we have an important role in providing safe, reliable, and efficient network services that enable customers and communities to get the most value from investments in Distributed Energy Resources (**DER**) and support the transition to a renewable energy system.

We agree with the issues outlined within the Directions Paper including that there are market failures, including split incentives, impeding the uptake of smart meters in the National Electricity Market (**NEM**). Higher smart meter uptake is required to enable the full benefits of smart meters for all stakeholders, including enabling network businesses to support customers with demand response, DER and managing system constraints.

Ausgrid agrees with the AEMC's objective that a smart meter rollout should be conducted in a timely and cost-effective manner to maximise benefits for customers, while optimising the cost efficiencies in rollout through economies of scale. Our submission includes suggestions for how the AEMC might achieve this. We note that the phrase 'smart meters' has negative connotations for some customers and using the language 'advanced meters' may assist in mitigating this. As such we use 'smart meter' and 'advanced meter' interchangeably.

We would welcome the opportunity to discuss our submission further with the AEMC. The question of responsibility for conducting customer site remediation during the metering installation process is of particular concern. Please contact Naomi Wynn, Manager, Regulatory Policy, if you require any further details or clarification at naomi.wynn@ausgrid.com.au.

Regards

A handwritten signature in black ink, appearing to read "Rob", followed by a long, sweeping horizontal line.

Rob Amphlett Lewis
Chief Customer Officer

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empowering lives

AUSGRID'S SUBMISSION TO THE AEMC'S DIRECTIONS PAPER OF THE REGULATORY FRAMEWORK FOR METERING SERVICES

1. Accelerating the rollout of smart meters through a combination of options 2, 3 and 4

Ausgrid suggests that the AEMC consider a combination of proposed options 2, 3 and 4, to deliver a value-driven approach to accelerating the roll-out of advanced metering.¹ The key principles Ausgrid has identified for a value driven deployment are:

- Maximise economies of scale for rolling out advanced meters in specific geographic areas;
- Minimise subsequent dis-economies of scale in maintaining legacy metering assets; and
- Target first sites where the customer value of the transition to a smart meter is highest (either through greater market benefit or reduction in legacy costs and charges).

Table 1 identifies the types of sites that provide greater customer benefit for advanced metering deployment relative to other types of sites.²

Table 1: Types of sites that offer the greatest benefits to customer for accelerated rollout

Type of site	Benefits to accelerated deployment of Advanced Metering Infrastructure (AMI)
Customers with appliances on controlled load tariffs	Unlock significant wholesale market benefits in the near term, allow retirement of the aging network infrastructure used to manage the millions of customers accessing controlled load tariffs, support retail tariff innovation and greater functionality to support the transition to Net-Zero.
Customers with DER	Improve visibility of network performance where solar is installed to support efficient network management, tariff innovation and AER and IPART DER reporting requirements.
Customers with MRIM type meters	Higher operating costs and charges, typically electronic metering with some approaching end of life, with emerging IT obsolescence issues related to meter reading.
Aged/end of life meters	Meters which are expected to be reaching end of life (while noting that a blanket age-based rule may be economically inefficient).

Ausgrid recommends that the AEMC first consider a series of intermediate targets to ensure that the rollout can be managed effectively, rather than a single end date or back-stop date for removing all meters.

The above approach would also assist with reducing observed issues associated with meter exchange in multi-occupancy sites. This could be further resolved by considering granting powers to third parties to coordinate metering installations at those sites, whilst retaining the existing ownership and commercial structures between retailers and metering providers.

¹ Option 1: Improving incentives to roll-out smart meters by removing inefficiencies in the installation processes, improving cost sharing and aligning incentives; Option 2: Requiring meters to be replaced once they have reached a certain age, e.g. 50 years; Option 3: Setting targets for smart meter rollout where retailers (or a responsible party) will be required to replace a certain % of their customers' meters with smart meters each year; and Option 4: Introduce a backstop date by which point all accumulation meters or manually read interval meters must be replaced, for example 90% by 2030.

² We note that the practical application of this targeting is straightforward as the information on type (with the exception of age) is accurate and documented in existing market systems.

Network businesses are best placed to coordinate the advanced meter rollout with metering coordinators

A coordinated approach by network businesses would allow metering coordinators and providers who work across multiple retailers to maximise efficiencies in deployment by targeting common geographic areas. Network businesses have visibility of emerging issues with legacy metering types to ensure that the program can be best targeted to minimise risks of other emerging failures.

