



19 January 2015

Mr John Pierce  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Mr Pierce

**Rule Change Request: Facilitating an efficient meter replacement process**

ERM Power Limited (ERM Power) requests that the Australian Energy Market Commission (AEMC) amends the National Electricity Rules (NER) to clarify the obligations of various parties during the meter replacement process.

This Rule Change Request proposes amendment of the NER to address the current ambiguity around the rights and obligations of prospective participants at a connection point in relation to meter replacement. It explores the issues associated with the current NER, provides an explanation of how the proposal would contribute to the National Electricity Objective, as well as the costs and benefits of the proposal.

This Rule Change Request has implications for both the COAG Energy Council's Rule Change Request titled *Introducing a new framework in the National Electricity Rules that provides for increased competition in metering and related services*, as well as the Meter Churn Procedure Package recently amended by Australian Energy Market Operator, effective from 1 September 2015. These interactions add urgency to this Rule Change Request, and complexity to the potential implementation options. We urge the AEMC to consider these issues closely so that implementation costs may be minimised, and a clear regulatory framework established in a timely manner. We look forward to working through these challenges with the AEMC.

Please contact me on the number below if you would like to discuss further.

Yours sincerely,

Jenna Polson  
Manager, Regulatory Affairs  
03 9214 9347 – [jpolson@ermpower.com.au](mailto:jpolson@ermpower.com.au)

## CONTENTS

<b>1. Summary</b> .....	<b>3</b>
<b>2. Preliminary</b> .....	<b>4</b>
2.1. Terminology .....	4
2.2. Interaction between the NER and market procedures .....	4
<b>3. Background</b> .....	<b>4</b>
3.1 The Responsible Person .....	4
3.2 Current meter replacement trends in the NEM.....	5
3.3 Rule Change Request to introduce competition in metering and related services .....	5
3.4 The current retail transfer and meter replacement process .....	6
3.5 Recent amendment of the Meter Churn Procedures .....	8
<b>4. Statement of issues</b> .....	<b>9</b>
4.1 Current ambiguity in the NER around the rights and obligations of prospective participants for a connection point.....	9
4.2 Adverse consequences of prohibiting pre-transfer and transfer-date meter replacement .....	11
4.3 Increased importance of meter replacement process with the introduction of competition in small consumer market metering services.....	14
<b>5. Proposed solution</b> .....	<b>14</b>
5.1 Clarifying the timing of participant rights and obligations .....	14
5.2 Deletion of redundant clauses .....	17
5.3 Transitional arrangements.....	18
<b>6. Contribution to the National Electricity Objective</b> .....	<b>20</b>
6.1 Clarity of the NER .....	21
6.2 Reducing the barriers to uptake of demand-side participation.....	21
6.3 Supporting competition in metering services .....	22
6.4 Positive customer experience .....	22
6.5 Operational efficiency.....	23
<b>7. Costs and benefits of the proposed change</b> .....	<b>23</b>
7.1 End-use customers.....	24
7.2 Retailers .....	24
7.3 Metering Providers and Metering Data Providers .....	24
7.4 LNSPs.....	25
7.5 AEMO .....	25
7.6 The AER .....	25
7.7 Benefits of competition in metering and related services.....	25

## 1. SUMMARY

National Electricity Market (NEM) participants have historically had three options relating to when a meter may be replaced at site – before a retail transfer, on the day of retail transfer, or at another time following retail transfer. Market procedures, business-to-business transactions and customer contracts were developed on this basis, and these options have supported efficient industry operations and met customer needs.

Despite this precedent and current practise, AEMO has recently concluded<sup>1</sup> that the National Electricity Rules (NER) do not allow a meter be replaced at a connection point until the retail transfer is completed in the Market Settlement Transfer Solution (MSATS). AEMO chose to address this inconsistency between the NER and industry practise by amending the Meter Churn Procedures to prohibit pre-transfer and transfer-day meter churn. However, ERM Power has found that the NER is internally inconsistent with regards to whether pre-transfer and transfer-day meter replacement may be performed. Additionally, there are a number of material adverse consequences that result from prohibiting pre-transfer and transfer-day meter replacement, including the imposition of additional costs, operational inefficiencies, poor customer experiences, and barriers to competition and demand-side participation. Such outcomes do not contribute to the National Electricity Objective.

These adverse consequences are likely to be magnified in the future. Council of Australian Governments (COAG) Energy Council policy objectives to encourage the uptake of demand-side activities (enabled by advanced metering) and establish a contestable framework for metering services mean that the frequency of meter replacements for residential and small business customers is expected to increase materially. With meter replacement likely to be one of the first experiences of these customers in the process, the importance of having an efficient meter replacement approach that supports a positive customer experience is heightened. ERM Power believes that the options for pre-transfer and transfer-day meter replacement are essential to ensure a positive outcome for customers.

ERM Power proposes that the current ambiguity in the NER is addressed by introducing new transitional roles for prospective participants, and clarifying the timing of participant rights and obligations at a connection point. This approach would provide the right for a Prospective Financially Responsible Market Participant (FRMP) to assign roles at a connection point prior to the transfer date. A Prospective Responsible Person would then have the right to initiate meter replacement (if required) prior to, or on the transfer date. This approach allows the continuation of current industry practise of pre-transfer and transfer-date meter replacement, but in a more robust regulatory framework where rights and obligations are clear for all parties throughout the meter replacement process.

This proposal contributes to the National Electricity Objective by:

- improving the clarity of the NER;
- reducing the barriers to uptake of demand-side participation;
- supporting competition in metering services;
- supporting a more positive customer experience; and
- improving operational efficiency.

---

<sup>1</sup> Australian Energy Market Operator, *Meter Churn Package Consultation*, 2014.

This Rule Change Request interacts with AEMO's amended Meter Churn Procedures (which have an effective date of 1 September 2015) and the COAG Energy Council's Rule Change Request relating to competition in metering and related services (the draft determination is due in March 2015, but implementation is not expected for some years). The timing of these changes presents a challenge, which will need to be carefully considered to reduce implementation costs and establish a clear regulatory framework in a timely manner.

## 2. PRELIMINARY

### 2.1. Terminology

A range of terms is used in existing market procedures to describe the various parties that have an interest in a connection point before, during and after the retail transfer of a customer in the Market Settlements and Transfer Solution (MSATS). For clarity, this Rule Change Request will adopt the following terminology to refer to participants involved in the retail transfer and meter replacement process.

- Incumbent: the party who appears in MSATS in relation to a connection point prior to the completion of a retail transfer.
- Prospective: the party who is proposed to take on that role in relation to a connection point following the completion of a change request, as indicated by a pending retail transfer change request for that connection point.

### 2.2. Interaction between the NER and market procedures

The NER establishes the obligation for the development and maintenance of market procedures, and where there is a discrepancy between the NER and the procedures, the NER takes precedence. The need for this Rule Change Request was highlighted by a proposed change to market procedures to better align market procedures with the NER (as discussed in Section 3.5 below).

This Rule Change Request refers to processes and obligations placed on participants under existing market procedures. It is recognised that should this Rule Change Request be successful, further amendments to market procedures would be required to incorporate the specific requirements proposed.

## 3. BACKGROUND

### 3.1 The Responsible Person

The NER establishes the role of the Responsible Person as the person responsible for the provision, installation and maintenance of a metering installation; and the collection, processing and delivery of metering data from each metering installation for which it is responsible.<sup>2</sup>

In all NEM jurisdictions other than Victoria, the Local Network Service Provider (LNSP) for a connection point must take on the Responsible Person role for a site with a type 5-7 metering installation, and either the LNSP or the Market Participant may be the Responsible Person for sites with a type 1-4 metering

---

<sup>2</sup> See NER 7.2.1.

installation.<sup>3</sup> The Responsible Person is required to engage a Metering Data Provider and a Metering Provider to perform these services at the site.<sup>4</sup>

### 3.2 Current meter replacement trends in the NEM

There are a number of scenarios that may result in meter replacement at a site, including:

- where the consumption level at a site exceeds volume limits as specified in NER S7.2.3 and a different meter type is required;
- where a new Metering Provider is engaged by the Responsible Person to manage a site;<sup>5</sup>
- where the meter is faulty, or has reached its end of life; and
- where the customer requires additional metering functionality to enable a particular product or service.

