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8 October 2015

National Electricity Amendment (Meter Replacement Processes) Rule 2015
Response to Directions Paper

Reference Number: ERC0182
Attention: Ms Pearson
Lodged online: www.aemc.com.au

Dear Ms Pearson,

RE: Submission in Response to the AEMC's Meter Replacement Directions Paper

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

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.

We understand the Directions Paper[1] seeks to propose an amended policy direction for customer and meter churn in the NER to:

1. *clarify that an incoming retailer cannot require a metering installation to be changed at a connection point until the retail transfer is complete;*
2. *provide that during the retail transfer period an incoming retailer can nominate parties such as the Meter Provider and Meter Data Provider to undertake certain roles at a connection point, and that such nominated parties cannot commence these roles until the day the retail transfer is completed; and*
3. *clarify that commercial arrangements can be entered into between incoming and incumbent parties at a connection point, so the incumbent parties can churn the meter on behalf of the incoming parties during the retail transfer period.*

AGL has a number of comments and concerns in regard to these proposed policy directions, which are set out in the attachment to this letter. If you have any further questions regarding this submission or would like to discuss this matter further, please contact Mark Riley at mriley@agl.com.au or (03) 8633 6131.

Yours sincerely,

Jennifer Baltatzidis

Manager Network Strategy and Regulation

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[1] AEMC Directions Paper, National Electricity Amendment (Meter Replacement Processes) Rule 2015, 10 Sep 2015

Attachment

AGL's Specific Comments on the AEMC's Proposed Directions

Proposed Policy Point 1

clarify that an incoming retailer cannot require a metering installation to be changed at a connection point until the retail transfer is complete;

Inefficiencies in proposed approach

AGL's understands that Point 1 requires a customer to have completed their Retailer transfer prior to a meter being changed. This proposed policy would apply to all small customers, and large customers who have not appointed their own Metering Coordinator (MC)[2].

However, we consider that this approach may not be most efficient, as the ability of a Retailer to provide immediate services to its customers (particularly requested products or services) is critical and has an impact on overall customer satisfaction and cost to the customer.

An example of this need for an immediate service includes move-in scenarios where a newly signed customer requires both electricity supply to be connected (requiring a site visit) and specific products/services to be enabled under their retail contract.

In this example, a field activity would be required (e.g. a reconnection) so that a meter reading was taken and submitted to the Australian Energy Market Operator (AEMO). This meter reading would be processed by the AEMO Markets Settlement and Transfer Solution (MSATS) to trigger a retail transfer.

The new Retailer (who was the incoming retailer) would then have to organise their Meter Provider (MP) to visit the site to change the meter, which would include re-reading the existing meter prior to its replacement.

AGL points out that this process will result in various inefficiencies and poor customer experience[3]:

- inefficient deployment of field resources: multiple site visits will increase costs to customers. That is, the Distribution Business would need to connect supply, prior to the meter replacement by the Retailer's MP;
- increased cost of establishing and administrating service delivery contracts are prohibitive: Retailers must enter into contractual arrangements with the incumbent MP/Meter Data Provider (MDP) over the transitionary period from customer transfer to meter replacement (i.e. most likely days);
- no incentive to provide reasonable terms: there is no obligation for the incumbent MP/MDP (or Meter Coordinator (MC)) to offer equitable terms and conditions to the new Retailer, when the incumbent parties are aware that their asset is to be churned. AGL would suggest that in these circumstances, the incumbent be required to offer reasonable terms for that initial period.

[2] We also understand that large customers may be able to avoid pre-transfer meter replacement by appointing their own MC. Refer to our section on page 3

[3] A number of which were flagged in the AEMC's Directions Paper, but were not directly or broadly addressed.

- complexity and cost in customer billing: Retailers may be required to establish two components to a customer's energy contract (e.g. a tariff relating to an accumulation meter and another for time of use tariff). The cost of establishing such an energy contract and billing arrangement for a short period is both prohibitive for a Retailer, makes billing confusing for customers, and increases customer costs;
- Poor customer experience: Under such an arrangement, customers are unable to start their new retail contract on the new tariff arrangements and the cost of service will be higher as a result of the Retailer having to undertake additional field activities (including outages which potentially require appointments) and more complex billing services. These works could be scheduled to take place prior to a move-in and hence be less disruptive to customers under our proposal.

