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2 July 2015

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

ERC0182 - NATIONAL ELECTRICITY AMENDMENT (METER REPLACEMENT PROCESSES) RULE 2015 – CONSULTATION PAPER.

Ergon Energy Corporation Limited (Ergon Energy) in its capacity as a Distribution Network Service Provider (DNSP) in Queensland welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its National Electricity Amendment (Meter Replacement Processes) Rule 2015.

Ergon Energy does not support the rule change proposal. The introduction of 'prospective' metering roles requires the delineation of roles and responsibilities for an additional four market participants. During practical operation of the meter churn process this would create considerable complexity, magnifying the propensity for errors and responsibility shifting. As our submission shows, these types of issues are already experienced in the existing market, one with far fewer market participants, and any increase to such issues, which require manual interventions and drive costs, is not warranted.

However, given the large customer market is mature in regards to physical meter change-out; Ergon Energy does support retailers entering into contractual obligations between themselves to enable meters to be changed prior to retail transfer.

Further details on these and other relevant issues are included in our attached submission document.

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours sincerely



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Group Manager Regulatory Affairs

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Enc: Ergon Energy's submission



Submission on the National Electricity Amendment (Meter Replacement Processes) Rule 2015

2 July 2015

**Submission on the *National Electricity
Amendment (Meter Replacement Processes)*
Rule 2015**

Ergon Energy

2 July 2015

This submission, which is available for publication, is made by:

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Introduction

Ergon Energy Corporation Limited (Ergon Energy) in its capacity as a Distribution Network Service Provider (DNSP) in Queensland welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its *National Electricity Amendment (Meter Replacement Processes) Rule 2015*.

While Ergon Energy understands that the efficient change-out of meters can be in the best interests of customers, and hence the *intent* behind this rule change proposal, we do not support the framework proposed by ERM Power to deliver this outcome. Specifically, Ergon Energy has concerns regarding role responsibility and the complexity of implementing an additional four participants into a market which is already the subject of significant reform. Ergon Energy also notes the issues raised are being managed in association with the Competition in Metering rule change proposal and we consider this will only further complicate that process.

Competition in Metering Rule Change

The creation of a small customer contestable metering market is already proving to be an extremely complex process, with delays to the implementation of new rules to support that market recently announced by the AEMC. Key elements of competition in metering are directly related to ERM Power's proposal; such as allocating responsibility for metering service delivery, rights and obligations at the connection point, data access and the operation of network devices (to name a few). Ergon Energy is concerned that the addition of another four participants into this process will only complicate the market (and the rule change process) further. The introduction of additional participants has the potential to lead to role confusion and responsibility shifting, which in turn increase the likelihood of errors and costs. These issues are detailed further in our response to the consultation questions below.

Fundamentally, Ergon Energy considers that the amended Meter Churn Procedure (MCP) set to come into effect in September this year should be maintained. The MCP importantly provides a clear delineation of responsibilities that will mitigate the issues noted in our submission and provide for a clean transition of roles as part of the competition in metering reforms. This is particularly important during the implementation and operation of a new model.

However, in relation to large customers, as competition in this market is already established there may be merit in enabling the early churn of meters via commercial agreements between retailers. To ensure a clear allocation of responsibilities it should be stipulated either in the National Electricity Rules (NER) or the MCP, that these contractual obligations must allocate responsibility for a number of issues both before and after meter churn. These include:

- the collection and provision of metering (churn) data;
- rectification of meter faults;
- where a meter change occurs prior to the transfer, the new Responsible Person (RP) / retailer needs to be accountable for the costs;
- the management of site compliance (e.g. switchboard upgrades etc.);
- the type of verification required to prove that a customer agrees to churn; and
- the timeframes to resolve these issues / provide information.

Ergon Energy is a member of the Energy Networks Association (ENA), the peak national body for Australia's energy networks. Ergon Energy is fully supportive of the issues raised in the ENA's submission.

Ergon Energy is available to discuss this submission or provide further detail regarding the issues raised, should the AEMC require.

Consultation Paper Feedback Question

Ergon Energy Comment

Question 1: Materiality of problem

(a) Do stakeholders agree that there is a lack of clarity in the NER on this issue?

No. The NER clearly stipulates meters must not be changed until retail transfer is complete (NER clauses 7.2.1 and 7.3.4).

(b) Given the specifications of the NER, current and amended AEMO procedures, do stakeholders consider that there are concerns about when meter replacements can occur in relation to the retail transfer process?

