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28 January 2016

**National Electricity Amendment
(Meter Replacement Processes) Rule 2015**

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235
Attention: Mr Richard Khoe

Lodged electronically: www.aemc.gov.au

Reference: ERC0182

Dear Mr Pierce

AGL Energy (AGL) welcomes the opportunity to make a submission on the Australian Energy Market Commission's (AEMC's) Draft Rule Determination relating to the National Electricity Amendment (Meter Replacement Processes) Rule 2015.

AGL is a significant Retailer of energy with over 3.7 million electricity and gas customers nationally. Accordingly, AGL has a strong interest in the efficient delivery of services to customers, including meter changes.

AGL has reviewed the proposed Rule and fully supports it as drafted.

However, AGL believes that there is a disconnect between the Draft Rule and the Draft Determination and as such do not support aspects of this Determination. We have provided further comment on this matter within the attachment.

Should you have any questions in relation to this submission, please contact Mark Riley, Network Strategy and Regulation Adviser, at mark.riley@agl.com.au or (03) 8633 6131.

Yours sincerely,

Jenny Baltatzidis
Network Strategy and Regulation Manager
Network Strategy and Regulation

Att



Attachment – Comments on Draft Rules

Disconnect between Draft Rule and Determination

We understand from the Draft Determination that the Australian Energy Market Commission (AEMC) consider that:

The incoming retailer would have no right to change the meter under the NER prior to the retail transfer completing (page iv).

However, the Draft Rule requires the necessary AEMO procedures to be changed to accommodate a customer churn being aligned to a meter churn. AGL believes that this rule would work appropriately if an incoming retailer can initiate a change to the metering installation, but notes that there may be an inconsistency in the expectations of the AEMC as discussed in the Draft Determination with the implementation of the Rule.

AGL has sought further clarification on how the procedures would be changed to accommodate this Rule change, but without that information will have to respond on the basis of the Draft Rule and Determination, without further clarity on how this rule will be operationalised to ensure an efficient outcome for customers.

Clause 7.8.9 Discussion

AGL believes that Clause 7.8.9 as it stands is an appropriate rule, but we are unable to understand how it would be effected by the MSATS procedures.

By nominating all incoming roles which become effective the day that the customer transfers implies that the customer transfer can be triggered by a meter churn, which is inconsistent to the Draft Determination.

As discussed in our previous submission, a customer transfer is effected in MSATS by the provision of a meter read. That meter read can be provided by the quarterly meter reader, a special meter reader or by a technician changing a meter¹.

A quarterly meter reader has a +/- two (2) day window around when a customer meter is likely to be read, and a special meter reader may or may not be able to complete their service order on the requested date. Therefore using these mechanisms to trigger a customer transfer means that there is no definitive date that all participants can use to identify when a customer may transfer from one retailer to another.

However it is undertaken, the meter reading taken during the day is generally provided to AEMO around midnight of that day. After midnight, the AEMO Market Transfers and Settlements Solution (MSATS) system processes all the meter reads and the date those reads occurred.

If a NMI has a retailer transfer associated with it, then the customer will be transferred to the new retailer effective the day the meter was read, and MSATS will notify the relevant parties (winning retailer, losing retailer, network) of the day that the transfer was made effective from (i.e. the day of the meter read).

