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2 February 2023

Ms Anna Collyer
Chairperson
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted electronically

Dear Ms Collyer,

Re: EMO0040 Review of the regulatory framework for metering services draft report

Red Energy and Lumo Energy (Red and Lumo) welcome the opportunity to make this submission to the Australian Energy Market Commission (the Commission's) draft report into the review of the regulatory framework for metering services (the draft report).

While Red and Lumo welcome the reforms put forward by the Commission to improve the installation process and remove unnecessary impediments to the roll out of smart meters, we remain concerned by a number of key areas of the draft report.

Although smart meters offer a number of potential opportunities and benefits for consumers in the long term, we are concerned that some of the costs and dependencies have been underestimated. Red and Lumo are also concerned by the apparent disconnect in the timings of the reforms, the establishment of the installation targets and the potential allocation of costs throughout the supply chain.

Furthermore it appears a mandated target does not align with the intent of the Power of Choice reforms that empowered consumers to take up the installation of smart meters with the ability to opt out of installation (for retailer-led installations) rather than force consumers to have meters installed as was the approach in Victoria.

Policymakers and regulators will need to explain the rationale for this policy reversal, particularly as the Victorian approach experience was viewed by some stakeholders at the time as flawed. The decision to rely on a market-led rollover was based on the view that consumers were best placed to assess whether the benefits of a smart meter outweighed the cost. This includes assessing the impact of any change in pricing structure they might face following installation (due to a Distribution Network Service Provider's (DNSP's) tariff assignment policy, for example). However, the Commission's view has shifted.

100% target for smart meters by 2030

Red and Lumo support an aspirational target but are concerned how this would operate if the Commission chose to have this codified in the Rules or guidelines. It remains unclear how this would be drafted, and then measured and enforced against specific market participants and how it would adequately accommodate for various dependencies and a range of potential unforeseen circumstances. These include natural disasters, weather events, and supply shortages for electricians, metering technicians and smart meters). It is important to note that Victoria, which has been undertaking a DNSP led smart meter roll out since 2006, has still not been able to reach a 100% penetration of smart meters for a range of reasons including logistics, technical problems and remaining consumer resistance to smart meters.

Enhancing existing metering arrangements (reforms)

Red and Lumo support the Commission's proposed reforms to remove unnecessary impediments to the installation of smart meters, however, we do question the alignment of the timing of the reforms and the 100% target. At this stage it appears that the Commission's approach is to implement a 100% target by a fixed date and then work on a range of reforms to support this target. This seems counterintuitive as these reforms will support a faster rate of smart meter installation. At this stage the 2030 target date is 8 years from the release of the consultation paper and the reforms proposed will likely take at least 2 to 3 years from drafting to implementation, given this will need to proceed through the standard rule change process. This approach would only allow retailers 5 years to complete the smart meter roll out. At this stage we are yet to see any compelling evidence that this shortened time frame will be feasible to achieve without incurring significant cost to consumers.

Red and Lumo propose instead that the target date should be based on the successful implementation of the proposed reforms in line with consultation. This would mean that should the Commission elect to proceed with the proposed reforms, they would consult on the draft changes (following their standard consultation process) and then implement the aforementioned changes into the National Energy Retail Rules (NERR) and National Electricity Rules (NER) as appropriate. The Commission would then begin an 8 year deadline for the completion of the smart meter roll out from this date. This approach would not only be the most appropriate but would also allow flexibility on the target date if the implementation of the reforms is interrupted by any unforeseen circumstances

A new pathway to 100% uptake (options)

Option 1 (DNSP Legacy Meter Retirement Plan) is Red and Lumo's preferred approach as the DNSPs are the entities that installed and now operate and maintain the assets that need to be replaced. They are also significant beneficiaries of any increased smart meter rollout so have both the capacity and incentive to drive this reform.

However, we would welcome clarity about how this would work in practice. A key issue is how DNSPs will appropriately consult with all stakeholders that are involved in the transition. It is important that the plan and consultation process meets the needs of the broader industry (retailers and metering coordinators) and therefore consumers and not simply the preferences and prevailing incentives of the DNSP.

For this proposal to work effectively the Commission would need to implement clearly defined processes about how the consultation obligations would work in practice and what would be the mechanism to ensure DNSP compliance with the plan. It has been our experience that when asked for information about the current status of metering in their network (including age of meters or site issues such as shared fusing, asbestos or access) the DNSPs have refused to provide this information on some occasions, claiming they do not have complete records and are unable to provide them to retailers. The AER must therefore be empowered to overcome this reluctance to provide this information to retailers in the first instance.

The draft plan must also be conducted with multiple opportunities for stakeholder input (capable of modifications during consultation) with at least a 6 month timeframe from the start of the initial consultation to the issuance of a final plan. There would also need to be a period of time from the final plan to the start date to allow retailers to schedule installations accordingly; workforce planning will be an important issue in hitting any target date. Crucially stakeholders (retailers) would also need to have an opportunity to reject plans as appropriate.

To be able to use the plan retailers would need to know full and detailed information about the sites at which a basic meter would need to be replaced. This would include not just the NMI but the number of meters at site, the number of elements per meters, access issues (including the presence of dogs and industry locks), GPS coordinates of metering and sites as well as any information on shared fusing or site remediation requirements (including asbestos). It is crucial that this information is provided to retailers in a consistent, standardised and accessible format across all DNSPs rather than a format that reflects their own individual systems and preferences.