Small customer sites in the NEM are generally metered with a type 5 or 6 metering installation, and therefore the LNSP is the Responsible Person for the site. Meter replacements for these customers in recent years have been largely performed to enable the export of generation from solar systems and, in Victoria, in response to a government mandate to install Advanced Metering Infrastructure (which are classified as type 5 metering installations). LNSPs often have a preferred Metering Provider and Metering Data Provider that they engage to manage all small customer sites in their distribution network.

Meter replacement is much more common in the large customer segment. Due to the highly competitive nature of this market, and the more complex electricity infrastructure arrangements at many large sites, most large customers have direct metering agreements with their choice of Metering Provider and Metering Data Provider, rather than relying on their Responsible Person to engage providers for their site. This arrangement is not formally established in the current NER, however will be addressed by the COAG Energy Council Rule Change Request discussed in Section 3.3 below. These agreements are often facilitated by energy brokers or advisors coincident with retail electricity contract negotiations, and as a result, the contract terms of both the retail and metering contracts are generally aligned. It is therefore reasonably common for the meter at the site to be replaced when a large customer switches retailer.

We note that it is broadly accepted that meter replacement every time a customer switches retailer is not likely to be an efficient outcome for small customers. However, it is important that the regulatory framework supports customer choice, and does not disincentivise efficient meter replacement scenarios as listed above.

### 3.3 Rule Change Request to introduce competition in metering and related services

In October 2013, the COAG Energy Council lodged a rule change request titled *Introducing a new framework in the National Electricity Rules that provides for increased competition in metering and related services* (the Council Rule Change Request). The Council Rule Change Request proposes to rename the Responsible Person role to Metering Coordinator, and amend the NER to allow any appropriately

---

<sup>3</sup> See NER 7.2.2 and 7.2.3. Victoria has a derogation allowing only the LNSP to take on the Responsible Person role for all sites consuming below 160 MWh per annum.

<sup>4</sup> See NER 7.2.5

<sup>5</sup> The metering installation installed at a site is generally owned and maintained by a particular Metering Provider, and as a result, the metering installation is generally replaced if the Metering Provider engaged by the Responsible Person for the site changes.

registered party to compete to take on the Metering Coordinator role at a site. This would explicitly separate the Metering Coordinator role from the site's LNSP or Financially Responsible Market Participant (FRMP) to support the entry of new contestable providers. Additionally, the Council Rule Change Request proposes provisions for the AER to determine reasonable exit fees for replaced type 5 and 6 metering installations. The Council Rule Change Request states:

*The objective of the new arrangements is to support the uptake of efficient demand side participation (DSP) by residential and small business customers, by making it easier to arrange for the metering needed to support choices of electricity products and services. The new arrangements will also make it easier for large customers to manage their own metering requirements.*<sup>6</sup>

Should the proposed arrangements be implemented, it is expected that a greater range of products and services that require advanced metering will be offered to small customers. Further, by establishing reasonable exit fees and facilitating greater competition in the small customer metering market, the financial viability of upgrading the small consumer metering fleet may be improved. This is important to support customer choice and efficient meter replacement in scenarios such as those listed in Section 3.2 above. It is therefore anticipated that meter replacement would become more commonplace in the small market segment.

The AEMC is currently consulting on arrangements relating to the Council Rule Change Request, and intends to publish its Draft Determination in March 2015.

### **3.4 The current retail transfer and meter replacement process**

MSATS records the registration and transfer of electricity customers between retailers, and also records the replacement of metering installations at a connection point.

*The Meter Churn Data Management Procedures and The Meter Churn Procedure for Financially Responsible Market Participants* (the Meter Churn Procedures) were established by AEMO in 2006 and 2008 respectively under the NER, and may be amended from time to time in consultation with industry.<sup>7</sup> Amendments to the Meter Churn Procedures to date have been limited to the format of the document: the processes and obligations detailed in the current versions of the Meter Churn Procedures (versions 6.0 and v005 respectively) have endured since the document's inception.

The current Meter Churn Procedures outline participant obligations in relation to a meter replacement that may occur when a customer transfers to a new retailer.<sup>8</sup> The purpose of the Meter Churn Procedures is to minimise the interruption to the flow of metering data, and to ensure the efficient transfer of metering data between Meter Data Providers, updates to MSATS, and transfer of FRMP, Responsible Person, Metering Provider and Metering Data Provider roles for the site.

The current Meter Churn Procedures provide for three approaches to facilitate meter replacement:

1. Meter replacement up to 20 business days prior to the new FRMP being established in MSATS (pre-transfer meter replacement).

---

<sup>6</sup> COAG Energy Council, *Introducing a new framework in the National Electricity Rules that provides for increased competition in metering and related services*, Rule Change Request, October 2013, p. 2

<sup>7</sup> See NER 7.3.4.

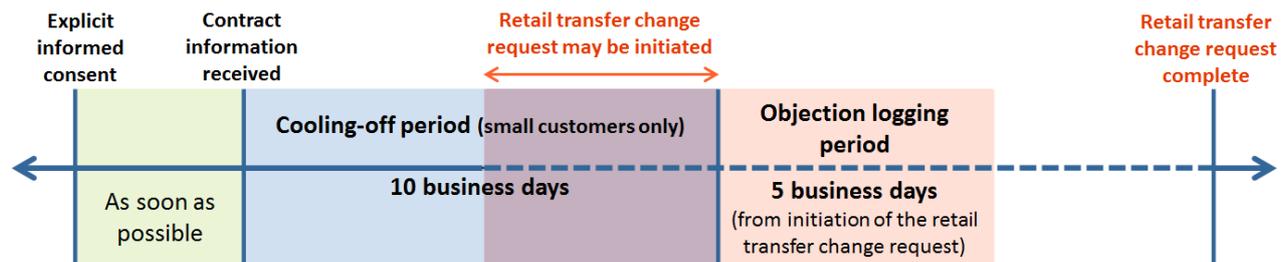
<sup>8</sup> The obligations on Metering Providers relating to the metering installation change process itself are governed by clause 4.14 of the *Service Level Procedure: Metering Provider Services Category B for Metering Installation Types 1, 2, 3, 4, 5 and 6*. This is discussed in more detail in Section 4.2.

2. Meter replacement on the day that the new FRMP is established in MSATS (transfer-date meter replacement).
3. Meter replacement following the new FRMP being established in MSATS (post-transfer meter replacement).

### 3.4.1 Retail transfer

Figure 1 below shows the minimum timeframes to transfer a customer to a new retailer.

**Figure 1. Timeframes for retail transfer**



The process starts when a retailer has received explicit informed consent from a customer to supply electricity at its connection point. For small customers there is a 10 business day cooling off period required under the National Energy Retail Rules beginning the date the customer receives their retail contract information,<sup>9</sup> during which the customer may withdraw from the contract. To initiate the transfer process in the market, the retailer must raise a retail transfer change request in MSATS.<sup>10</sup> Once the change request has been initiated, there is a five business day objection logging period, where authorised parties (such as the incumbent FRMP) may object to the retail transfer, pursuant to the MSATS Procedures.<sup>11</sup> If an authorised party objects to the transfer, and the concern can be resolved, a new retail transfer change request would be required, starting the process again.

A final meter read is required at the time of retail transfer, so that the incumbent FRMP can calculate its final bill. For customers with a type 6 metering installation, this means the transfer date (the date the transfer is completed) is chosen to align with the next scheduled read date, or the customer may elect to have a special meter read performed at another date (generally for a nominal fee). Customers with an existing type 1 – 5 metering installation may choose a date that is convenient for them. A customer’s retail contract starts from the transfer date.

When initiating the retail transfer change request, the prospective FRMP is required to nominate a number of parameters, including the proposed transfer date (from which the prospective FRMP would first be recognised as FRMP for the site) and the party to take on the Responsible Person role from the transfer date. For metering installation types 1 – 4, the prospective FRMP will generally assign itself as the prospective Responsible Person. The change request may also indicate the need for a meter replacement, if required, by assigning new Metering Data Provider and Metering Provider roles. The requirements

<sup>9</sup> See National Energy Retail Rules, cl 47(2).