A practical mechanism for implementation could be for the AEMC to identify the key principles behind a meter replacement target, and then retailers and networks businesses work together to identify, within the relevant network service areas, target tranches of meters to be replaced by all retailers in a staged approach. For example, a benchmark penetration level could be set such as 50 per cent by 2025, 75 per cent by 2027, 99 per cent by 2029. This also provides a firm end date for removal of majority of legacy meters to provide certainty for the market and industry. This could be achieved through a mechanism like the current Meter Failure Notification process, with a replacement timeframe attached to the notification commensurate with the targets established by the AEMC. Network businesses should be obligated to provide nominated sites to retailers with sufficient lead-time to facilitate the deployment of advanced metering in accordance with these targets.

Note that this mechanism would not preclude retailers from selecting and deploying advanced meters to sites in addition to these nominations.

Further consideration will be needed to manage the small remaining numbers at the end of the target period where for various reasons replacement may have been unsuccessful. This might include relaxing meter reading rules on legacy meters and/or implementing specific charges for customers remaining on legacy metering beyond that date.

Incentives are not the appropriate mechanism to drive uptake of smart meters

The current contestable metering framework was designed to incentivise the competitive retail market to deploy advanced meters and drive innovation using these meters to offer better products and services to customers, and for metering providers to innovate and develop the products to suit that demand. The market has not seen the benefits of these incentives materialise. Given this, Ausgrid does not recommend reliance on an incentive-driven approach for achieving a faster roll-out.

There is a split incentive between retailers wanting to keep their customers happy and prevent churn and rolling-out AMI to customers that are reluctant, apathetic or ambivalent towards AMI. As a result, providing incentives to retailers are unlikely to overcome this issue and result in higher uptake of AMI.. It instead risks compounding existing market failures and increases the administrative, commercial and contractual complexities for participants. Ultimately it reduces the value of these reforms for customers and as such this approach would not promote the National Electricity Objective.

Installation costs and remediation should not unfairly impact customers and network businesses are not recommended to undertake site remediation

Ausgrid recommends that an opt-out model for advanced meter installations is not workable. This is because allowing an opt-out would entrench legacy metering in the network and reduce the economic efficiency of a targeted roll-out. We also recommend that the current model should remain whereby retailers pay for the installation. In addition, retailers should not be able

to refuse installing an advanced meter for a customer, however should advise the customer when their geographic location and meter type will be scheduled for replacement under a planned roll-out program.

We note that network businesses bore the cost for remediation in Victoria where customer installations were deemed not suitable for a new meter installation. Ausgrid would appreciate the opportunity to meet with the AEMC to discuss how site remediation costs would be paid for. Network businesses are not best placed to undertake site remediation as it is not a capability maintained within our business and is contrary to the NSW Accredited Service Provider (**ASP**) Scheme. For example, we would need to seek authorisations and ring-fencing exemptions as under the NSW ASP Scheme this work is typically done by electrical contractors.

Ausgrid recommends that if a customer has remediation requirements preventing advanced meter installation (for example, due to local jurisdictional electrical safety requirements), then a centrally administered fund or approved charge needs to be created to cover these rectification costs. We note there will be additional costs associated with administering this fund however is likely to be the most equitable model for end customers and market participants.

However, if the AEMC determines that remediations should be coordinated by network businesses (as occurred in Victoria), then network businesses may seek a cost pass through from the Australian Energy Regulator (**AER**) and/or cost recovery through upcoming regulatory resets.

The above approach would also assist with reducing observed issues associated with meter exchange in multi-occupancy sites. This could be further resolved by considering granting powers to third parties to coordinate metering installations at those sites, whilst retaining the existing ownership and commercial structures between retailers and metering providers.

Given the potential for the above issues to negatively impact customers, Ausgrid would appreciate the opportunity to meet with the AEMC and the AER to discuss site remediation arrangements, multi-occupancy and cost recovery. An industry forum may be the most appropriate mechanism to initially consider the implications of site remediation arrangements and understand the AEMC's and AER's initial views following review of submissions from the Directions Paper.

2. Data sharing should be a combination of options 2 and 3³ to ensure maximum benefits to stakeholders at least cost

Ausgrid believes that the optimal mechanism to achieve this approach is through a combination of options 2 and 3 proposed by the AEMC. This combined approach should guarantee access to basic data requirements, managed in accordance with established, common data standards, contracts and delivery mechanisms, and promote cost-reflective and efficient provision of data. Such an approach would promote efficiencies by avoiding bespoke arrangements between the many network businesses and metering data providers, reducing the technical and commercial overheads from data provision.

In line with the essential nature of some of this data, some level of service guarantee, similar in form to market data provisioning, should be considered. Data access framework requirements

³ Option 1: Authorising a centralised organisation to provide all metering data — with high prescription on data exchange; Option 2: Minimum content requirements to standardise contracts and agreements on data exchange between market participants; Option 3: Exchange architecture to facilitate a common interface for data exchange, with low obligation but a high incentive to participate; Option 4: A negotiate-arbitrate framework for utilisation in access disputes.

should include appropriate APIs and data delivery periods that include daily and near real-time data collection.

