



---

## **TELSTRA CORPORATION LIMITED**

### **Submission to the Australian Energy Market Commission's Review of the Regulatory Framework for Metering Services**

**28 October 2021**



## 01 Introduction

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

The proliferation of smart meters is integral to help shift the Australian energy market towards a more sustainable and stable energy future. This is a key issue for Telstra as we engage in the future direction of Australia's energy policy and better environmental and customer outcomes. Australia's demand for data and energy is evolving particularly with the increasing use of connected devices in and around the home. This is creating opportunities for new solutions to existing problems associated with generation, transmission, and storage.

As identified in the review, the proliferation of smart meters will help increase the availability and quality of data that will lead to a more reliable and stable energy market. The following submission identifies some of the matters we have considered as we prepare for entry into the retail electricity and gas market.

## 02 Accelerating roll-out and removing inefficiencies

We agree higher proliferation of smart meters will benefit customers and the energy market more broadly and are supportive of mechanisms to increase proliferation. In the last year alone over fifteen applications for electricity authorisation have been received by the Australian Energy Regulator (AER).

The increase in new market entrants brings with it a greater opportunity for a competitive offering relating to smart meters and other new energy technologies, however market inefficiencies are preventing or hindering new entrants from providing value in this area.

An annual retailer replacement target would be counter to these innovative opportunities for new market entrants and does not clearly address the issues of liabilities and costs that may arise from such an option. For example, for residences with high-cost installations (e.g., due to access restrictions, asbestos, damage or wasted visit (i.e. meter locked and customer uncontactable)) the cost allocations are unclear.<sup>1</sup> If retailers are required to replace a certain number of meters each year, any non-standard replacement costs would need to be factored into general pricing and therefore place higher costs on customers.

Two ways to help improve smart meter roll-out with minimal impact to customer which were identified in the review would be to:

- 1) improve meter malfunction replacement efficiencies with the introduction of clear replacement timeframes for metering coordinators while allowing for reasonable exemptions (such as access issues)<sup>2</sup>, and
- 2) remove the customer opt-out of smart meter installation as this is redundant with the customers' ability to request smart meter communications be switched off.<sup>3</sup>

<sup>1</sup> [Telstra's Environment Strategy](#) is focused on responsibly managing our environment risks and opportunities. The environmental costs of wasted visits and the difficulty in coordinating visit efficiency should also be considered by the AEMC when assessing the overall impact.

<sup>2</sup> See p.83 of the [AEMC Review of the Regulatory Framework for Metering Services](#) 2021

<sup>3</sup> See p.36 of the [AEMC Review of the Regulatory Framework for Metering Services](#) 2021



### 03 Smart meters and tariffs

The Department of Industry, Science, Energy and Resources (the Department) recently consulted on Default Market Offer (DMO) policy (distinct from AER consultation on DMO methodology). As we raised in our submission to the Department of Industry, the methodology utilised to set the DMO are linked to incentivising the delivery of smart meters and the natural evolution of tailored tariffs based on the new functionality of these meters.

As noted by the Newgate research, there is customer hesitancy in seeking smart meter installation due to the uncertainty around the additional costs and implications of being *forced onto a time of use tariff*.<sup>4</sup> In addition to this, retailers who want to offer a smart meter installation to new customers face challenges in how they present quoted prices to new customers (the interim tariffs pre-meter installation, and the expected tariffs post-installation).

While one solution could be for retailers to absorb the cost difference between the interim tariff and the post-installation tariff, we note that ultimately these costs would be passed on to consumers. In relation to how customers are quoted at the time of sign-up, unless all retailers did this consistently, customers would not be able to see the true reflection of their energy costs across different providers and make accurate comparisons. Therefore, we do not believe that the absorption of interim tariff difference is an appropriate longer-term solution for the market.

In our submission to the Department, we note this is particularly relevant where AER determinations for distributors are allowing the distributor to default residential and small business customers to the time of use (TOU) tariff. While this is ordinarily accompanied by an ability to opt-out of demand to TOU (or flat rate network tariffs in limited areas such as Endeavour and Essential Energy)<sup>5</sup>, quirks remain in tariff allocation which can inadvertently impact customer incentive and experience and create additional tariff conversations for the retailer.

For example, we have observed where a retailer requests a meter exchange and the allocation of a TOU tariff (EA025), Ausgrid will only honour after there has been at least a full month of billing on the default demand tariff (EA116). At the end of the month retailers then raise a network tariff change to request allocation to EA025. Where customers are offered a smart meter, this will mean they are forced to cycle through different tariff types in quick succession, creating a confusing arrangement for customers. It also creates additional work and introduces unnecessary billing complexities for energy retailers.

These types of inconsistencies in distributor tariff assignment can impact a positive customer experience. We would encourage the AEMC to consider opportunities to:

- increase customer awareness of the benefits of different tariff types and smart meter roll-out (e.g. greater education) via regulatory and government avenues;

<sup>4</sup> Newgate Research, [AEMC metering review full research report](#), 2021

<sup>5</sup> See for example the AER's recent final decision for AusNet Services, CitPower, Jemena, Powercor, and United Energy Distribution Determination 2021 to 26 – [Attachment 19 Tariff structure statement](#).

Note also that flat tariff rates are not available options for opting into post meter exchange in South Australia, Queensland and Ausgrid NSW.



- seek consistency in distributor tariff approaches (e.g. standardisation in practice) and clarity in distributor activities for tariff allocation (e.g. remove requirements such as those required by Ausgrid)<sup>6</sup>; and
- create a regulatory environment which facilitates simpler communication of tariff information for new customers who are having a smart meter installed at their property.

#### **04 Customer communications**

We support the proposal to reduce customer notifications from two to one under the National Energy Retail Rules (NERR). If customer opt-out allowances under the NERR are not revoked, then the notice should include a timeframe in which the customer can contact to dispute the installation (i.e. ensure there is enough time to coordinate cancellation of work orders), or other matters relevant to the exchange.

As we note above, we encourage the AEMC to also consider the policy and requirements around customer tariff allocation and communication to minimise disincentives for both customers and retailers.

---

<sup>6</sup> This includes the approach to controlled loads across jurisdictions