<sup>10</sup> Retailers have their own policies regarding whether to initiate the change request in MSATS prior to the completion of the cooling off period, given the risk of the customer withdrawing. If the retailer has chosen to raise the change request during the cooling off period, these periods will overlap, as shown in Figure 1.

<sup>11</sup> See MSATS Procedures: CATS Procedure Principles and Obligations cl. 6.8 and 6.9.

relating to change requests are governed by the *MSATS Procedures: CATS Procedure Principles and Obligations* (MSATS Procedures).

### 3.4.2 Meter replacement

Under the current Meter Churn Procedures, the prospective FRMP (via the prospective Responsible Person nominated in the retail transfer change request) may arrange for the prospective Metering Provider to replace the meter at the site once the change request is initiated. It is a commercial decision as to whether it is willing to take on the risk of attempting to replace the meter prior to the end of the objection logging period (as it would bear the cost of reinstating the metering should the transfer not proceed). The current Meter Churn Procedures require meter replacement to occur as close as possible to the proposed transfer date, and in any event, not more than 20 business days prior to the proposed transfer date.<sup>12</sup>

The incumbent Metering Data Provider is responsible for the processing and entry of meter data into MSATS until the prospective Metering Data Provider is effective in MSATS (generally the date that the retail transfer change request has completed). This includes compiling meter data for the day that the meter is replaced using data from both the replaced and replacement meters. Once the incumbent's meter has been removed from the site, this obligation is met by providing substitute reads until actual meter data is available. Thereafter the prospective Meter Data Provider must cooperate with the incumbent to provide data as necessary to allow its obligations to be met.

This process allows retailers to have all required arrangements in place to begin providing the customer's choice of retail product from the day that their retail contract commences (the transfer date).

### 3.5 Recent amendment of the Meter Churn Procedures

AEMO undertook a review of the Meter Churn Procedures in late 2013, and concluded that the meter replacement process outlined in the Meter Churn Procedures was inconsistent with related clauses in Chapter 7.<sup>13</sup> In particular, inconsistency with NER clauses 7.3.4(e), (i) and (m) was identified:

- (e) *Subject to the metrology procedure and this clause 7.3.4, a financially responsible Market Participant or a Local Network Service Provider may make arrangements with the responsible person to alter any type 5, 6 or 7 metering installation. ...*
- (i) *A type 5, 6 or 7 metering installation must not be altered by the financially responsible Market Participant under paragraph (e) until the transfer of the relevant market load has been effected by AEMO in accordance with the Market Settlement and Transfer Solution Procedures. ...*
- (m) *A financially responsible Market Participant who is not the responsible person for a metering installation that is altered under paragraph (e), must:*
  - (1) *consider and manage meter churn consistently with the meter churn procedures developed by AEMO under paragraph (j); and*
  - (2) *advise the responsible person of the proposed date of alteration:*
    - (i) *prior to that alteration being made; and*

---

<sup>12</sup> See Meter Churn Procedure for Financially Responsible Market Participants, cl. 3.2.1(c).

<sup>13</sup> See Final Stage Notice for Meter Churn Package, <http://www.aemo.com.au/Consultations/National-Electricity-Market/Second-Stage-Notice-of-Consultation--Meter-Churn-Package>

- (ii) *in accordance with any time specified in the Market Settlement and Transfer Solution Procedures.*

AEMO found that for any meter type, the meter may not be replaced until the retail change request has completed in MSATS. This is on the basis that:

- For type 5, 6, or 7 metering installations, this is not allowed under 7.3.4(i) above; and
- For type 1 – 4 metering installations, a prospective FRMP cannot take on the RP role until it is formally recognised as FRMP for the connection point in MSATS.

AEMO decided to address this inconsistency by amending the Meter Churn Procedures, and the AER provided a statement of no action against AEMO in relation to its breach in having in place procedures that are inconsistent with the NER, accepting AEMO's proposed course of action.

AEMO's amended Procedures prohibit a prospective FRMP from making arrangements with the prospective Responsible Person, requiring instead that arrangements must only be made following the completion of the retail transfer change request in MSATS.

The amended Procedures will be effective from 1 September 2015.

## 4. STATEMENT OF ISSUES

### 4.1 Current ambiguity in the NER around the rights and obligations of prospective participants for a connection point

While not explicitly stated in the NER, it is generally understood by industry and AEMO that participant roles in the NER refer to the participants who hold those roles for a given connection point according to MSATS at a point in time. However, MSATS cannot always represent a live record of responsibilities at a point in time, as participants are themselves often responsible for updating MSATS. We therefore must explore the intention of the NER in relation to the timing of when a participant's rights and obligations at a connection point commence.

Clause 7.1.2 of the National Electricity Rules (NER) states:

- (a) *Before participating in the market in respect of a connection point, a Market Participant must ensure that:*
- (1) *the connection point has a metering installation and that the metering installation is registered with AEMO;*
  - (2) *either:*
    - (i) *it has become the responsible person under clause 7.2.2 and has advised the Local Network Service Provider; or*
    - (ii) *it has sought an offer and, if accepted, entered into an agreement under clause 7.2.3; and*
  - (3) *prior to registration, a NMI has been obtained by the responsible person for that metering installation. (ERM Power's emphasis)*

We understand "before to participating in the market in respect of a connection point" (as underlined) to mean prior to the commencement of its role as FRMP, as recorded in MSATS. This clause implies that the prospective FRMP is responsible for establishing the metering installation and may become, or enter an

arrangement for the LNSP to become, the Responsible Person for the connection point prior to the completion of the retail transfer change request that would make the Market Participant FRMP in MSATS. The clause does not specify an acceptable period prior to becoming FRMP in MSATS that the Market Participant may first act, or an event that triggers a Market Participant's right to act in relation to a connection point.

Market procedures were developed based on this interpretation, allowing a prospective FRMP to assign roles and make arrangements to replace the meter when initiating the change request. The MSATS Procedures assume the prospective FRMP has the right to assign roles for a connection point at the time of initiating a change request to transfer the customer.<sup>14</sup> The change request requirements were designed to facilitate this.

A provision to specify prospective participant rights in MSATS Procedures is also considered in clause 7.2.5(e):

- (e) *The Market Settlements and Transfer Solution Procedures may specify that an incoming responsible person is responsible for the metering installation:*
  - (1) *on the day that a market load transfers from one financially responsible Market Participant to another financially responsible Market Participant for the period within that day; or*
  - (2) *on any other day. (ERM Power's emphasis)*

While the MSATS Procedures have not utilised this provision to date, and therefore do not specify that a prospective Responsible Person's obligations commence on or before the transfer date, the NER explicitly provides for it.

However, as identified by AEMO and discussed above, clause 7.3.4(i) prohibits a prospective FRMP from initiating a meter replacement prior to becoming FRMP in MSATS in relation to type 5-7 metering installations. Further, a strict interpretation of the working assumption that the NER refers to the participant holding a role in MSATS for a connection point at a point in time (as is AEMO's interpretation), results in the position that a prospective FRMP does not have the right to assign prospective roles for a connection point; that only once this retailer is FRMP in MSATS may they assign roles, and therefore make arrangements (via the Responsible Person) for metering installation replacement. This interpretation is inconsistent with clause 7.1.2 above, which allows a Market Participant to become, or accept an offer for the LNSP to become, the Responsible Person at a connection point before it has become FRMP.

The rights and obligations of prospective roles for a connection point are unclear. This ambiguity has led to the development of market procedures, and the operations of many participants based on one interpretation of the NER, and procedure change by AEMO (and subsequent no action letter from the AER) based on another.

ERM Power therefore proposes that the events that trigger rights and obligations of participants be clarified in the NER. Recall that clause 7.1.2 of the NER states that a Market Participant's obligations commence before its participation at a connection point. We believe this indicates that the intent of the NER is to allow a prospective FRMP the right to assign roles for a connection point, and for those roles to make arrangements for the alteration or replacement of the metering installation, if required, before the completion of the retail transfer change request. This should be explicitly provided for. By allowing the

---

<sup>14</sup> See MSATS Procedures: Cats Procedure Principles and Obligations, Section 6: Change Retailer, p. 53.