The example of a move in, is not demonstrably different to that of an in-situ customer, where a meter reading would trigger the transfer and then a second field visit would be required (often via appointment) to change the meter.

AGL instead submits that a substantially more efficient outcome will occur for all market parties and customers, where the new Retailer has an ability to organise a meter change, which also triggers a Retailer transfer via the reading of the existing meter. The details of how this process could operate is explained Appendix 1.

Customers should experience minimal disruption (e.g. one appointment rather than two) and receive their contracted services from the start of their retail contract without delay.

Therefore, AGL believes that our proposed process is more appropriate, as it provides for a clear market direction across customer interactions, retail metering contracts and retail energy contracts, all of which are outcomes sought in the National Electricity Objective operating through efficient processes.

Large customer appointment of Metering Coordinator

AGL notes that the framework being developed for Metering Competition Draft Determination[4] (Metering Competition), will provide large customers with the ability to appoint their own MC. The Directions Paper also acknowledges this ability but does not provide any further details.

Based on our understanding, large customers who have appointed their MC would be free to change their MC (and therefore their MP and MDP) at any time, without restriction and without reference to their Retailer or the Retailer transfer process.

AGL seeks confirmation from the AEMC that our understanding is correct. If this is right, we therefore seek to further understand how large customers are defined for the purposes of appointing an MC appointment.

[4] AEMC - *Draft National Electricity Amendment (Expanding competition in metering and related services) Rule 2015*

Proposed Policy Point 2

provide that during the retail transfer period an incoming retailer can nominate parties such as the Meter Provider (MP) and Meter Data Provider (MDP) to undertake certain roles at a connection point, and that such nominated parties cannot commence these roles until the day the retail transfer is completed

AGL supports this proposed policy, as it allows for efficient processes to be undertaken within the market and between the various participants. However, the Direction paper only refers to an Incoming Retail appointment of an MP and MDP.

AGL would understand from this policy that an incoming retailer can appoint all incoming roles, including the Metering Coordinator.

Similarly, it is expected that large customer appointment of roles will have no relation to retailer transfer.

AGL seeks clarity from the AMEC on its understanding of this proposed policy.

Proposed Policy Point 3

clarify that commercial arrangements can be entered into between incoming and incumbent parties at a connection point, so the incumbent parties can churn the meter on behalf of the incoming parties during the retail transfer period.

AGL is unsure how this proposed policy is intended to operate. A meter replacement could occur for various reasons, including:

- the existing meter is not capable of providing the data that is required for the incoming retail contract; or
- the Retailer (and potentially the customer[5]) no longer wishes to contract with the incumbent metering parties, for reasons such as cost or poor service.

AGL notes that the Power of Choice review was based on some fundamental policy principles that focused on the future of the energy market and its transformation towards a decentralised customer driven framework. These principles, specifically customer choice and competitive neutrality must be maintained through this Directions Paper and the Metering Competition rule.

We believe it is therefore highly unlikely that an incoming Retailer would be interested in having the incumbent parties upgrade a meter, which would include additional costs and impacts on the customer, if they could replace the meter through the Retailer transfer process, which was more cost effective and provided greater services.

Commercial negotiations are founded on the principle that both parties seek something of value, that both are coming from a reasonably similar position of strength in regards to the negotiation and that they can come to an arrangement which is mutually beneficial.

For this reason monopoly providers, such as distribution networks, are required to have an access arrangement. This establishes a framework for all parties to access these assets or services at a known rate.

[5] Specifically large customers who have appointed their MC.

The proposed policy assumes that the incumbent parties are willing to negotiate in a quick and timely manner. If the incoming Retailer is not in any contractual arrangement with the incumbent providers, then the cost of establishing a contract for a short period will almost certainly outweigh any costs of waiting until the meter is replaced

Instead AGL considers that our alternative approach which enables retail and metering transfer to occur on the same day is a more efficient solution and negates the need for legal agreements which can be expensive to draft, resource intensive to manage and is unlikely to address the disconnect between asset ownership, regulatory obligations and liability for the connection point.