The current MCP lacks accountability, a clear delineation of responsibilities and compliance monitoring. This creates additional costs and complexity for distribution businesses and in turn customers.

When a meter churns prior to retail transfer (as currently can be the case) the incoming retailer is not yet the RP and is not responsible for the installation. However, the existing RP is losing a customer and thus has little incentive to manage the issues listed below that regularly arise during the retail transfer period. This means there is currently a decline in responsibility during the changeover window to ensure accountability for:

- meters changed in error, without appropriate transfers or customer approval;
- provision of churn data – the existing RP does not have access to data from the new meter, or the incoming RP access to the old. This creates complexity and costs for distribution businesses in sourcing this information; and
- meters that are faulty or not installed correctly.

Further, there are no consequences on the incoming RP for not resolving these issues nor is there any mechanism to recover the costs to rectify them. These costs remain with the existing RP until the transfer is complete and are generally pushed to Metering Service Providers (MSPs), distribution businesses and eventually customers.

Under the amended MCP supported by Ergon Energy, completing churn at or post retail transfer mitigates these issues by creating a streamlined system with clear accountabilities. That is, one party is responsible for the meter / customer prior to retail transfer, and the new RP responsible post transfer. Therefore, retail transfer on the date of the meter change

should be the goal. This clear, streamlined process is particularly important when it comes to the small customer market which is set to enter a new era involving significant numbers of meter replacements.

Ergon Energy considers this model will improve the meter churn process without implementing another layer of complexity in the market with additional participants and responsibilities via “prospective” metering roles. Adding additional participants into the process would only serve to magnify the aforementioned issues by reducing clarity around role responsibility and accountability.

Question 2: Consumer engagement and satisfaction

(a) What are stakeholders’ experiences, in particular, consumers’ experiences, of being able to change the metering installation prior to the retail transfer being completed (i.e. under the current procedure)?

These are outlined in response to question 1 (b).

It should also be noted the additional time provided by the early replacement of meters does support MSPs in managing peak churn periods, such as those that can occur around billing cycles as customers receive their bills and shop around for more economic options.

(b) Do stakeholders consider that it would be beneficial to consumers and retailers for metering installations to be able to be altered before or on the day of a retail transfer?

Meter replacement prior to retail transfer may be beneficial to retailers for the reasons outlined in ERM’s rule change request. However, as discussed there are also significant impacts and costs on other market participants that should first be mitigated to create a streamlined and accountable meter churn system that supports proposed competition in metering reforms.

(c) What are the likely outcomes for consumers in situations where retailers are unable to change the metering installation for consumers during the retail transfer period (ie under the amended procedure)?

There is potential for a marginally higher bill if customers are delayed in moving onto a more economic energy service.

Question 3: Efficiency in the market for metering services

<p>(a) Do stakeholders consider the other possible actions identified above are feasible for retailers to use where they cannot change the metering installation until the retail transfer is complete? Are there any alternatives?</p>	<p>As noted, Ergon Energy supports retailers establishing contracts between themselves to manage large customer meter churn prior to retail transfer.</p>
<p>(b) Do stakeholders consider there are issues that should be taken into account relating to the allocation of responsibilities where parties can change a metering installation before the retail transfer is complete?</p>	<p>Yes. The market is designed to encourage retail transfer yet currently there is no clear allocation of responsibilities or reporting regarding:</p> <ul style="list-style-type: none"> • meters changed in error; • cost recovery; • provision of churn data; • meters that are faulty or not installed correctly; or • site issues (faulty switchboards) that delay meter change.
<p>(c) What are the implications on efficiency in metering services for:</p> <p>(i) being allowed to change the metering installation on and/or prior to a retail transfer completing; and</p> <p>(ii) being allowed to change the</p>	<p>Efficiency can be gauged differently for customers and market participants. Ergon Energy considers that meter change on the date of retail transfer is clearly the more desired outcome as it mitigates consequential cost impacts for all parties.</p> <p>(i) For customers, changing the meter prior to retail transfer may mean the more efficient provision of a product. However, if the responsibility, cost and accountability issues raised in this submission are not addressed this will be a superficial outcome only as market participants will still be managing these issues, creating inefficiencies, which result in higher overall costs.</p> <p>(ii) Meter change post retail transfer mitigates the responsibility issues, but could</p>