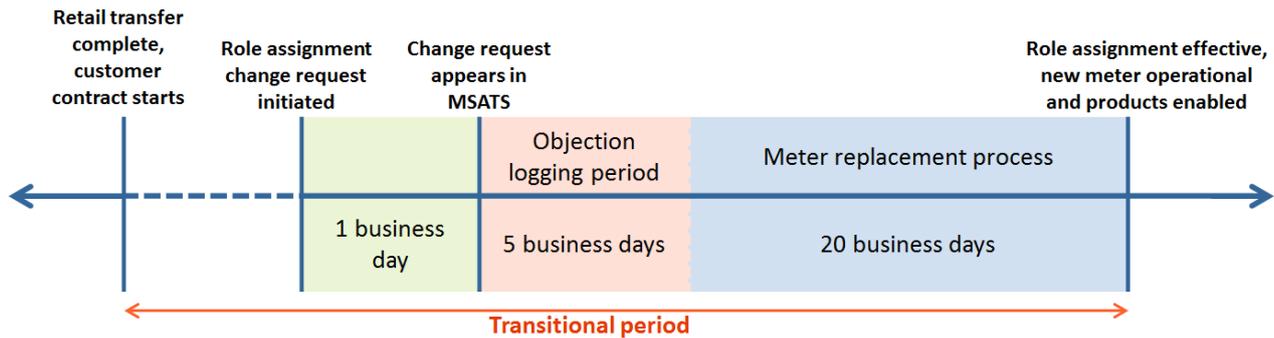
option for pre-transfer and transfer-date meter replacement, these rights lead to a preferable meter replacement process in support of the National Electricity Objective, than facilitated by the current NER as interpreted for the purpose of the amended Meter Churn Procedures.

#### 4.2 Adverse consequences of prohibiting pre-transfer and transfer-date meter replacement

As discussed above, at present the NER may be interpreted such that only those participants who hold current roles reflected in MSATS for a connection point may take any on-market action in relation to that connection point.

Under this interpretation, a prospective FRMP would not have the right to assign the Responsible Person, Metering Provider or Metering Data Provider roles for the site until transfer completion. This prohibits both pre-transfer meter replacement and transfer-date meter replacement. Instead, the process would require that until a Market Participant is FRMP in MSATS (i.e. from the transfer date) it may not raise a change request to assign new roles for the site, triggering a replacement of the metering installation. This would create a transitional period between the transfer date (which is also the customer’s retail contract start date) and the date that the meter can be replaced by the Metering Provider. This is shown in Figure 2. The issues associated with the existence of this transitional period are discussed below.

**Figure 2. Transitional period**



To initiate the change of roles and the start of the meter replacement process, the prospective FRMP raises a role assignment change request in the market. The change request takes one day to appear in MSATS, followed by a five business day objection logging period where authorised parties may object to the change.

The metering installation replacement process is governed by clause 4.14 of the *Service Level Procedure: Metering Provider Services Category B for Metering Installation Types 1, 2, 3, 4, 5 and 6* (MPB SLP). This requires the Metering Provider to use best endeavours to complete this process within 20 business days (4 weeks) from the day the change request is received. In practise, this process often takes longer than 20 business days, with the maximum time limit imposed being 210 days.<sup>15</sup> Delays are particularly common for small customers, where meter replacement will mean loss of supply,<sup>16</sup> and good industry practise requires scheduling with the customer to reduce the inconvenience of this outage.

Therefore the minimum period of time from the completion of a retail transfer to the installation of a new meter is likely to be 26 business days (more than one month).

<sup>15</sup> MSATS Procedures: Cats Procedure Principles and Obligations, Section 2.3, p. 17.

<sup>16</sup> Large customers generally have metering installations with current transformers which allow supply to be maintained during meter replacement.

The adverse consequences that result are explored below.

- ***Non-compliance with NER S7.2.3***

Clause S7.2.3 of the NER defines the accuracy requirements for metering installations, and provides for an annual volume limit at a connection point for each metering installation type. Limits are assigned by jurisdictional Ministers and published in the Metrology Procedures.<sup>17</sup> For example, in New South Wales, a type 6 metering installation may only be installed at a connection point with a volume of less than 100MWh per annum. The Responsible Person for the connection point has an obligation to ensure the appropriate metering installation exists at a site to comply with these limits.

Under current arrangements, a prospective Responsible Person would assess whether the existing metering installation is appropriate for the expected consumption level of the customer at a connection point. It is not uncommon to find that the metering installation needs to be upgraded to comply with clause S7.2.3. Current arrangements allow the prospective Responsible Person to replace the meter prior to or on the transfer date, so that a compliant metering installation is in place from the time its obligations commence as Responsible Person for the connection point.

Prohibiting pre-transfer and transfer-date meter replacement would mean that the prospective Responsible Person would not have the right to replace the metering installation before its obligations commence. Instead, when their role as Responsible Person commences, they would be placed in a position where they must be non-compliant with clause S7.2.3 for the duration of the transitional period (about 26 business days), while arrangements may be made for a compliant metering installation to be installed.

It is not good regulatory practise for a participant to be prohibited from mitigating their own non-compliance. Allowing pre-transfer and transfer day meter replacement would correct this.

- ***Metering service provision contracting***

Assuming the continuation of current contracting norms, a FRMP would need to have contractual arrangements in place with the incumbent Metering Provider and Metering Data Provider for the transitional period.

Incumbent Metering Providers and Metering Data Providers have a strong commercial incentive to take measures to remain in their roles at a site for the longest duration possible. Common measures include requiring a minimum contract term for each site (generally three months to one year in duration), and pricing short term contracts at a substantial premium. Common termination clauses require payment of the full contract term regardless of early termination.

The requirement to enter into an additional short term metering contract with the incumbent service providers would impose substantial additional costs on the retailer, to be recovered from the consumer. This would have the effect of an additional exit fee, disincentivising meter upgrades. The additional cost and inconvenience of meter replacement after the transfer date provides a competitive advantage to the incumbent providers over its competitors at that connection point in relation to the remainder of the retail contract term.

---

<sup>17</sup> See Metrology Procedures Part A, National Electricity Market, cl. 2.4.18, p. 35.

- ***Tariff application and access to demand-side products***

A FRMP is required to bill small customers according to the existing metering installation at the premises.<sup>18</sup> Where a customer with an existing type 6 metering installation contracts with a retailer for a tariff that requires a type 1-5 metering installation (such as a time-varying tariff), this tariff cannot be applied until a type 1-5 metering installation is installed at the site. This leads to a transitional period of at least 26 business days where the FRMP is unable to apply the tariff that the customer has chosen. This is a confusing outcome for the customer. It is likely that their choice of this tariff was intended to reduce their electricity costs, and if they do not see this reflected on their next bill (which is likely to be based on a non-time-varying tariff, at least in part) than it may impact their perception of the value of time-varying tariffs. This situation may equally apply to any other demand-side participation products and services, which could not be accessed until an enabling metering installation is in place. We discuss this consequence further in Section 6.4.

- ***Coordinating multi-site retail contracts***

The tariff application issue described above is magnified in the case of multi-site retail contracts (contracts for the sale of electricity to more than one site, most commonly for business use). Without the ability to install the necessary metering prior to the contract start date, not only would the application of the contracted tariff be delayed, but the application of the tariff to each site is likely to occur on different dates as each meter is replaced. This adds complexity to billing the sites (which are often aggregated into a single bill) and increases the chance of errors. Again, customer confusion and dissatisfaction are highly likely.

Under current industry processes, a prospective FRMP would generally make arrangements to replace meters (where necessary) for all sites under a multi-site contract up to 20 business days prior to the contract start date. This means that from the contract start date, all sites can be billed on the same tariff, and receive the same services, enabling a smooth and efficient transfer process. This outcome is only facilitated where meter replacement is allowed to occur prior to the retail transfer date.