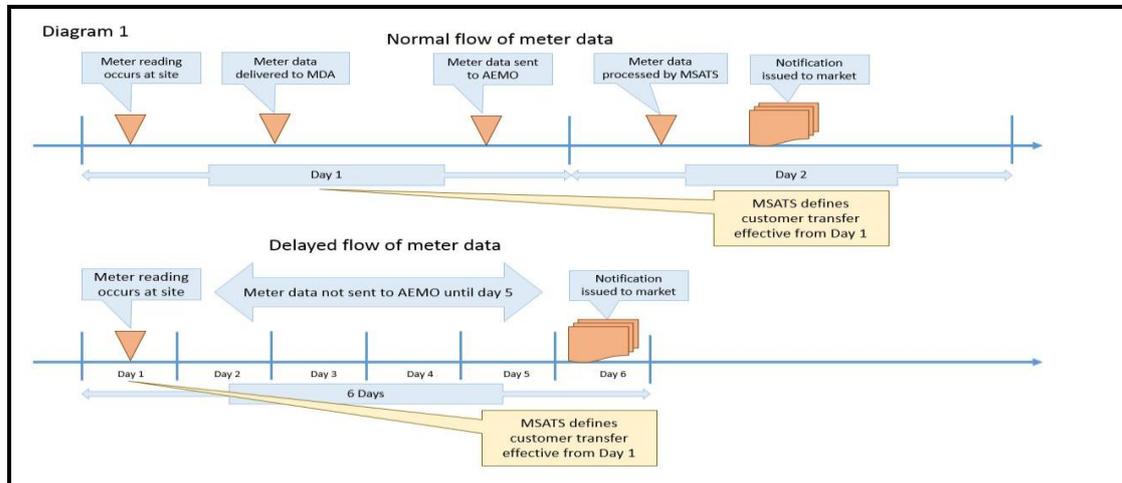
If there is a delay in providing that meter read to AEMO then the customer transfer will not be processed until the meter read has been processed by the AEMO MSATS system, but it will still be made effective from the day the meter read was taken.

So, for example, if a meter is read on January 5th, but the data is not uploaded to AEMO until January 8th, the processing will be undertaken on the morning of January 9th, when all parties will be advised that the customer was transferred effective January 5th. The old retailer uses that meter reading for final billing and the new retailer uses that meter read as the start of the customers energy consumption.

¹ A meter reader cannot change a meter. However, as part of changing a meter a meter technician will read the existing meter (or cause it to be read by the existing meter data provider for a comms meter) which provides the meter read for a customer transfer.

It needs to be clearly understood here that the MSATS system view is purely historical and notifications to market are historical. Further, it also needs to be understood that the notifications to all parties are dependent on when data is processed, but the effective date will always be when the meter was read. The diagram below provides a simplified explanation of the various steps undertaken during a customer transfer.

The following diagrams explain the issues graphically:



As can be seen from diagram 1 above, the incoming retailer will not know the customer has transferred to them until at least the next business day when staff process completion notices, which given periods like Christmas and Easter can be some number of calendar days after the event.

If the meter data is delayed or processing is delayed, then the incoming retailer will not be aware of the customer transfer until many days after the meter read was taken, but will still be responsible for the customer's energy contract from the effective date of transfer.

According to the discussion in the Draft Determination the incoming retailer cannot organise a meter change until it has become the nominated retailer. The retailer then has to process the fact that it has become retailer and then start scheduling a meter change.

This will lead to a delay in the change to the new metering installation, as shown in diagram 2, below:

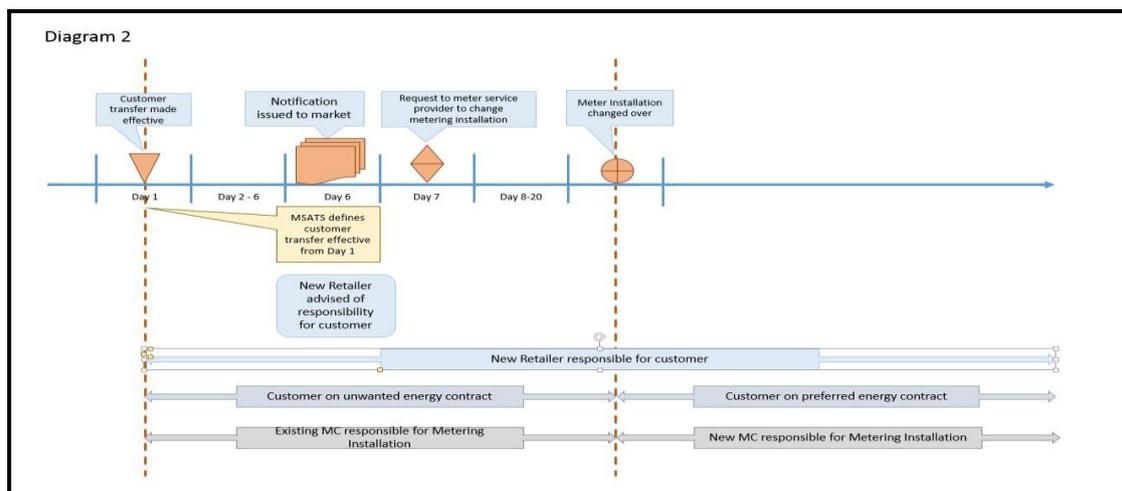
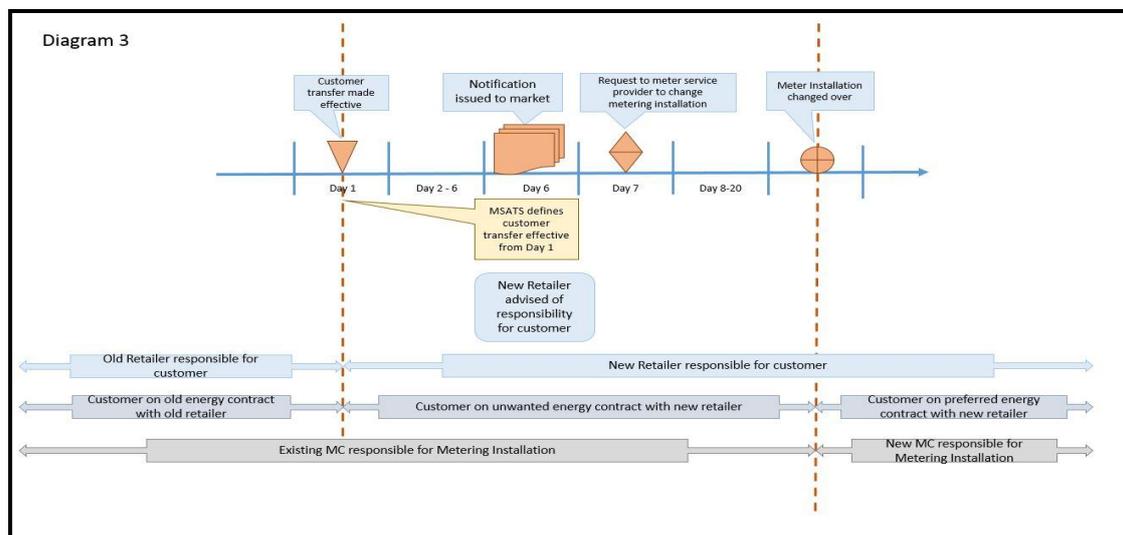


Diagram 3 below shows the impact of the timing. Whether the data is provided the next day or many days later, then it is unlikely that the customer's metering installation will be changed for some period following the effective transfer of that customer to the incoming retailer.



According to the discussion in the Draft Determination the incoming retailer cannot organise a meter change until it has become the nominated retailer, which it will not know until the day after the transfer has taken place. The retailer then has to process the market notification that it has become retailer and then start scheduling a meter change.

Given that an efficient service provider will have staff already undertaking other meter change requests, there will therefore be a delay while the service provider schedules field resources to effect the meter change.

This means that the customer and existing metering installation (and existing MC) will remain until the metering installation has been changed.

This is a highly inefficient process and requires the customer to continue with an energy contract which the existing metering installation can accommodate. It also requires the new retailer to contract with the existing MC – who has no incentive to assist the new retailer or offer appropriate terms and conditions.

Further, this would by its nature impact customer switching as there would be little incentive on an incoming retailer to organise a meter replacement until the customer has churned.

In many cases a meter reader is unable to manually read a meter due to issues of access to the meter. Unless there is a benefit to the customer (e.g. new retail contract) they have no incentive to provide access for a meter reader, but are more likely to provide access to the meter technician to change the metering installation which would trigger the retail transfer.

Diagram 4 below shows how a customer transfer would work if it was triggered by a change to the metering installation. As can be seen there is no impact on the customers preferred energy contract or the obligations for the new metering installation, even if the notice to the market is delayed by some days, since the obligations will take effect on the effective day of customer transfer, not the day when the market is notified.

Under this scenario, the obligations of the existing retailer and existing MC would cease when the change to the metering installation occurs and the new retailer and new MC would be responsible for that customer and their metering installation.

