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Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

By electronic lodgement

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National Electricity Amendment (Meter Replacement Processes) Rule 2015

Origin Energy (Origin) welcomes this opportunity to respond to the Australian Energy Market Commission's (the Commission's) consultation on ERM Power's proposed rule change on the meter replacement process (the proposed rule).

We do not support the proposed rule as it has the potential to increase uncertainty for customers, market participants and service providers. Origin has had recent market experience with the positive outcomes associated with the amended Meter Churn Procedure (due to take effect in September 2015) in the large customer market. These include improved certainty for customers, seamless transfers between retailers and engaged metering service providers. The proposed rule would reverse many of these outcomes.

Under close examination, the proposed rule may result in unintended and negative outcomes for small customers when the Expanding Competition in Metering and Related Services rule (the metering rule change) becomes effective. Given the amount of uncertainty that will be facing consumers and industry at that time, Origin does not consider it prudent to add to this through the proposed rule, which runs the risk of resulting in poor customer experiences that could impact on the reputation and trust in advanced metering at a critical time.

The interaction of the proposed rule with network tariff reform and impacts on move-in and move-out customers is also uncertain at the small customer level. The potential benefits that the proposed rule may yield are not likely to outweigh the risks and these are discussed in detail below.

The remainder of this response addresses questions raised by the Commission in its consultation paper.

Should you wish to discuss the contents of this response, please contact David Calder, Regulatory Strategy Manager on (03) 8665-7712 in the first instance.

Yours sincerely

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Question 1- Materiality of the problem

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

Origin considers that under the current procedures, there is a lack of clarity in relation to rights and obligations of various parties with an interest in a customer's metering installation. The inconsistency between the National Electricity Rules (NER) and the current procedures has been addressed under the amended Meter Churn Procedure (MCP), which removes the uncertainty encountered historically. Under the current procedures, delivery of customer data has been impacted and retail transfers have not become effective because the new metering provider (MP) has not installed their device, resulting in a customer facing default pricing from their previous (and continuing) retailer.

The amended MCP avoids the uncertainty created by inconsistencies between the current MCP and the NER.

Question 2- Consumer engagement and satisfaction

- (a) What are stakeholders' experience, 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)?
- (b) Do stakeholders consider that it would be beneficial to consumers and retailers for metering installation to be able to be altered before or on the day of a retail transfer?
- (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 (i.e. under the amended procedure)?

Historically, changing metering installations in advance of a retail transfer has resulted in a number of issues for consumers, retailers and service providers. These include the failure of the new service providers to have installed a meter to meet large customer contract commencement (and the aforementioned application of default tariffs with the incumbent retailer), data provision errors, disputes between various parties and lack of contractual protection for incumbent retailers in the absence of a relationship with incoming service providers.

While on the surface it may appear beneficial to have metering services in place prior to, or on the day of a retail transfer, there are significant risks and costs associated with this approach that we discuss below.

In relation to question 2(c), Origin is not convinced the benefits of altering meters prior to or on the day of retail transfer are material. Furthermore, these benefits (and associated costs) vary depending on whether a customer is a large or small consumer. Experience with the amended MCP to date suggests that the certainty it provides has improved customer experience.

Small customers

The proposed rule change may support the timely application of new products and services for small customers that may follow the implementation of the metering rule change. However, we have serious

reservations about the risks that the proposed rule may create for small customers and we elaborate on these below.

Different tariff structures on bills

Should the meter not be installed by the time the retail transfer completes, the customer's first bill from their new retailer may contain different tariff structures to what they had agreed to (since the basic meter being replaced) for some of the billing period. This is the very risk identified as to why the amended MCP will be deficient by the rule proponent.

Currently, small customers will encounter different tariff structures on the same bill when they have a network tariff reassigned (for example, when they have solar PV installed). Therefore, any delay incurred to product changes due to an incoming retailer having to wait until they are the financially responsible market participant (FRMP) to change meter service providers reflects business as usual outcomes experienced by small customers today. The difference here is that retailers are able to manage customer expectations and preferences and will have more certainty over this where they appoint service providers (or retain them) once they are the FRMP.

Moving customers and assignment of network tariffs

The proposed rule may create a number of new exceptions and errors for move-in/move-out customers and the assignment of network tariffs (for any small customer). Customers moving out of a property may find their meter altered and their final bill containing different tariff structures should a network mandatorily assign a demand charge (for example) when an advanced meter is installed. Additional processes would be required to prevent this from occurring and to ensure that such reassignments would need to align with the date of retail transfer.

The need for advanced meters to be in situ to support products

One of the benefits identified that the proposed rule will support is the availability of products requiring an advanced meter as soon as the retail transfer is complete. For small customers, this assumes that a retailer will make installation of a type 4 meter and its associated products central to its campaign to win new customers. Given that the metering rule change has not taken effect and it is difficult to forecast how the market will develop, Origin believes the assumptions supporting this benefit are tenuous:

- A retailer would need to win a sufficient number of customers in the same geographic location to gain deployment densities sufficient to support the economic deployment of advanced meters to support these products. If this is not accomplished, it will increase the cost of commercial advanced meter deployment;
- Customers would need to readily accept the installation of an advanced meter on a change of retailer where the meter is central to the product proposition- in the medium term, it is likely that only a small niche of customers would be prepared to consent to this; and
- Retail contracts either do or can contain terms to manage a product change or change in tariff structures (whether retailer initiated or due to a network tariff reassignment). This allows a change of product at a later time with the certainty that supporting technology is in place (and could support the application of a new product from the start of a subsequent billing period).