- ***Managing peak replacement periods***

There is a significant peak in retail contract start date volumes during January and July every year. Where meter replacement is required, the current process allows a prospective FRMP to request this in the market in advance of the customer's contract start date, so that Metering Providers and Metering Data Providers can manage the peak workload efficiently over a period of time preceding January or July (the current procedures allow up to 20 business days prior to the transfer date).

The prohibition of pre-transfer and transfer-day meter replacement will place new time and resourcing pressures on Metering Providers and Metering Data Providers, as retailers seek meter replacement as soon as possible following the transfer date. This could be expected to substantially increase the number of replacements where the transitional period is longer than 26 business days. While the largest Meter Providers may have resourcing to manage this peak workload, it is unclear whether small independent and new entrant providers would have sufficient resources to ensure these service level timeframes can be met during peak periods. Any delays in meter replacement increase the impact of the tariff application issue described above.

Given these consequences, ERM Power believes that retaining the option to continue offering pre-transfer and transfer-date meter replacement would result in a favourable customer experience. It

---

<sup>18</sup> National Energy Retail Rules, cl. 20(1)(a).

achieves this while also reducing the cost of meter upgrades, facilitating more efficient industry processes, and creating a more even playing field between incumbent Metering Providers and Metering Data Providers with new entrants.

#### **4.3 Increased importance of meter replacement process with the introduction of competition in small consumer market metering services**

It is important to consider the importance of the meter replacement process in the context of the broader policy direction for metering and demand-side participation. The Council Rule Change Request aims to empower small customers to choose to access new innovative retail tariffs and services by replacing their existing type 6 meter with an advanced metering installation under a competitive framework. AEMO's amended Meter Churn Procedures under the current NER would have the effect of disincentivising meter upgrades, by imposing new costs on customers seeking to upgrade their meter (predominantly due to the need for an additional metering services contract discussed above).

The Council Rule Change Request also aims to increase competition between Metering Providers and Metering Data Providers, to place downward pressure on pricing and improve service offerings to the Responsible Person (or large customers). However the amended Meter Churn Procedures as determined by AEMO would provide a competitive advantage to incumbent Metering Providers and Metering Data Providers, who can frustrate Responsible Person (or large customer) choice of service providers, safeguarding their market share from competitors and creating a barrier to new entrants.

There are also public benefits associated with upgrading metering installations in the NEM with higher functionality meters, such as improved network management capability. A disincentive to upgrade metering installations would delay the realisation of these benefits.

## **5. PROPOSED SOLUTION**

We have not provided draft rules on the basis that we consider there may be a number of approaches to implementing this Rule Change Request in the NER, and that the AEMC is best placed to assess the most appropriate approach. Further, at the time of developing this Rule Change Request, the Draft Determination for the Council Rule Change Request has not been released, and it is expected that material changes to NER Chapter 7 will result from that process. We have proposed the deletion of two clauses that we believe would be redundant following the clarification of the timing of participant rights and obligations as proposed.

### **5.1 Clarifying the timing of participant rights and obligations**

ERM Power proposes that the NER be amended to explicitly provide rights to prospective participants as described below. Our proposed approach is to:

1. formally recognise prospective participants in the NER, as transitional roles with limited rights and obligations; and
2. separate the retail transfer process from the assignment of roles, so that related rights and obligations associated with these processes are not interdependent.

This approach clarifies participant liabilities under both retail transfer and meter replacement processes, so that participants have the same rights and obligations regardless of whether meter replacement occurs before, after or concurrent with the retail transfer. A description of the prospective participant roles and their interaction with the incumbent roles is detailed below, and depicted diagrammatically in Figure 5.

The **Prospective FRMP** for a connection point is a retailer who has a pending retail transfer change request (e.g. CR1000) in MSATS to become the FRMP for that connection point. A retailer becomes the Prospective FRMP at the end of the 5 business day objection logging period. From this time, the Prospective FRMP has the right to assign the Prospective Responsible Person, Prospective Metering Provider and the Prospective Metering Data Provider roles in MSATS for that connection point (through a role assignment change request, such as a CR6800). The Prospective FRMP becomes FRMP when the retail transfer change request completes. The incumbent FRMP retains the right to object to the change request pursuant to the current MSATS Procedures, however after the conclusion of the objection logging period, relinquishes the right to assign the Prospective Responsible Person, Metering Provider and Metering Data Provider roles.

The **Prospective Responsible Person** for a connection point is a retailer or LNSP who has been assigned by a Prospective FRMP as such in a pending role assignment change request (e.g. CR6800). A participant becomes the Prospective Responsible Person at the end of the 5 business day objection logging period. The Prospective Responsible Person has the right to make arrangements for the alteration or replacement of the metering installation at the site no more than 20 business days prior to the transfer date (as per the current Meter Churn Procedures). The Prospective Responsible Person is required to ensure metering data is provided to all eligible market participants as necessary to allow their relevant obligations at the connection point to be met (including the incumbent FRMP). The incumbent Responsible Person retains all other rights and obligations until the earlier of the completion of the transfer change request, or the midnight immediately following the replacement of the metering installation at the connection point, at which point the Prospective Responsible Person becomes the Responsible Person.

The **Prospective Metering Provider** for a connection point is a Metering Provider who has been assigned by a Prospective FRMP as such in a pending role assignment change request (e.g. CR6800).<sup>19</sup> A participant becomes the Prospective Metering Provider at the end of the 5 business day objection logging period. The Prospective Metering Provider has the right to alter or replace the metering installation at the connection point as directed by the Prospective Responsible Person, no more than 20 business days prior to the transfer date. The Prospective Metering Provider becomes the Metering Provider at the connection point from the midnight immediately following the time of meter replacement. The incumbent Metering Provider remains responsible for metering at the site until the midnight immediately following the time of meter replacement.

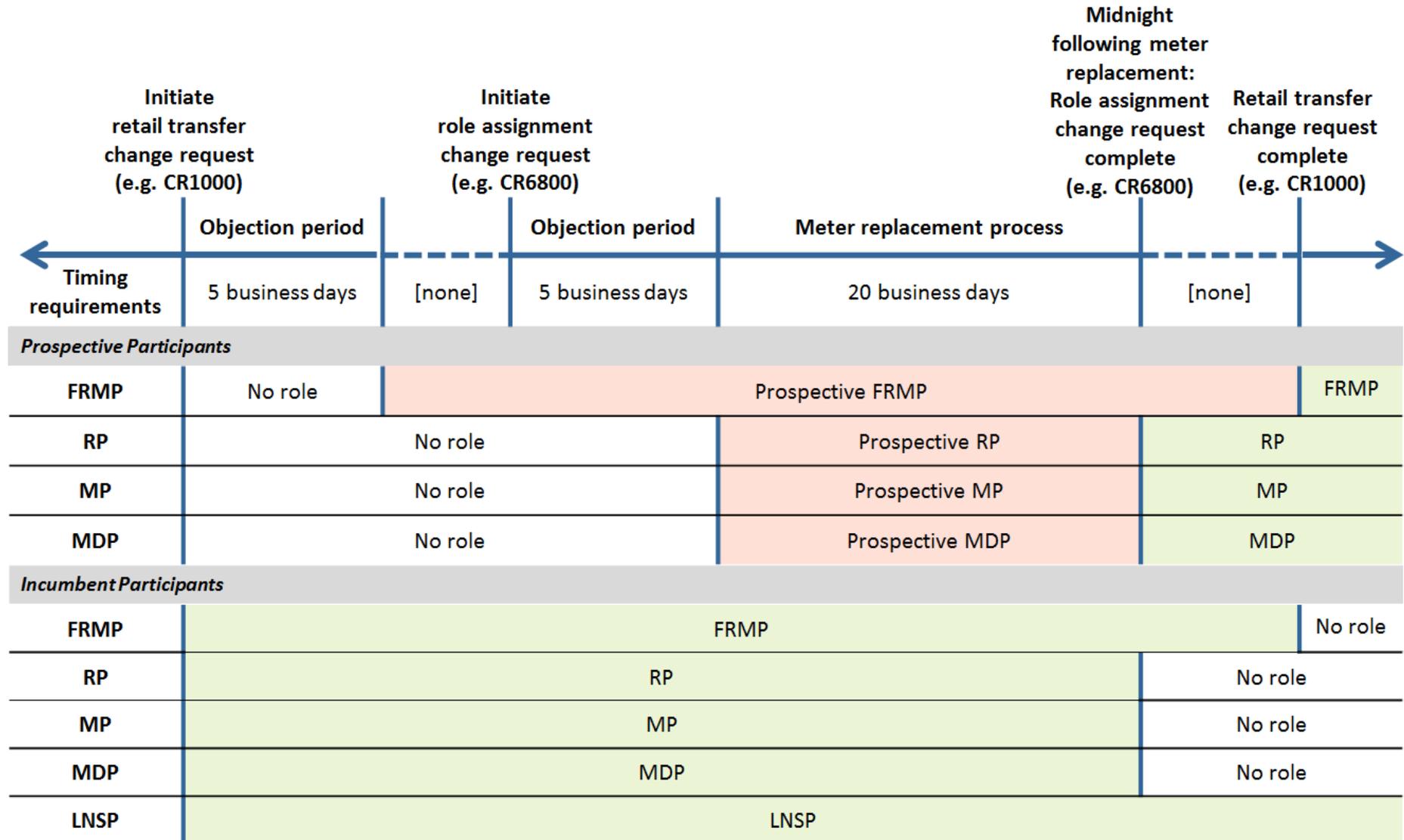
The **Prospective Metering Data Provider** for a connection point is a Metering Data Provider who has been assigned by a Prospective FRMP as such in a pending role assignment change request (e.g. CR6800). The Prospective Metering Data Provider becomes the Metering Data Provider at the connection point from the midnight immediately following the time of meter replacement. The incumbent Metering Data Provider would remain responsible for the metering data at the connection point until the midnight immediately following the time of meter replacement. This includes the responsibility for data relating to the day of meter replacement.