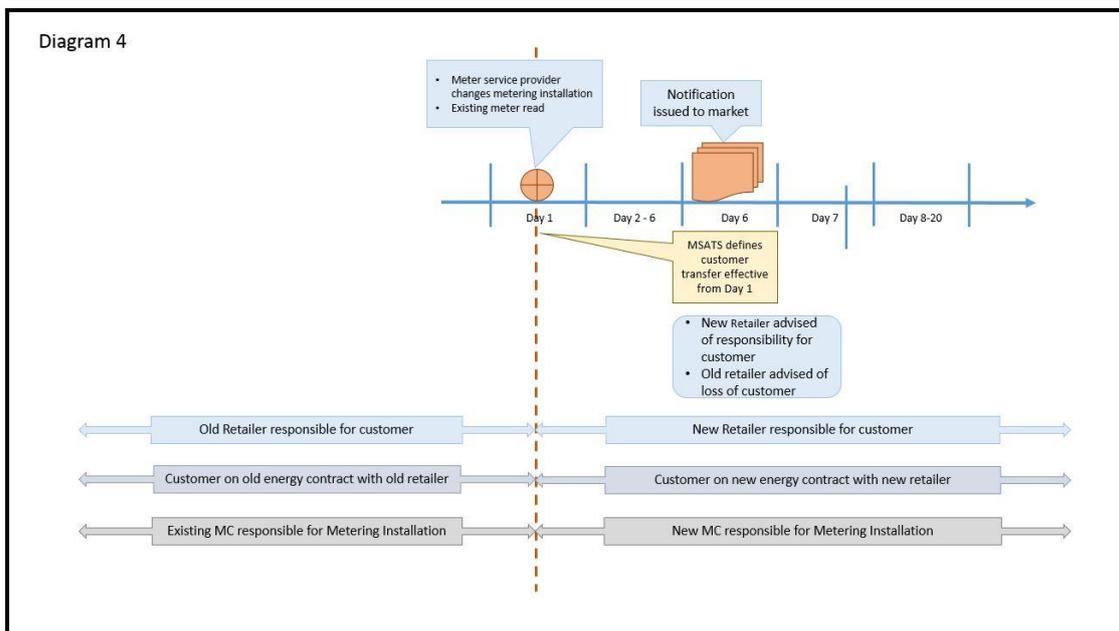
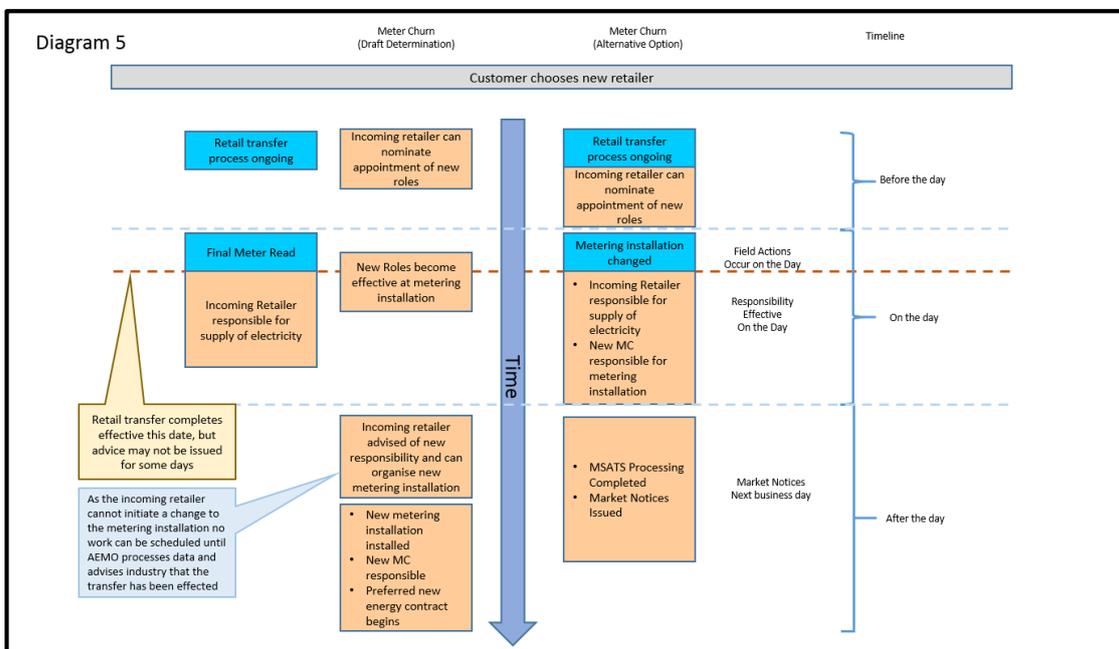


Diagram 5 below, provides a similar description in a form which was presented by the AEMC in the draft determination, showing both the impact of being unable to change the metering installation until the customer transfer has completed versus allowing a customer transfer to be triggered by a change to the metering installation.