<p>metering installation only after the retail transfer completes.</p>	<p>provide an inefficient outcome for customers for the reasons cited earlier in response to question 2(c) above.</p>
<p>(d) What do stakeholders consider would be the impact of the introduction of prospective parties on the metering services market?</p>	<p>Ergon Energy does not support this proposal. It would create an unnecessary layer of complexity at the same time as the biggest reform to metering ever implemented; competition in the provision of metering services. This combination has the potential to create confusion in roles and responsibilities and increase the difficulty of practical implementation, which both magnify the potential for error, inefficiencies and cost increases.</p>
<p>(e) Do stakeholders consider the issues raised by ERM Power could be resolved through the introduction of obligations relating to transfer dates and bilateral contractual agreements between incoming and incumbent parties?</p>	<p>As noted earlier in this submission, Ergon Energy supports clear delineation of the following responsibilities being included in contractual arrangements with large customers:</p> <ul style="list-style-type: none"> • the collection and provision of churn data; • rectification of faults; • management of site technical issues; • cost recovery; • the type of verification required to prove that a customer agrees to churn; and • the timeframes to resolve these issues.
<p>Question 4: Treatment of prospective roles</p>	
<p>(a) Would the implementation of prospective roles provide a sufficient mechanism for facilitating the replacement of metering installations at a connection point before a retail transfer is complete?</p>	<p>The concerns with the ‘prospective’ mechanism are outlined in this submission and Ergon Energy does not support the introduction of these roles.</p>
<p>(b) If these were introduced, what specific obligations and rights do stakeholders</p>	<p>Currently distribution businesses often serve multiple roles with small customer meter churn. That is they typically have electrical safety, network connection and metering service</p>

<p>consider would best be allocated to the prospective metering roles? What obligations and rights would need to be maintained with the incumbent roles?</p>	<p>obligations and functions.</p> <p>For small National Metering Identifiers there is a need to have an efficient error free process for transfers and meter churn. Without clear accountabilities and checks the incoming Retailer / RP may not have an incentive to minimise consequential issues for the incumbent parties.</p>
<p>(c) Would clarity be increased for participants and consumers if the meter churn process was made separate from the retail churn process as has been proposed?</p>	<p>As detailed in this submission, for market participants the lack of clarity in roles and responsibilities during the churn process is creating inefficiencies and costs, with additional complexity only likely to magnify these issues.</p>
<p>(d) Where incoming metering parties have rights and obligations, how do stakeholders consider these should be set out as part of the regulatory framework?</p>	<p>Ergon Energy does not support the introduction of these roles. If these roles are implemented the rights and obligations should be clearly set out in the NER or MCP.</p>
<p>Question 5: Implementation of any rule change and transaction costs</p>	
<p>(a) If this rule were to be made, should the commencement coincide with the planned commencement of the expanding competition in metering and related services final rule expected in July 2017?</p>	<p>Yes.</p>
<p>(b) If this rule was to commence in July 2017, would there be a need for a transitional rule to be made to take effect between the publication of the final rule and when the expanding competition in metering and</p>	<p>Yes. It would be costly and inefficient to implement one set of new requirements for only a short period of time.</p>

related services rule comes into force?

(c) What are the expected costs for stakeholders associated with any system changes resulting from changes to the meter replacement process?

The concern here is that any process that is not clearly defined will still need a significant degree of manual intervention for all parties. The net effect is that the outgoing and incoming retailer, MSPs and DNSP will still have a high degree of manual intervention.

Where a process is fixed and clearly defined Ergon Energy would be in a position to automate. However this will necessarily take time to implement.

Question 6: Other issues

(a) Do stakeholders consider that there are other potential regulatory solutions that could be followed to resolve the issues raised by the proponent?

As noted previously in this submission, Ergon Energy considers the NER should provide a framework that allows retailers to enter into contracts between each other to change large customers' meters prior to the retail transfer period concluding, providing these contracts manage the responsibility issues as detailed in our response question 3(e).

(b) Do stakeholders consider that there are any additional issues that would be relevant to the Commission's decision on this rule change request?

Magnifying the various issues regarding the early change out of meters outlined in this submission, is the fact there is no monitoring of churn or clear pathway for escalation and compliance. The Market Settlement and Transfer Solutions process does not include monitoring capabilities and as noted there is no incentive for the retailer losing a customer to actively engage in issue resolution. Without enforcement measures, there is no accountability to drive compliance with the issues that have been outlined.

Consequently, Ergon Energy suggests that monitoring and compliance processes should be formalised, particularly as there is expected to be an increase in churn volume due to the competition in metering changes that are expected to come into effect in the foreseeable future.