However, in circumstances where the AEMC reaffirms its proposed policy, AGL considers that a suitable incentive mechanism is required to ensure that incumbent service providers enter into "good faith" negotiations to provide services at a connection point, within reasonable times and at reasonable rates prior to Retailer transfer. This mechanism should apply once the Retailer transfer objections period has lapsed, or where a minor objection has been raised (i.e. resulting from an incorrect service provider code for example) and resolved.

Other Matters for consideration

Definition of Large / Small Customer

AGL is unclear on the definitions of small and large customer as applicable to the Directions Paper and the Metering Competition rule.

Our broad understanding is that the definitions from the National Energy Retail Rules (NERR) would be applied, which are developed based on the protections for the respective customer class.

However, we note that Victoria has not implemented the NERR and therefore applies their own definitions per their Energy Retail Code[6]. Their definition of '*small customer'* refers to a "….*domestic customer or one consuming less than 40MWh per annum"* but no definition for 'large customer' exists. This makes it unclear whether customers who are not 'small customers' are able to appoint a MC.

AGL seeks clarity from the AEMC on how this issue will be addressed.

Consumption Level

As discussed above, there are domestic customers whose consumption is sufficiently high that a type 4 meter which meets the Minimum Service Specification (MSS) would not be applicable, nor technically appropriate, for that level of consumption.

These domestic customers have sufficiently high load such that additional metering equipment, such as Voltage and Current Transformers, are required as part of the metering installation, and the meter is appropriately calibrated for that installation.

The present drafting of the Metering Competition rule change[7] allows the MC to seek an exemption for up to 5 years in such as case (clause 7.8.4). This would require each MC appointed for that site to undertake an exemption process which appears burdensome and inefficient.

Further, the appropriate metering for a customer site is dependent on the load that is being consumed (to ensure appropriate accuracy and design), not on the classification of that customer, nor the appointment of an MC.

AGL suggests that the current approach, which has been applied based on customer definitions in the NERR, is incomplete as it does not allow for appropriate technical capability or accuracy, in order to meet the metering requirements set out in the National Measurement Act.

We therefore suggest that further development of the clauses relating to site exemptions and metering requirements is required and seeks clarification from the AEMC on how it intends to deal with the mixed definitions of customer and consumption level, to ensure that appropriate and compliant metering is installed efficiently at customer's sites and that it is clear what the Retail and MC obligations to the customer are.

[6] See Appendix 2 for the full definition from the Victorian Energy Retail Code.
[7] AEMC - *Draft National Electricity Amendment (Expanding competition in metering and related services) Rule 2015*

Site Aggregation

Section 19 of the National Electricity Law (NEL) and section 5 of the National Electricity Retail Rules (NERR) allow multi-site customers to aggregate their load and be treated as a large customer for the purposes of a retail contract.

AGL seeks confirmation that if the customer can choose to be treated as a large customer for the purposes of a retail contract[8] then they would also be considered as a large customer for other purposes, including the appointment of the MC.

In such circumstances, these customers would be entitled to appoint their MC and therefore manage the relevant metering installations independently of a retail transfer.

For example, a company may independently own 10 geographically spread sites, but each site is individually classified as a small customer. Therefore per the Metering Competition rule, a Retailer must appoint an MC for each site.

However, if the company chose to amalgamate energy supply to these sites under one Retailer contract, the site classification would be considered as a large customer for the purposes of the NERR.

Broadly, AGL believes that there should be a consistent approach to the rights and obligations of small and large customers in the market.

We therefore seek clarity from the AMEC that multi-site customers who choose to be treated as large customers under the NERR, are entitled to appoint their own MC.

[8] And in doing so, agree to forfeit specific small customer protections.

Appendix 1 – Proposed Customer and Meter Churn Process

A Retailer transfer is triggered by a meter reading being submitted to MSATS[9]. This meter reading can be obtained from a number of activities including a:

- regular quarterly meter read;
- special read initiated by the incoming Retailer;
- service activity (e.g. reconnection) at the premises; or
- change of meter.

When a metering installation is changed, a reading is taken of the existing meter for billing purposes and to signal the end of a service. A new meter is then installed and a reading is taken of the new meter to commence the service.