Ausgrid does not support the establishment of a centralised body (option 1) to coordinate and manage the data. A central body would likely result in significant costs to consumers, while increasing complexity, implementation costs and risks stifling innovation in new services. It would also likely further delay the broad availability of this data to network businesses, hence impact the benefits to consumers.

A back-stop arbitration process (option 4), on its own, is unlikely to resolve the issues evident in the current arrangements. While it is complementary to options 2 and 3 for enforcement, it does not:

- Promote efficiency through standardisation and cost reflectivity for essential data,
- Resolve contractual limitations between parties currently restricting network businesses from accessing data.

There are many non-market benefits for consumers through sharing metering data

Non-market data has demonstrated benefits for consumers through lower network costs and support management and deployment of DER and future DSO related services. Different use cases require different types of data and different rates of delivery, and Ausgrid generally supports the Energy Networks Australia (**ENA**) view of data services classification. This broadly categorises non-market data into 'basic' data services which are used to provide broad customer benefits (e.g. basic voltage and current information to identify safety risks) which should have a high degree of standardisation and availability, and more advanced data services (e.g. notifications of events affecting meters) which would benefit from competition to drive innovative new products and services.

Ausgrid recommends further engagement with the AEMC, network businesses and metering providers to establish clear data standards and an exchange framework (including both technical and commercial aspects) which create clear obligations, access rights and cost-reflectivity for the metering data required to deliver 'whole of market' benefits.

Metering data should be market synchronised on a 24-hour basis and 'near real-time' to reach the full range of market benefits

Ausgrid also considers that data delivery timing is a critical enabler for these services. They need to be both 'market' synchronised data (e.g. delivered every 24 hours) and 'near real-time', (i.e. delivered to end users within 10-15 minutes of measurement). These two types are essential components of delivering the utility of basic data.

The current framework is not delivering efficient access to meter data

Ausgrid's experience to date is that while some of this capability is available in the market, it is not standardised nor readily available from all metering providers. The limitations of the existing offerings generally appear to include:

- Bespoke APIs;
- Immature or missing products or capabilities from some metering providers or underlying systems they depend on;
- Commercial restrictions between retailers and metering providers; and

- Inefficiencies of multiple administrative contracts, IT systems and data formats leading to higher than efficient costs.

For basic data, the current competitive metering framework does not adequately support efficient provision of this data to DNSPs. Firstly, retailers, not network businesses, choose the metering provider at particular locations, which may be critical for network performance monitoring. Therefore, the network businesses have limited ability to negotiate pricing. And secondly, the market of metering providers can be limited in specific geographic areas. For example, across Ausgrid's entire network more than 90 per cent of meters are owned by only two metering providers. This does not promote effective competitive pressure to lower data prices in the current framework.

Ausgrid concurs with the ENA's submission to the original consultation paper regarding bundling of basic data services into existing metering provision contracts as the most efficient mechanism to deliver basic customer benefits from AMI. However, we recognise that this does not prevent costs being shifted from these services to more advanced services. As such a workable alternative could be to establish a regulated cost pass-through framework which reflects the incremental cost of this service over existing market data delivery. This could take the form of price caps or benchmark prices for various basic data services.

The AEMC should review minimum service specifications to ensure they are fit-for-purpose for the Post-2025 NEM

The AEMC should consider revising the minimum service specifications to reflect lessons learned from smart meter rollouts in Victoria and Western Australia. Additionally, to achieve the full vision from the Energy Security Board's Post-2025 Review, there will be a need to align to any data specifications and standards developed with any proposed data access framework.

Whilst Ausgrid recognises that the existing installed fleet of advanced meters generally can deliver the functionality currently expected of advanced metering, it is imperative that these requirements are codified into minimum specifications to ensure these devices remain relevant and fit for purpose into the future.

3. Customers should receive transparent and proactive communication on AMI

Ausgrid's view is that retailers should have a positive obligation to communicate to their customers about mandatory AMI. Additionally, where metering providers experience metering access challenges, then they should be able to carry out works due to the clarity of the communications provided by retailers. Retailers should not be able to refuse smart meter installation if requested by the customer and customer's request should be included in the proposed rollout schedule for their geographic area and meter type. Retailers should also ensure that they can support customers with tracking and live updates.

We suggest that the final AEMC recommendations include that NEM jurisdictional governments should conduct a comprehensive advertising campaign within each state informing customers about the AMI roll-out underway in their State. This should include paid advertising, as well as targeted support for CALD communities and remediation costs and working with community organisations through their existing communications channels. This should include a clear pathway for lodging feedback and a mechanism to capture the data and report complaints. A targeted support and communications approach will be needed for vulnerable, CALD and life support customers. Where possible government should leverage established communication channels including community organisations to reach target groups.