We do not consider there to be any material impact to the LNSP at a connection point who is not the Responsible Person.

---

<sup>19</sup> While we note the MSATS Procedures allow only a FRMP to raise a change request to assign these roles, it would seem more appropriate from a regulatory perspective for the Responsible Person to have the right to raise this request, given engagement of the Metering Provider and Metering Data Provider providers is its responsibility, and not the FRMP's. This could be considered during a review of market procedures, should this Rule Change Request be implemented.

Figure 5. Proposed timing of prospective participant rights and obligations at a connection point



This approach is proposed based on the following considerations:

- it provides clarity for incumbent and prospective participants, and industry bodies, as to the time when rights and obligations transfer between participants;
- all dates where this transfer occurs are recorded and auditable in MSATS; and
- it recognises that MSATS records these changes at midnight, therefore improving the accuracy of MSATS as the record of interested parties at a connection point at a point in time.

We acknowledge that this approach does retain some periods of time where an incumbent is responsible for participants or service providers chosen by the prospective participants, as occurs today:

- The incumbent FRMP is responsible for ensuring there is a metering installation on site for a period of 20 business days where they may not have contractual arrangements in place with the Prospective Responsible Person at the site. This is the same period as under current industry processes.
- The incumbent Responsible Person, Metering Provider and Metering Data Provider are responsible for the metering services at the connection point for a period of some hours between when the new meter is installed and midnight immediately following the installation. This is reduced compared to current industry processes, where the exposure period ends at the completion of the retail transfer change request.

The risks associated with this exposure could be managed by strengthening the requirement for participants to cooperate to allow obligations to be met.

While we recognise that these exposures would be eliminated where pre-transfer meter replacement is prohibited, we consider that the potential detriment caused by these short exposures would be outweighed by the significant benefits of allowing the option for per-transfer and transfer-day meter replacement.

## **5.2 Deletion of redundant clauses**

We propose the following clauses are deleted.

### **Clause 7.2.5(e):**

*(e) The Market Settlements and Transfer Solution Procedures may specify that an incoming responsible person is responsible for the metering installation:*

*(1) on the day that a market load transfers from one financially responsible Market Participant to another financially responsible Market Participant for the period within that day; or*

*(2) on any other day.*

This clause becomes redundant, as there would be no need to provide for prospective Responsible Person rights and obligations in the MSATS Procedures where this has already been specified in the NER.

**Clause 7.3.4(i):**

*(i) A type 5, 6 or 7 metering installation must not be altered by the financially responsible Market Participant under paragraph (e) until the transfer of the relevant market load has been effected by AEMO in accordance with the Market Settlement and Transfer Solution Procedures.*

This clause is inconsistent with the intent of this Rule Change Request, which is to separate the timing of the rights and obligations of responsible person from the timing of a retail transfer change request in MSATS, allowing alteration or replacement of a metering installation prior to the completion of this change request.

### **5.3 Transitional arrangements**

ERM Power does not propose specific transitional arrangements, as it is expected that the AEMC are better placed to understand and assess the options available. In this section we discuss what we consider to be the key implementation complexities, and explore a number of options to address these.

As discussed in Section 3.5, AEMO has recently amended the Meter Churn Procedures with an effective date of 1 September 2015. In order to comply with the amended Meter Churn Procedures, it is expected that retailers (and potentially other participants) will require system changes. For ERM Power, these changes are largely required to support a customer's data and billing requirements for both a type 6 metering installation and an interval metering installation during one retail contract (due to the presence of the transitional period). ERM Power is allowing a period of three months to complete its system changes, and therefore must commence these changes by June to meet the 1 September 2015 effective date. Other participants may require longer than this, or may be required to schedule the changes earlier in the year due to other development commitments. If successful, this Rule Change Request would allow the current practise of pre-transfer and transfer-date meter replacement to continue, rendering these system changes unnecessary. It would therefore be ideal if this Rule Change Request was to come into effect prior to the amended Meter Churn Procedures, and sufficient certainty provided to participants so that these system changes may be avoided.

Unfortunately, there is not sufficient time for this Rule Change Request to reach Final Determination stage before 1 September 2015. This leaves two outcomes: either some transitional arrangement could be established such that industry would not be required to comply with the amended Meter Churn Procedures from 1 September 2015, or compliance with the amended Meter Churn Procedures would be required for the period starting 1 September 2015 until the commencement of the amended NER. The former outcome would be ideal; however, there are some implementation complexities to consider.

#### **5.3.1 Compliance with the amended Meter Churn Procedures from 1 September 2015 not required**

Any transitional arrangements will depend on the potential commencement date for any amendments resulting from this Rule Change Request. A key factor is the commencement date of the Council Rule Change Request. It is expected that the Council Rule Change Request will result in significant changes to Chapter 7 of the NER – the same Chapter that this Rule Change Request is expected to amend, if successful. The AEMC is due to publish its Draft Determination on the Council Rule Change request in March, and its Final Determination in July 2015. The AEMC is currently consulting on the implementation timeframe, but for the purpose of this discussion, we estimate the commencement date may be in late 2017, given the significant system and procedural changes expected to be required. As the Council Rule Change process is preceding this Rule Change Request, it may be required that this Rule Change Request

would amend the Council-amended version of Chapter 7, rather than the current version.<sup>20</sup> If this was the case, then the earliest the ERM Power Rule Change Request could commence would be the commencement date of the Council Rule Change Request, in late 2017, as shown in Figure 3 below.

**Figure 3. Implementation timeline, with aligned Rule Change commencement**



This scenario would require the AER to consider issuing a no action statement for participants who were non-compliant with the amended Meter Churn Procedures from 1 September 2015 until the commencement of the amended NER. This no action statement could be sought on the basis that the industry has been operating under the current Meter Churn Procedures for a number of years, without evidence of customer harm, and therefore the risk of customer harm resulting from this additional period is low. The key benefit of this no action statement would be the avoided systems costs associated with compliance with the amended Meter Churn Procedures. Under this scenario, a no action statement would be required for the period from 1 September 2015 until late 2017. However, preliminary discussions with the AER indicated that this period may be too long for a no action statement to be a suitable approach.

Therefore, the transitional arrangements may need to consider options to commence the amendments resulting from the ERM Power Rule Change Request before those resulting from the Council Rule Change Request, by amending the current version of the NER. This scenario is shown in Figure 4 below.