Both of these meter reads would be In this scenario the original meter reading is submitted to AEMO and would be the trigger for the customer transfer and would be the final meter reading for the previous retailer.

The new meter would be installed and a reading taken of that meter. This meter reading would be the start reading for the new retailer. The details of the new meter would also be included in the information provided to MSATS.

Diagrammatically, this could be represented by Figure 1:

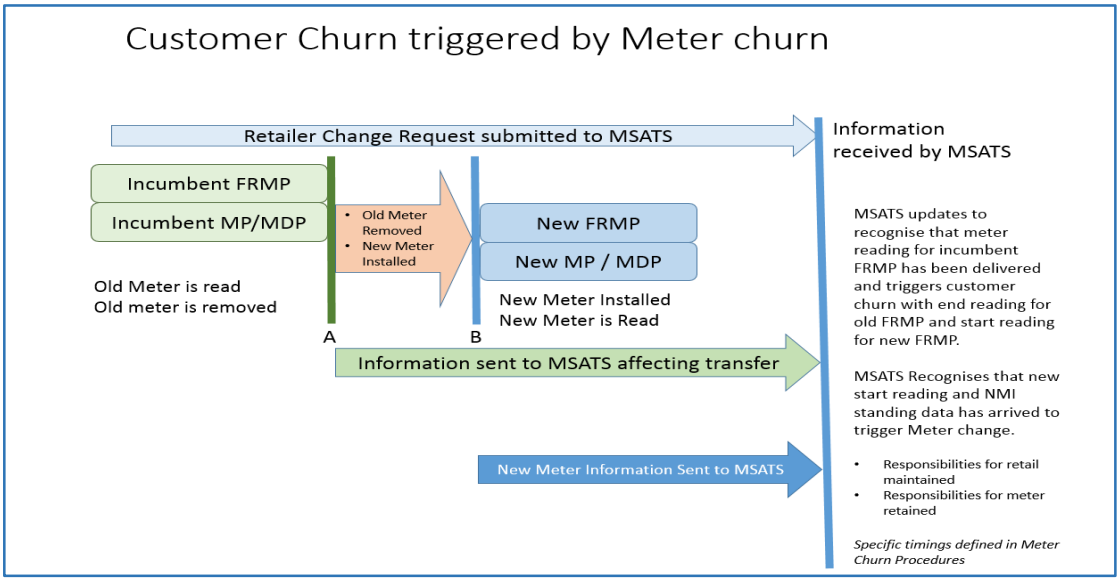

Figure 1 - Customer Churn triggered by Meter Churn

In this process, the incumbent Retailer and Responsible Person (or MC), would cease to have any liability when the meter is removed. The incoming Retailer and its appointed Responsible Person (or MC) would be responsible from the installation of the new metering installation.

The rights and responsibilities of each party are clearly defined, and MSATS records those changes appropriately.

It should be remembered that MSATS does not contain a live view of the market, but always an historical one. Information is submitted to MSATS and is batched overnight and the market is then provided an update which provides a view of what has happened. However, the system would align the role effective dates with meter replacement and retail transfer.

[9] AEMO - Market Settlement and Transfer Solution

This approach would provide significant market benefit, particularly to small customers who are otherwise impacted without recourse or alternative mechanism.

Appendix 2

Victorian Energy Retail Code – p17

Definitions:

small customer has the same meaning given to *domestic or small business customer* under section 3 of the *Electricity Industry Act* or section 3 of the *Gas Industry Act*;

Note:
Under the *Electricity Industry Act* and the *Gas Industry Act*, the term *'domestic and small business customer'* is defined by Orders in Council. As at the date of this Code the relevant Orders define a *domestic or small business customer* as (paraphrasing):

(a) a person who purchases *energy* principally for personal, household or domestic use at the relevant supply point; or

(b) in the case of electricity, a person whose aggregate consumption of electricity taken from the relevant supply point has not been, or in the case of a new supply point, is not likely to be, more than 40MWh per year; or

(c) in the case of gas, a person whose aggregate consumption of gas taken from the relevant supply point has not been, or, in the case of a new supply point, is not likely to be, more than 1000 GJ per year.