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Ms Danielle Beinart
Executive General Manager
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000

24-28 Campbell St
Sydney NSW 2000
All mail to
GPO Box 4009
Sydney NSW 2001
T +61 2 131 525
ausgrid.com.au

Dear Ms Beinart

**Ausgrid submission to the “Accelerating smart meter deployment”
rule change Directions Paper**

Ausgrid is pleased to provide this submission to the Australian Energy Market Commission (**AEMC**) in response to its Directions Paper on the “Accelerating smart meter deployment” rule change.

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. Ausgrid recognises the benefits provided by smart meters and is supportive of a mandated smart meter roll out.

Around half of the small customers located in our network area do not yet have a smart meter or a manually read interval meter installed. Our submission to the Draft Determination in May this year outlined some of the challenges faced in achieving 100% smart meter completion by 2030. This submission focuses on the consumer safeguard and retail pricing changes proposed in the recent Directions Paper. We agree that the AEMC’s Electricity Pricing for a Consumer-Driven Future review is the more appropriate place to consider network tariff reforms and Ausgrid recently made a submission on the draft terms of reference for this separate review.

Customers should be able to decide on the tariff structure that meets their needs.

We support the consumer safeguards presented in the AEMC’s Directions Paper. A requirement for an ‘explicit informed consent’ condition ahead of a retail tariff structure change will enable small customers to decide on the appropriate tariff for their needs. These reforms will provide small customers with more retail tariff options than they have now, as they can either stay with their existing structure, or opt in to a new one when they have a smart meter installed. Customers who already have a smart meter installed can move to a retail flat tariff, if they choose to do so. We do not consider the proposed changes as a prohibition on cost reflective pricing, but rather a facilitation of more choice, which is important given the current energy affordability challenges faced by consumers.

A potential issue the AEMC could consider is the impact that a mandated flat retail tariff option may have for customers currently on time varying tariffs. It’s possible this could lead to a large migration of customers away from their existing cost reflective tariff, as rooftop solar customers are more likely to be better off on an “anytime” energy-based tariff. We anticipate this will require a rebalancing of how (and where) retailers recover their costs across their tariff offerings, potentially leading to increased fixed charges or a premium on flat retail tariffs. This could inadvertently make flat retail tariffs less attractive for customers and lead to lower take up.

Network tariff changes are not a reason for retail tariff changes

Ausgrid's network charges are applied to retailers and have underlying tariff structure components (such as flat energy, time of use, or demand components). However, these network tariff structures are not required to be reflected in retail tariff structures. Our network charges comprise less than a third of an average residential customer's energy bill and we recognise that the final price customers receive will include non-network components that could be recovered through different retail structures. Retailers are best placed to manage the network price signals they receive in a similar manner to how they manage other components of their cost base, including volatile wholesale market prices.

We also would question whether under the new safeguards, a requirement on retailers to offer a flat tariff is likely to increase retailer costs. The most recent retail market offers¹ show that many retailers in our network region do not offer a small customer demand tariff, despite there being more than 400,000 small customers currently assigned to this network tariff structure. Further, our network tariff structures changed on 1 July this year but many retailers in our network area are not accurately passing through the Ausgrid peak period window and have also retained our legacy shoulder energy period². It is difficult to understand why a network tariff change must trigger a retail tariff change if some retailers aren't passing through existing network tariff structures. It also suggests the AEMC's safeguard proposal is unlikely to contribute to increased retailer costs, or be a reason for these reforms to not be introduced.

Customers should have access to accurate tariff information

The Directions Paper proposals will give energy consumers greater clarity on where to find information on electricity pricing, ways to manage their energy costs, and where they can find help on these matters. Customers will need help in understanding and comparing new electricity products and services; without this support the benefits of smart meters may not be realised.