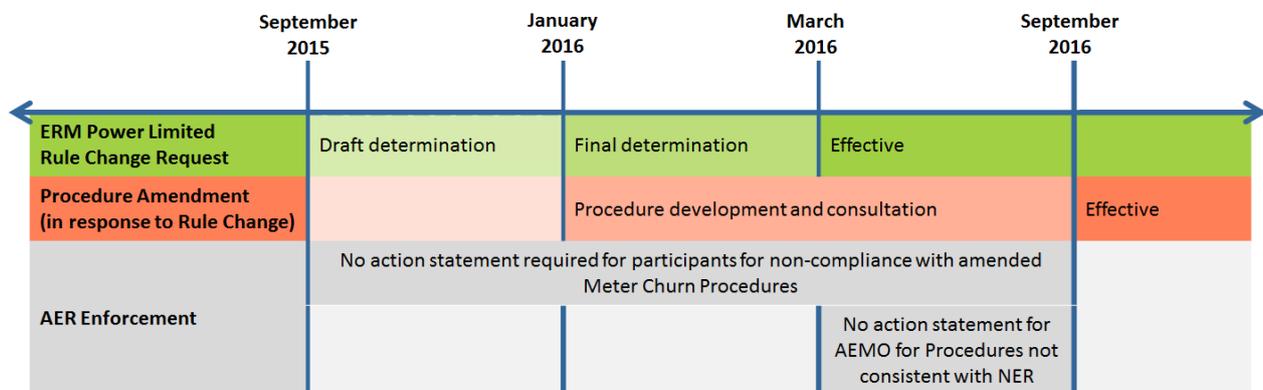
A further consideration under this scenario is the need for AEMO to amend a number of market procedures in response to this Rule Change Request, if successful. We expect development and consultation of procedure changes could commence following the AEMC’s Final Determination, estimated to occur in early 2016. This process is estimated to take six months, and if procedure amendment was required prior to Rule commencement, could delay the Rule commencement until late 2016. This would extend the period of time for which participants would require a no action letter from the AER for non-compliance with the recently amended Meter Churn Procedures.

Alternatively, it may be preferable to the AER to issue an additional no action statement to AEMO to allow them to update market procedure following the commencement of the amended NER, as shown in Figure 4 below. This option may be preferable on the basis that AEMO is also expected to be undertaking development and consultation of market procedures in response to the Council Rule Change Request during this time, and there would be value in aligning these processes. We also consider this may be a

<sup>20</sup> We do not expect there to be any adverse impacts from an application point of view, as the changes we propose could be applied equally to the Metering Coordinator framework (as described by the AEMC to date) as the current Responsible Person framework. The Prospective FRMP would be responsible for appointing the Prospective Metering Coordinator, who would have the right to make arrangements to replace the metering installation at the site prior to becoming FRMP in MSATS, if required.

feasible option from a compliance perspective, given the effect of this Rule Change Request on market operations is to clarify current arrangements rather than materially change them, and therefore the current market procedures are unlikely to be materially inconsistent with the amended NER.

**Figure 4. Implementation timeline, amending the current NER**



If it is possible to establish a transitional arrangement that would not require compliance with the amended Meter Churn Procedures from 1 September 2015, participants would need to be notified of this as soon as possible so that investments in system changes may be avoided. We hope that discussions may commence with the AER on the feasibility of these options immediately following the publication of this Rule Change Request.

**5.3.2 Compliance with the amended Meter Churn Procedures from 1 September 2015 is required**

It may be that none of the options for transitional arrangements discussed above is possible, and that compliance with the amended Meter Churn procedures from 1 September 2015 is unavoidable. Even in this scenario, this Rule Change request is warranted. This is because the benefits resulting from this Rule Change Request will be greatest following the commencement of the Council Rule Change Request, when the frequency of small customer meter replacement is expected to increase.

## 6. CONTRIBUTION TO THE NATIONAL ELECTRICITY OBJECTIVE

The National Electricity Objective (NEO) is stated in section 7 of the National Energy Law:

*The objective of this Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to –*

- (a) price, quality, safety, reliability and security of supply of electricity; and*
- (b) the reliability, safety and security of the national electricity system.*

In exploring the proposed rule change’s contribution to the NEO, we have considered the following sub-objectives:

1. Clarity of the NER
2. Reducing the barriers to uptake of demand-side participation
3. Supporting competition in metering services
4. Positive customer experience
5. Operational efficiency

Below we discuss how these sub-objectives support the NEO, and how this Rule Change Request contributes to the achievement of these sub-objectives.

### **6.1 Clarity of the NER**

It is important that the legal framework governing the operation of the electricity market is clear and easily interpreted by participants and industry organisations. Where there are ambiguities, there is a risk that the NER may be interpreted differently by different parties, which can lead to widespread non-compliance. Identification and resolution of non-compliance comes at a cost, and non-compliance can often lead to adverse consequences for consumers. Clarifying obligations under the NER therefore contributes to the NEO.

This Rule Change Request seeks to achieve greater clarity of the NER by making explicit the timing of participants' rights and obligations. The initial development of the Meter Churn Procedures established industry processes that are now considered inconsistent with the NER. While there is no evidence that this has resulted in harm to consumers, it indicates an ambiguity in the NER which is not desirable from a regulatory perspective. Without addressing this, there is a chance that a particular interpretation of the NER could result in a poor outcome for consumers.

We believe it is appropriate for this clarification to be established in the NER, rather than in market procedures, as this is fundamental to participants' understanding of their rights and obligations. The stated issues have arisen because the current Meter Churn Procedures attempted to establish the timing of participants' rights and obligations in relation to meter replacement; the lack of clarity in the NER has led to the ruling that these procedures are inconsistent with the NER. Therefore the appropriate approach is to establish the timing of rights and obligations in the NER itself.

### **6.2 Reducing the barriers to uptake of demand-side participation**

Demand-side participation plays an important role in ensuring efficient investment in, and efficient operation and use of, the electricity market. By achieving an appropriate balance of supply-side and demand-side measures, electricity infrastructure and supporting resources can be developed and utilised in a manner that best aligns with a dynamic consumer electricity demand profile. This can mitigate over investment, while safeguarding reliability and security of supply. Reducing the barriers to the uptake of demand-side participation in the NEM was a key objective of the AEMC's Power of Choice Review, and many of the work streams that have been progressed by the AEMC since that time.

Advanced metering is the key to enabling demand-side participation, as it records more granular information about electricity use at a customer's site, and has remote communication functionality. These characteristics are prerequisites for many demand-side services. Therefore reducing the barriers to the installation of advanced metering is important to increasing demand-side participation.

The proposed rule particularly aims to reduce the cost barriers to meter replacement. It would allow a Responsible Person to contract with its chosen Metering Provider and Metering Data Provider commencing before or at the start of a customer's retail contract. This means the customer is only paying once for these services. In the absence of the proposed rule, a Responsible Person would be required to enter additional contracts with the incumbent Metering Provider and Metering Data Provider as discussed in Section 4.2. This additional cost could mean the total cost of installing an advanced metering installation exceeds the customer benefits of taking up demand-side services, thereby reducing the likelihood of consumers proceeding with that action.

### **6.3 Supporting competition in metering services**

Another aspect of reducing the barriers to the installation of advanced meters is ensuring that providers offer products and services that are efficiently priced, support customer choice, and are of a high standard. Competitive markets are commonly used in the NEM to drive outcomes consistent with the NEO. They work most effectively when there is competitive neutrality between parties, so that a broad variety of parties have equal opportunity to compete for market share. The Council Rule Change Request seeks to establish a regulatory framework that would facilitate competition in metering and related services. We believe that the amendments proposed in this Rule Change Request will further that objective.

As discussed in Section 4.2, the requirement for a Responsible Person to contract with the incumbent Metering Provider and Metering Data Provider at a customer's site, at least for a transitional period, provides the incumbent service providers with a competitive advantage over new entrant service providers. Once the Responsible Person has established a new contract with the incumbent Metering Provider and Metering Data Provider, there would be additional cost and customer disruption in contracting new service providers at the conclusion of the transitional period. This disincentivises the Responsible Person from engaging its service providers of choice, and is therefore a barrier to new entrant service providers gaining market share of sites with existing metering installations.