In contrast, under the amended MCP to apply from September this year, a retailer could subsequently install an advanced meter once it becomes FRMP. Service providers and market participants will have certainty that the new FRMP will have the right to appoint new service providers.

Potential for meter churn

The proposed rule may increase the risk of meter churn as the outgoing Metering Coordinator (MC), meter provider (MP) or meter data provider (MDP) will have limited warning of the change and will be in a weak position to negotiate with an incoming FRMP to maintain assets and services already installed.

Conversely, under the amended MCP, a retailer will have the opportunity to negotiate with incumbent service providers, who will be incentivised to keep providing assets and existing services at the small customer site. This may result in lower likelihood of meter churn and improved services and/or reduced metering costs.

Large customers

The proposed rule seeks to formalise and improve the existing MCP approach and reduce uncertainty. While procedures supporting the proposed MRP rule may reduce problems and exceptions encountered today (delayed customer transfer where meters have not been installed, customers exposed to default rates, uncertainty with respect to who is responsible for data delivery and technical standards), these procedures will take time to develop and may be very complex to support the proposed new market roles.

The contents and operation of these procedures are unknown at this time, whereas industry has been implementing the amended MCP in preparation for its application in September 2015. Origin has invested in this process to date.

Access to preferred products and tariffs are unlikely to be affected by the proposed rule as the vast majority of large customers have meters installed that facilitate network and retail tariff structures likely to be offered or assigned to them.

In contrast, the amended MCP will provide certainty for customers, retailers, AEMO and service providers as changes can only take place once the customer has transferred.

Question 3- Efficiency in the market for metering services

- (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?
- (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?
- (c) What are the implications on efficiency in metering services for:
 - (i) Being allowed to change the metering installation on and/or prior to a retail transfer completing; and
 - (ii) Being allowed to change the metering installation only after the retail transfer completes.
- (d) What do stakeholders consider would be the impact of the introduction of prospective parties on the metering services market?
- (e) Do stakeholders consider the issues raised by ERM Power could be resolved through the introduction of obligations relating to transfer dates and bilateral agreements between incoming and incumbent parties?

Origin believes that the incoming retailer has significant bargaining power when it becomes FRMP for a small or large customer site. The incumbent service providers have strong incentives to offer terms that ensure their assets and services remain in place. Origin has encountered this in the large customer market and believes the impact will be more pronounced in limiting meter churn in the small customer market.

As such, the efficiency of metering services may be improved if the proposed rule was not made. As meter contestability in the small customer market matures, the value of the proposed rule should be revisited. However it is premature to apply the proposed rule to small customers given that it formalises the existing process in the large customer market, which has resulted in negative outcomes for customers and industry alike.

The introduction of prospective parties is likely to contribute to higher meter churn as the opportunity for incumbent parties to negotiate with an incoming FRMP will be diminished.

Commercial bilateral agreements would be preferable to the proposed MCP rule as the incentives of both parties can be tested to reach a potentially more efficient solution than if the option is not available to incumbent and prospective parties alike.

Question 4- Treatment of prospective roles

- (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?
- (b) If these were introduced, what specific obligations and rights do stakeholders consider would best be allocated to the prospective metering roles? What obligations and rights would need to be maintained within the incumbent roles?
- (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?
- (d) Where incoming metering parties have rights and obligations, how do stakeholders consider these should be set out as part of the regulatory framework?

The prospective roles will have to be supported by relatively complex procedures to manage:

- Network tariff assignment (for small customers);
- Data delivery obligations and liabilities;
- Safety and accuracy obligations and liabilities;
- Contractual implications if new meters are not installed at the contract start/transfer complete date; and
- Changes to market systems to identify new roles and associated change requests if required.

None of the issues described above arise under the amended MCP as the prospective roles are not contemplated.

Origin is concerned that separating the meter churn and retail transfer process could result in confusion for small customers in particular.

To the extent the proposed MCP rule is made, incoming metering parties need to indemnify incumbent parties if they displace these ahead of a change in FRMP.

Question 5- Implementation of any rule change and transaction costs

- (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?
- (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 related services rule comes into force?
- (c) What are the expected costs for stakeholder associated with any system changes resulting from changes to the meter replacement process?

Should the proposed rule be made, it should commence no earlier than the effective date of the metering rule change. The development and implementation of supporting procedures will add to the cost industry has already incurred preparing for the amended MCP due to take effect in September 2015.

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

Origin believes commercial negotiation between affected parties rather than regulation is the best approach to address many of the concerns identified by the proponent and would be more in keeping with the flexibility that the metering rule change supports in relation to competition in metering services. This non-regulatory solution should be tested by further by those parties who would seek an alternative to the amended MCP.