Change of meter by Commercial Negotiation

The AEMC's Draft Determination (section 3.3) discussed the option of the incoming retailer negotiating with the current MC to upgrade the meter prior to the customer transfer. If the retailer is happy with the current MCs performance and its ability to provide an appropriate new metering installation, then there would be no need for the incoming retailer to nominate a new MC, as the existing one (with a new metering installation) should be appropriate.

If however, the incoming retailer does not wish to contract with the current MC or the existing MC cannot provide the type of metering required for the retailer, then there is a need to exchange the metering equipment and most likely appoint a new MC.

The Draft Rule as Written.

As previously discussed, if the draft rule stands as written, but it is accepted that an incoming retailer can initiate a change to the metering installation (with an associated change of retailer) then the process should operate efficiently as shown in diagram 4.

The Draft Determination considers the impact of a meter change from the perspective of a large customer, who can appoint their own MC (p13). However, under the new arrangements, it is expected that small customer metering installations would be changed as part of a retail transfer where the MC is appointed by the retailer to provide more modern metering equipment.

The AEMC has recognised the value in aligning the change of a metering installation with that of a change of retailer. However, by denying the incoming retailer the ability to initiate the change to the metering installation which can be a trigger for the retail transfer, AGL is concerned that it will be unable to provide an efficient, cost effective customer service.

The AEMC has stated (p20) that an incoming retailer has no ability to effect the metering installation at a site until the retail transfer has taken place. From the more considered policy perspective AGL is interested in better understanding the AEMC position on changing the metering installation as part of the customer transfer, given an incoming retailer can make a number of requests associated with a NMI prior to them becoming the FRMP.

Existing rules allow an incoming retailer to request a meter reading (i.e. a *special read*) to accelerate a customer transfer. In effect this is an incoming retailer impacting the provision of meter data to the market. This activity is specifically catered for in all retail market processes to facilitate customer switching where early customer transfer is wanted or needed.

AGL sees that customers and industry accept that an incoming retailer can take actions (within certain bounds) to facilitate a customer transfer and ensure an efficient and effective customer service. The change of a metering installation (triggering a customer transfer) is simply another trigger to facilitate customer switching.

There is some discussion that a retailer may change a metering installation only to have a customer reject the transfer or have it revert to the previous retailer. The number of these instances is likely to be much lower than the number of instances where the customer transfer proceeds correctly under the proposed scenario.

Customer transfers are generally not lodged in the market until the cooling off period has ended, and the contract is thus ensured. Given that there is a cost to change the metering installation and an outage for the customer, AGL considers that it is far more likely that the customer will take action prior to a metering installation being changed, rather than waiting until after the metering installation is changed.

Further, while there will undoubtedly be some instances where a metering installation does need to be modified again, AGL considers that the cost of the smaller number of these events is far lower than the cost of an inefficient service for the majority of transfers which will complete properly. Also, the cost of rectification will ensure that proper steps are taken by both customers and retailers prior to changing metering installations.



Minor modification to Transition Rule

The outcome of the draft transition rule is entirely focussed on changes made by AEMO in specified procedures. AEMO has advised it will not provide any commentary on what changes which may be required. AEMO has further indicated that it may be changing the procedure framework as part of the Power of Choice procedure development.

Therefore AGL believes that the transition rule should be widened to ensure any direct or supplementary procedures necessary to implement the desired outcome are also amended.

To this end, AGL would suggest that clause 11.88.2 be amended as follows:

- (a) By 1 September 2016, AEMO must amend and publish the following procedures [and any others](#), as required, to take into account the Amending Rule:
 - (1) *Market Settlements and Transfer Solutions Procedures;*