This Rule Change Request aims to remove this barrier by allowing the Prospective Responsible Person to assign its Metering Provider and Metering Data Provider of choice independently of the retail transfer. This removes the requirement to recontract with the incumbents, allowing all providers equal opportunity to compete to service the site. This is integral to ensuring the development of a vibrant competitive metering services market.

### **6.4 Positive customer experience**

Inherent in the NEO is the objective for consumers to have positive experiences in their interaction with the electricity market. This is why, as an industry, we aim to achieve efficient prices, safety, reliability and security of supply. A positive customer experience is particularly important when encouraging customers to try a new product or change behaviour, as it can influence whether customers choose to continue that behaviour, or recommend that others also adopt the change. Therefore this sub-objective should be carefully considered when exploring the processes leading to the uptake of demand-side products and services.

Once a customer has decided to take up a new product or service, their engagement level is high. This is when they are most likely to make behavioural changes or participate in demand-side initiatives. Customers are also likely to carefully consider the value of that participation based on the balance of their next bill, and this can influence their decision to maintain their participation level in the future. With the installation of an advanced meter being the key enabler of demand-side products, it is preferable for the process of meter replacement to occur in a seamless manner, to allow the customer to begin accessing this product as soon as possible, while engagement is high. This Rule Change Request seeks to allow the option for meter replacement to occur prior to, or on the same day as, the commencement of the customer's retail contract, to ensure the retail product can be accessed from that day. This also ensures that the customer's first bill represents the full period of time where the customer had access to the product, so the customer can clearly see its impact on their electricity costs.

In the absence of the proposed rule, a meter will not be installed for at least 26 business days (more than one month) after the retail contract has commenced. This delays the customer's access to their choice of

product. One third of their next quarterly bill will represent the period before they had access to their new product, making it difficult for the customer to understand the full impact of their new product and any behavioural changes they undertook. This could have a negative effect on their perception of the new product and the value of demand-side measures. This outcome would not further the achievement of the NEO.

## **6.5 Operational efficiency**

This Rule Change Request also seeks to contribute to the long term interest of consumers in respect of the efficient use of electricity services.

In the absence of the proposed rule change, the existence of a transitional period between the customer's contract start date and meter replacement would lead to duplication of work by retailers. It would require the establishment of billing arrangements to support customer billing with the existing metering installation, then new arrangements to support the customer's choice of retail product once the enabling meter can be installed. As discussed above, it would also require retailers to enter into contractual arrangements with Metering Providers and Metering Data Providers twice for each customer who required meter replacement, rather than once. This duplication would increase retailers' operational costs, which would ultimately be borne by its customers.

The proposed rule removes this duplication by ensuring that all necessary meter arrangements can be in place so that transitional tariffs and contracts are not required.

The Rule Change Request also improves operational efficiency for Metering Providers and Metering Data Providers. The option to assign these roles and request a meter replacement prior to the start of a retail contract allows these providers more time to schedule and perform these replacements to manage available resources. This is particularly important around the peak times of January and July when high volumes of retail contracts for business customers commence. In the absence of the proposed rule change, meter replacements during peak times could not be staged to manage resources efficiently. Rather, best endeavours would be required to install this significant volume of meters within 26 business days of 1 January and 1 July each year. Sharp peaks in resource requirements do not support operational efficiency.

## **7. COSTS AND BENEFITS OF THE PROPOSED CHANGE**

As this proposal seeks to clarify the rights and obligations of participants under existing industry processes, costs associated with the proposed change are limited to the costs of updating market procedures and business processes to incorporate the terminology and timing requirements proposed in this Rule Change Request. We note that coincident timing of this Rule Change Request with the Council Rule Change Request could mean that these changes could be aligned, minimising these costs.

The benefits of making the proposed change are largely in avoided costs of requiring industry processes to align with the amended Meter Churn Procedures. This could be maximised if this Rule Change Request results in participants avoiding the system changes required to comply with AEMO's amended Meter Churn Procedures. However, even if these system changes are not avoided, allowing industry to continue providing the option for pre-transfer and transfer-day meter replacement leads to other material benefits as described by stakeholder below.

## 7.1 End-use customers

Electricity end-use customers are likely to benefit from this Rule Change Request in the following ways:

- Reduced cost of upgrading their metering installation, due to the avoided costs of additional metering service contracts during the transitional period.
- A smoother meter replacement process, where their product of choice can be applied from the start of the retail electricity contract. This benefit is magnified in the case of multi-site contracts.
- Stronger competition in the metering services market may place downward pressure on prices, increase the range of services and improve service quality.

We have not identified any specific costs which may be imposed directly on consumers in relation to this Rule Change Request.

## 7.2 Retailers

The benefits likely to be accessed by retailers under this Rule Change Request include:

- Improved clarity of the NER to support robust compliance processes and reduce regulatory risk.
- Ability to avoid non-compliance with NER S7.2.3 by installing a compliant metering installation at a connection point before its full obligations as Responsible Person commence.
- Avoided duplicative work associated with establishing billing arrangements for a customer both at the start of their retail contract, and again at the end of the transitional period. This benefit is magnified in the case of multi-site contracts.
- Avoided duplicative work associated with contracting with both the incumbent Metering Provider and Metering Data Providers, in addition to the providers of choice.
- Avoided costs associated with customer enquiries and complaints in response to the presence of a transitional period where the customer's product of choice may not be applied.
- Stronger competition in the metering services market may improve the range and quality of services performed for retailers and their customers.

Retailers may incur some small costs in relation to updating internal process documentation to align with the new terminology proposed in this Rule Change Request.

## 7.3 Metering Providers and Metering Data Providers

Metering Providers and Metering Data Providers may benefit from this Rule Change Request as follows:

- Improved clarity of the NER to support robust compliance processes and reduce regulatory risk.
- Lower barriers to entry, as the option for pre-transfer meter replacement provides equal opportunities for new and incumbent providers to compete for each site.
- Lower barriers to meter upgrade, due to avoided costs of additional metering contracts during the transitional period.
- Improved resource management, allowing greater capacity to schedule meter replacement work during peak periods in particular.

Some costs may be incurred in relation to updating internal process documentation to align with the new terminology proposed in this Rule Change Request.

#### **7.4 LNSPs**

This Rule Change Request is only anticipated to impact LNSPs in their role as Responsible Person. Benefits could include:

- Improved clarity of the NER to support robust compliance processes and reduce regulatory risk.
- Ability to avoid non-compliance with NER S7.2.3 by installing a compliant metering installation at a connection point before its full obligations as Responsible Person commence.
- Stronger competition in the metering services market may improve the range and quality of services performed for LNSPs and their customers.

LNSPs may incur small cost in updating internal process documentation to align with the new terminology proposed in this Rule Change Request.

#### **7.5 AEMO**

AEMO may experience the following benefits in response to this Rule Change Request:

- Improved clarity of the NER to support robust compliance monitoring and enforcement processes.

It is expected that AEMO will incur costs associated with updating relevant market procedures and guidelines to align with the new terminology and clarified processes proposed by this Rule Change Request. The costs associated with this process can be minimised if the timing can be aligned with the procedure amendment process undertaken in response to the Council's Rule Change Request.

As the current AEMO systems, including MSATS and B2B, support pre-transfer and transfer-day meter replacement, it is not anticipated that any system changes would be required.

#### **7.6 The AER**

The AER is likely to benefit from:

- Improved clarity of the NER to support robust compliance monitoring and enforcement processes.

We do not anticipate the AER incurring any material costs in response to this Rule Change Request.

#### **7.7 Benefits of competition in metering and related services**

By supporting the development of the competitive market for metering services, this Rule Change Request would also contribute to the achievement of associated benefits, including:

- access to more granular consumption data to assist customers manage their electricity costs;
- improved accuracy of settlements, as actual data replaces the use of net system load profiles for this purpose;
- greater choice of retail tariffs and demand-side participation products and services; and
- improved network management capability to support the efficient use of network infrastructure to manage costs and ensure reliability.

We believe the benefits discussed above would exceed the expected costs, such that an amendment of the NER in response to this Rule Change Request is justified.