AUSTRALIAN ENERGY COUNCIL

Mr Ed Chan
Director
Australian Energy Markets Commission

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Review of Metering Services – Draft Report

The Australian Energy Council (AEC) welcomes the opportunity to comment on the Review of Metering Services Draft Report.

The Australian Energy Council (AEC) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. Our members collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to millions of homes and businesses, and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 percent emissions reduction target by 2035 and is part of the Australian Climate Roundtable promoting climate ambition.

The mismatch in incentives that troubled the initial implementation of competitive metering has largely been addressed although the review has been important in its assessment that the benefits that can be enabled by smart meters are both economically justified and available to consumers. The Oakley Greenwood cost benefit analysis[1] perhaps represents the most balanced assessment[2] to date, in particular for assessing that if tariff impacts and restoration times were removed that the case for accelerated rollout was still positive.[3]

The AEC response to the consultation is provided below. The AEC has not provided a response to every single question to the consultation.

100% uptake

The AEC does not object to the accelerated rollout, but we are mindful that the AEMC's original objective was that the pace of the rollout be driven by its consumer benefit, largely to avoid the costly fiasco and customer backlash that was the legacy of the Victorian Smart Meter rollout. The customer initiated roll out was designed to shield customers from the burden of paying for services that they do not require, and to ensure that the administrative and regulatory burden that the AEMC sees alleviated by installing more meters in co-located areas for economies of scale[4] was not the customers burden. Most metering services that are only cost effective at higher levels of penetration are not valued by customers even if they might benefit in some way, because they are *services that the customer does not believe they require.* This paradigm shift away from the customer paying for customer benefits as per the original Power of Choice, and towards the customer paying for industry wide (especially network) benefits, will take some explaining to customers.

There appears broad support amongst key industry participants for the AEMC's high level Option 1, the Legacy meter retirement plan; proposing retiring legacy (type 5 and 6) meters and replacing them with smart

[1] Oakley Greenwood, Costs and Benefits of Accelerating the Rollout of Smart Meters, September 2022, https://www.aemc.gov.au/sites/default/files/2022-11/oakley_greenwood_report.pdf
[2] Short of the Victorian Government Auditor General's Reports of 2009 and 2015 though these were not commissioned by an energy regulator.
[3] Oakley Greenwood, Costs and Benefits of Accelerating the Rollout of Smart Meters, September 2022, Powerpoint Presentation p. 14. https://www.aemc.gov.au/sites/default/files/2022-11/oakley_greenwood_report.pdf
[4] The AEMC notes that network optimisation and lower meter installation costs from scale ultimately benefits customers.

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meters under an *industry-developed plan*. This will require a strict framework and boundaries. Retail participants, metering co-ordinators and their overarching requirements all span multiple jurisdictions. There will be no apparent sense in alleviating the regulatory and administrative burden of installation of smart meters in common geographical areas simply to replace it with the regulatory and administrative burden of jurisdictional differences between the States and the inconsistent operating practices of distribution networks.

The retirement of meters by the distribution network service providers under a legacy meter retirement plan, and its concomitant requirement that retailers replace the retired meters within a set time frame, whilst the preferred option, will therefore require considerable regulatory oversight. The submissions to the review to date have highlighted the difficulties other parties face in negotiating commercial terms with network providers[5]. The AEC believes that a pre-emptive framework is required to ensure that network providers do not simply dump fleets of meters onto retailers as per historical accounts, and that this format may need to be the subject of an AER Guideline.

The involvement of DNSPs is, as the AEMC observe, crucial in driving an accelerated deployment by coordinating an orderly and transparent plan to retire legacy meters. In the past networks, retailers and metering parties have struggled to work together. Most networks also exercise a resourcing advantage over all other parties, and the industry developed plan has the potential to decentralise and dilute the participating pool of counterparties. As noted earlier, a strict framework and boundaries will be required.

Enhancing existing metering arrangements

The AEC supports the AEMC view that information notices be streamlined and that both of:

1. An information notice from the customer's retailer before the meter upgrade takes place; and,

2. The development of a primary-source website to provide a single location that contains a trusted source of facts and information regarding smart meters and the accelerated deployment program.

Will improve the customer experience and assist in customer comprehension.

Tariff transition

The AEC supports the introduction of a transition period where customers could remain on their existing retail tariff arrangements. Tariff change is not generally welcomed by those customers who are not requesting a smart meter be installed some other value proposition such as solar PV, an EV, or even electrification of previous larger gas appliances such as heating. The installation of smart meters because of a mandated rollout requirement should not create concern or anxiety amongst customers even if it is able to be explained that they might benefit in some way.

Network tariff changes can be changed immediately. There is little point in their deferment given that customers may not have to change retail tariff immediately and will also not likely remember meter changeover as a trigger for tariff change some period in the future. As network tariffs "bleed" through over time retailers will develop tariffs that as a minimum the market will bear, and ideally that consumers actually want.

Unlocking further benefits from smart meters through better data access

The AEC maintains that real-time data capabilities will be enabled in the long term organically[6], and regulatory intervention is not warranted prior to that as the value available to customers as of today from access to real time data is small compared to the likely cost. Trials demonstrate that the "cost to implement

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[5] Review of the Regulatory Framework for Metering Services, Alinta, AEC, p.16 footnote (34). https://www.aemc.gov.au/sites/default/files/2022-11/Draft%20report.pdf

[6] *Not all Meter Data Providers offer this service for C&I customers, and some of them have legacy back-office systems that are unable to provide it at present. However, discussions AGL has had with a wide range of MDPs suggest that they all know the potential value of this service and, in most cases, have it on their roadmap for development over the next couple of years.* AGL NSW Demand Response ARENA Knowledge sharing report May 2021 p. 48 https://arena.gov.au/assets/2021/06/agl-nsw-demand-response-final-report.pdf

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and run the in-event feedback portal was significant, in particular for the provision of the near-real-time metering data"[7] and that cost recovery wasn't achieved.

The KPMG report on AMI Benefits Realisation Report of November 2019 identifies Digitalisation, Distributed Energy Resources (DER) and Electrification as likely to lead increased consumer participation and choice.[8] Demand for consumer DER products and services such as solar, or batteries, or EVs drives digitalisation demand. There is no evidence provided in the current Review that the demand for DER products, or digitalisation, or electrification is being slowed in any way by data access. The AEMC could therefore monitor that access to (near) real time data grows organically to meet (realistic) demand commencing with a review period of 3 – 5 years from now. This would provide the advantage that policy was based more on evolving requirements rather than on hypothesis as at present.

Please contact the undersigned at David.Markham@energycouncil.com.au should you wish to discuss.

Yours sincerely,

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[7] AGL NSW Demand Response ARENA Knowledge sharing report May 2021 p. 22, https://arena.gov.au/assets/2021/06/agl-nsw-demand-response-final-report.pdf
[8] KPMG AMI Benefits Realisation Report November 2019 (Redacted version), p8.

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