

10 September 2024

Australian Energy Market Commission
Level 15, 60 Castlereagh Street
Sydney NSW 2000
Submitted to www.aemc.gov.au

RE: Directions paper - Accelerating smart meter deployment

Next Business Energy thanks the Commission for the opportunity to provide a submission on the Accelerating smart meter deployment Directions paper. Next Business Energy P/L (NBE) is a 100% Australian-owned and operated electricity retailer. NBE is focused to providing competitively priced electricity to businesses in Victoria, New South Wales, South Australia, Queensland, and the ACT.

Next Business Energy supports the proposed rollout of smart meters and the provision of protections to customers who have smart meters installed. However, Next Business Energy considers that the proposed rules imposed on retailers to protect customers should be also extended/directed to all distributors, who are responsible for the harms and issues being addressed by the proposed protections and modified to protect only residential customers.

Next Business Energy understands that the AEMC has consulted with some retailers, who have indicated that the impact of mismatched networks to retail tariffs is not a "significant burden". If this is the case, we want to see what factual evidence backs this statement. NBE considers that these are large retailers with significant customer bases, allowing the additional costs and benefits to be evenly spread over their retail portfolio.

Has the Commission considered that the benefit of spreading costs across a large retail base will not apply to smaller retailers? Smaller retailers may not have an even spread of customers across a network or a particular tariff class. As, I am sure the Commission is aware, small retailers are already at a disadvantage compared to Large Retailers and these proposed rules will directly impact small retailers and their ability to compete for customers.

Introducing a new 3-year 'explicit informed consent' period after a customer receives a smart meter, before changing the customer's retail tariff structure.

While NBE supports the introduction of protection for customers when changing to smart meters, we believe that this protection is best applied through the Distributor being not permitted to switch a customer to a time-of-use tariff until there is consent to do so received from a retailer. A retailer would also need to have consent from the customer to move to a TOU or Demand

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Tariff, but that could be received as part of the contracting process, where the customer explicitly agrees to the tariff and structure.

NBE also believes that this protection **should only** be applied to residential premises, as business customers are more able to manage their usage and equipment and make commercial decisions, as electricity is just another cost input to their business. This is something that Queensland has realised in the measures it has taken to address this issue.

If the Commission does determine that this protection should be applied to business customers, it needs to apply to actual small businesses, with usage below 10Mwh per annum.

NBE also notes that demand tariffs are confusing for customers to understand and control, and should not be applied to residential accounts, and only to larger business/industrial accounts where the actual demand for equipment has a significant impact on the grid.

Currently, Rule 46 explicitly protects retailers from the impact of network billing changes by a network business by allowing the retailer to amend their pricing to reflect the network tariff structure – the AEMC is now planning to remove this protection for retailers. There is no reasoning given for removing this protection, which will impact all retailers particularly smaller retailers with small customer bases to spread these losses against.

The Commission must consider making a fairer rule that stops Network businesses from making a network tariff change following a smart meter installation unless there is EIC to make this change.

The commission must make it clear that the prohibition on the application of new tariff structures post smart meter installation is for the **initial tariff structure change only**, and is voided if the network changes the tariff structure again, if the customer moves out of the premises, or if the customer undertakes works at their site, that requires a new tariff structure (for example installing solar or battery systems).

This protection should not apply when a customer chooses a new retailer, or where a customer moves into a premises where a smart meter is installed.

If the Commission determines that it will allow distributors “free range” to alter network tariffs without social licence, while forcing retailers to retain the previous tariff structure for 3 years, then sufficient time must be allowed for the retailer to attempt to get the customer to agree to a new tariff structure prior to the change of the tariff by the distributor. This should be **15 months’ notice**, which will allow a retailer to approach a customer with a full year of consumption as part of the approach to get a customer to move to a new tariff.

The Commission must accept that a distribution business is not financially impacted by changing of customers to different tariffs, as their revenue and profit is mandated by the AER and will not change. In fact, distributors seem to be hell bent on introducing more complex systems and billing models into their businesses, which inevitably leads to more costs being accounted as part of their cost base. The AEMC must ensure that the costs of these changes are not worn by the customers or the retailers and delivering savings to customers. Up till now,

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these savings have not been passed through to customers, as the distribution business costs have been growing as a share of a customer's bill.

Providing Supporting information on how to understand, monitor and manage their electricity usage.

Next Business Energy as a small retailer does not have resources available to develop its own information for managing and monitoring electricity usage. The AEMC should fund the development of this information, or require Distributors fund the cost and provision of this information to customers as part of their roll out of their new tariffs. This information should also be available via Energy Made Easy.

Customers do not understand how demand tariffs work (as most people do not) and they have even less capacity to amend their demand profile to enable them to reduce their electricity bill. Demand Tariffs should not be allowed to be applied to customers below 40mwh in consumption, without the customers' consent. This will ensure that only those businesses with some capacity to update their equipment to reduce demand on the network are impacted.

Requiring designated retailers to offer customers with a smart meter a flat retail tariff standing offer. This would only apply if the relevant jurisdiction opts-in to this requirement through a local instrument.

If this protection is to be undertaken, it must be done in-conjunction with the requirement for a distribution business to offer a flat tariff to that same class of customers. If the AEMC determine that this sort of rule is required, then it must ensure that any such flat tariff must take into consideration the potential costs of demand components and their impact on retailers.

In conclusion, Next Business Energy does not consider that the Commission has applied sufficient rigour or modelling to the impacts of the proposed changes, not has it considered the impact on small retailers, and is relying to heavily on large retailer who will benefit from spreading these cost impact across their large customer bases. The AEMC can make changes to these rules to ensure that that costs are borne by distribution businesses, making them responsible for educating customers to the benefits of TOU and Demand tariffs, and ensuring they assist customers to transition, and ensure they maintain beneficial TOU tariffs into the future.

Next Business Energy will be happy to engage with the Commission further on these proposed changes and is disappointed that the Commission has failed to discuss these changes with smaller retailers to understand the impact these decisions would have on competition in the market.

Regards



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Next Business Energy

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