Supporting customers through the transition

One of the key lessons from the Victorian smart meter roll out is that there will inevitably be a number of consumers who are extremely reluctant to replace their basic meter with a smart meter and there is some risk of misinformation being spread throughout the community. The Commission will be aware of these concerns, which include safety, cost and data protection.

To help counter this, Red and Lumo would support the development of a central trusted source website that contains all information on the reasons for the smart meter roll out, information on smart meters as well as existing regulations around smart meters (including privacy legislation) and information on the decision by policymakers to move from a

consumer led smart meter roll out to a mandated program. This website could be run by a Government Department or regulatory authority such as the Australian Energy Regulator; if the latter, it could link to the Energy Made Easy website. The development of this website should be done collaboratively with industry, allowing it to become the default source of information about smart meters that retailers could reference in customer communications.

Rather than the Commission seeking to implement a new information provision for retailers which would see “customers receive information about market participants’ compliance with the *Privacy Act* through the relevant privacy policies”¹ this website could instead provide a single source of information for retailers to refer customers to. As all retailers' obligations are the same and are often referred to in contractual terms and conditions, this would be a more efficient approach and would allow a consistent message from the industry to consumers.

Alongside this website Red and Lumo would support a government-led proactive advertising campaign that informs consumers about the smart meter roll out and the decision to move towards a mandated smart meter roll out to meet a predetermined deadline. This will hopefully avoid some of the confused messaging that occurred during the Victorian smart meter roll out and overcome some of the inevitable consumer resistance to smart meters.

Support for vulnerable consumers

Red and Lumo support the Commission’s suggestion to “coordinate with relevant governments and jurisdictional frameworks” to “consider arrangements to better support vulnerable customers who need to carry out site remediation”.² If vulnerable consumers are not provided with adequate support (especially in relation to the costs for site remediation) they may miss out on accessing any potential benefits for smart meters, be placed in a more precarious financial position, or resist the replacement of their basic meter.

However, the nature of any assistance package must be finalised prior to the start of the mandated smart meter roll out. This is due to the important policy issues that governments will need to resolve and the inability for a consumer to refuse installation except in rare circumstances, once the process commences.

These policy issues include eligibility for support, definitions (of vulnerability and site remediation, for example) and the quantum of available assistance. It is not reasonable to expose vulnerable consumers to the cost and other consequences of meter replacement without first clarifying the nature of any assistance they can access to support the transition.

¹ Australian Energy Market Commission, Review of the Regulatory Framework for Metering Services, Draft Report, November 2022, p16

² Ibid, p24

Transitional network tariffs

The move to a mandated smart meter roll out will inevitably lead to a dramatic increase in the number of consumers on cost reflective network tariffs under the DNSPs' current network tariff assignment policies. Red and Lumo continue to strongly oppose the immediate mandatory assignment of all new residential customers and those who receive a smart meter onto a cost reflective tariff. At a minimum we support the introduction of a 12 month transition period for consumers to be moved onto a new cost reflective network tariff following the installation of a new smart meter.

Consumers are entitled to have a basic understanding of how cost reflective tariffs work before they are placed onto them. This allows them to properly respond to a sharper price signal in a manner that suits their preferences and circumstances. Automatically placing all new customers with a smart meter onto a cost reflective tariff without them having this basic understanding of the charge and how to manage it will inevitably lead to consumer detriment. This will include unexpectedly high bills that drive complaints and will likely fuel resentment towards the smart meter roll out.

Alternatively, this 12 month transition period would allow adequate time for consumers to prepare for the change in network tariff and potentially retail pricing. It should also help to reduce consumer complaints and resistance to smart meters as consumers will have more time to be aware of the changes associated with their smart metering.

Unlocking new customers benefits

At this stage Red and Lumo have not seen adequate evidence of the need for real-time data access to justify the regulatory intervention proposed in the draft report. We maintain that real-time data capabilities will be enabled in the long term organically and where the commercial benefits can be clearly demonstrated. 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.

Furthermore Red and Lumo are strongly opposed to the DNSP being provided access to the meter data at no cost. Metering Coordinators incur costs to generate and maintain this data and are entitled to a commercial return. If this data is of a commercial benefit to the DNSP and to consumers more generally, the DNSP should enter into a commercial contract and remunerate the Metering Coordinator accordingly. It can then recover these cost through regulated revenue if it can demonstrate it is efficient expenditure. If the DNSP is provided this data free of charge the cost of providing this data will inevitably be borne by retailers and therefore consumers.

About Red and Lumo

We are 100% Australian owned subsidiaries of Snowy Hydro Limited. Collectively, we retail gas and electricity in New South Wales, Queensland, South Australia, Victoria and in the ACT to over 1.2 million customers.

Red and Lumo thank the Commission for the opportunity to comment on the draft report. Should you wish to discuss or have any further enquiries regarding this submission, please call Stephen White, Regulatory Manager on 0404 819 143.

Yours sincerely

A handwritten signature in black ink, appearing to read "G Hargreaves".

Geoff Hargreaves

Manager - Regulatory Affairs

Red Energy Pty Ltd

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