Network tariff changes should not automatically trigger a retail tariff change or be provided to a customer as a reason for a mandated retail tariff change. We recognise this has been a widely misunderstood part of the retail energy sector³, and the Ausgrid customer contact centre regularly receives small customer tariff enquires on this topic that are referred to us from retailers. Retailers should assist customers with understanding their tariff, including how time-based periods apply under the offered retail structure. If customers aren't satisfied with the information they receive, they should have a different retail tariff structure made available to them. The AEMC's proposed safeguard reforms will improve the likelihood of customers finding an offer that meets their needs.

We agree with the Directions Paper proposal for retailers to give an estimate of what the customer's historical bill would have been under the new varied retail tariff, compared to the bill they received under their existing tariff. However, we suggest that greater clarity is provided on the requirement for additional supporting information for customers. These information requirements for retailers should be made specific to ensure they are implemented and deliver a successful reform.

An opportunity for retailers to innovate and offer new products and services

The growth of consumer energy resources (CER) presents an opportunity for retailers to innovate and offer new products and services to customers. The AEMC's reforms introduce a

¹ AER Energy Made Easy website accessed 3 September 2024 for Ausgrid region residential offers

² The Ausgrid network peak period window has moved from 2pm-8pm to 3pm-9pm and applies to only eight months of the year. The network shoulder period was removed by extending the off-peak period.

³ The AER's 5 June 2024 submission on this rule change identified the industry confusion relating to Rule 46 of the NERR

further incentive for retailers to create innovative and compelling offers that will give customers greater confidence in moving to a new retail tariff structure.

For example, multiple behind the meter batteries can be coordinated as virtual power plant products. These community wide benefits can help reduce customers' energy bills. The AEMC's "Unlocking CER benefits through flexible trading" rule change introduces important market changes that will fast-track the realisation of these consumer benefits. If the benefits to customers are clear, it will be easier for retailers to obtain the necessary 'explicit informed consent', as outlined under the new safeguards, to move the customer to an alternative tariff structure.

Ausgrid's Project Edith is a network pricing trial specifically exploring ways that network value can be made available to retailers to optimise for market price signals on behalf of customers. 5-minute dynamic network prices are published day-ahead to retailers to be considered alongside 5-minute market prices.

Ausgrid's small customer network tariffs offer a choice of structures

Some retailers are now passing through our network charges as a separate part of a small customer's energy bill. This is increasingly popular among customers who have invested in CER and use smartphone-based apps to manage their usage and generation proactively. In cases where this occurs, our tariffs are designed to ensure that customers and retailers have a choice of structure.

Ausgrid's current Tariff Structure Statement sets out our network tariff assignment policy until June 2029, a period within which most of the proposed smart meter deployment will occur. When a small customer has a smart meter installed, the default network tariff assignment is for a customer to move to a demand tariff⁴. However, the demand tariff structure is not mandatory as a customer's retailer can request a transfer to a network time of use tariff. Ausgrid undertook extensive consultation as part of developing this tariff assignment policy and we believe it achieves an appropriate balance between enabling both flexibility for CER enablement and fairness for vulnerable customers. Specifically, demand tariffs are better for small customers who can't afford rooftop solar as they don't pay more on average than customers who have invested in CER. As noted above, retailers are also not required to pass through network tariff structures to customers.

We agree that the 3-year period as described in the Directions Paper should not apply if a customer chooses to change retailer after they receive a smart meter, or if they move into a new premises. We also agree that the 3-year period should have an end date, as once the smart meter roll out is complete there will be fewer network tariff reassignments and therefore a lower likelihood of retailers making a mandated retail tariff change.

Please contact Bill Nixey on (02) 9037 7556 or bill.nixey@ausgrid.com.au if you would like to discuss this submission.

Regards



Timothy Jarratt
Group Executive, Market Development & Strategy

⁴ For the first 12 months after the smart meter upgrade, the customer receives an introductory demand tariff (with a low demand price). If the retailer passes through the network price, this transition period provides a period within which the customer can become familiar with the demand tariff structure.