

2 July 2015

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Electronic Lodgement – ERC0182

Dear Mr Piece

RE: Consultation Paper – Meter Replacement Processes

AusNet Services appreciates the opportunity to respond on the Consultation Paper – Meter Replacement Processes Rule change proposal 2015.

The Rule change proposal and AEMC Consultation paper relate primarily to the current contestable metering market largely comprising of large customers. However the arrangement will apply equally to the mass market consequent to the outcome of the ‘expanded competition in metering and related services’ Rule change. We do not think the analysis presented gives adequate regard to the implications of this.

We note that the ‘expanded competition in metering and related services’ Rule change will enable large customers to directly appoint a metering coordinator. In this regard, we are sympathetic with the proponent’s objective that the metering process should not restrict the current meter replacement process for large customers, as the volume of metering and hence meter exchanges is limited.

In considering the merits of this rule change the fundamental responsibilities of the incumbent Metering Coordinator (MC) must remain clear for small customers. Under the proposed Rule changes a prospective FRMP or prospective MC could change a meter without being the effective party registered in MSATS. This would weaken the rights of the incumbent MC and will result in broken negotiated MC services agreements with retailers, Distribution Network Service Providers (DNSPs) and third parties. It is primarily for this reason AusNet Services recommends not changing the Rules to support a return to the current meter exchange process (ending 31 August 2015) for small customers.

We welcome the opportunity to participate in this rule change development. Should you have any comments in relation to this response please do not hesitate to contact Peter Ellis on 03 9695 6629.

Sincerely,



Kelvin Gebert
Regulatory Frameworks Manager
AusNet Services

Meter replacement processes draft Rule change

Response to Consultation paper

Submission to the AEMC on meter replacement processes draft Rule change

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1 Nature and materiality of the problem

1.1 Recognition of the facets of the expanded competition in metering framework

The Rule change proposal and AEMC Consultation paper relate primarily to the current contestable metering market largely comprising of large customers. However the arrangement will apply equally to the mass market consequent to the outcome of the 'expanded competition in metering and related services' Rule change. The analysis presented does not give adequate regard to the implications of this.

We notes that the 'expanded competition in metering and related services' Rule change will enable large customers to directly appoint a metering coordinator. In this regard, we are sympathetic with the proponents objective that the metering process should not restrict the current meter replacement process for large customers, as the volume of metering and hence meter exchanges is limited.

In considering the merits of this rule change the fundamental responsibilities of the incumbent Metering Coordinator (MC) must remain clear for small customers. Under the proposed Rule changes a prospective FRMP or prospective MC could change a meter without being the effective party registered in MSATS. This would weaken the rights of the incumbent MC and will result in broken negotiated MC services agreements with retailers, Distribution Network Service Providers (DNSPs) and third parties. It is primarily for this reason AusNet Services recommends not changing the Rules to support a return to the current meter exchange process (ending 31 August 2015) for small customers.

1.2 Clarity with current and proposed regulatory framework

The proponent considers that the drafting of the current NER 7.1.2 can be interpreted as contradicting NER clause 7.3.4(i). However, NER clause 7.3.4(i) makes it explicitly clear that any type 5, 6 or 7 metering installation must not be altered by the FRMP until the transfer. The nature of the MSATS transfer process seems to allow a prospective FRMP to nominate itself to become the Responsible Person (RP) for a site before participating in the market. Based on this, it is difficult to argue NER 7.1.2 contradicts 7.3.4(i).

It seems that AEMO agrees. AEMO had previously established procedures that allowed these types of metering installations to be altered before the retail change, but now AEMO acknowledges this contradicts the NER and has sought a no action letter from the AER until the Procedures are amended on 1 September 2015.

In any case the proposed NER drafting of the 'expanding competition in metering and related services' draft Rule resolves this apparent contradiction by changing the requirement from, the FRMP becoming the RP, to the requirement of ensuring a MC is appointed.

However, the expanding competition in metering Rule change provides an opportunity to resolve a few minor inconsistencies regarding metering replacements in the Rules and procedures.

- 1) The inconsistency in the current NER 7.2.5(e) which is echoed in the draft NER 7.6.2(c) in suggesting the MSATS Procedure may specify that an incoming RP is responsible for a metering installation on the day the *market load* transfers or "on any other day". Since the MSATS Procedures currently do not allow an RP to change "on any other day", this inconsistency is immaterial, but never-the-less this current drafting should be corrected.
- 2) The drafting of the new Meter Churn Procedure, effective on 1 Sept 2015, does not allow a prospective FRMP to nominate a change in Metering Providers (MPs) and the Metering Data Providers (MDP), whilst the MSATS Procedures do allow for this nomination to occur in the transaction nominating the FRMP change.

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Question 1

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

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

Response to question 1

a) Although the current NER could be drafted more clearly, it does not cast into doubt obligations that any type 5, 6 or 7 metering installation must not be altered by the retailer until they become the FRMP. The AEMC should use the introduction of the 'expanding competition in metering and related services' Rule change in 2017 to clearly specify in the drafting when the FRMP can appoint a MC, when the MC (or FRMP) can nominate changes to metering parties in MSATS, and when the meter can be changed.

b) AusNet Services regards the NER does not materially lack clarity, but notes minor inconsistencies do exist in the current NER drafting and that AEMO's meter churn procedures are inconsistent with the MSATS Procedures. Rather than resolving a short term lack of clarity, the AEMC should use this opportunity to refine the meter replacement processes to best suit all aspects of the expanded metering contestability framework.

1.3 Transfer of costs and compliance risk associated with meter churn

The current meter churn process, which ceases on 31 August 2015, involves a meter being replaced in advance of the retailer churn event. Once the meter replacement occurs it can take a number of days or weeks for the retailer transfer to become effective. In this situation, the regulatory burden in managing the meter exchange process resides with the incumbent RP and MDP who accrues the associated additional costs and compliance risks. Specifically, the following issues are faced by the incumbent roles:

- 1) The incumbent Metering Data Provider (MDP) is responsible for providing metering data to AEMO, the DNSP, the LR and the FRMP until the role changes are complete in MSATS. In order to do this, the old meter must be read prior to removal (final read) and the new meter must be read to account for consumption that occurs prior to the new retailer becoming effective as the FRMP (this can be up to 20 business days after the meter exchange, but in practice can be longer due to operational issues). This metering data needs to be sent to the incumbent MDP.
 - If the old meter is registered as a manually read interval meter, the final read must be performed by the incumbent metering provider.
 - If the final read is not recovered, the incumbent MDP must arrange for a final substitution of this data.
 - Delays in reading the new meter or in receiving the final read will result in the incumbent MDP not delivering to AEMO service level requirements.
- 2) The incumbent Responsible Person (RP) must ensure all aspects of metering compliance are met for the period from when the meter is replaced to the time when the retailer transfer occurs. During this time the incumbent RP has no visibility of metering activities. Hence the role of the RP (in MSATS) providing the oversight and ensuring NMI Standing Data, settlements, and billing integrity is compromised. If a meter fails it is the incumbent RP who must ensure the failed meter is replaced in the required timeframe, but whom has no relationship with the actual metering provider.

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- 3) AusNet Services regards there is a fundamental issue with the RP not being in control of a meter assigned to it. Every time a meter is removed in advance of the Retailer transfer completing in MSATS the incumbent MDP (and RP) must commence case management of the meter churn process to ensure the correct data is provided to the market and other obligations are met. A breach by the incoming metering provider could be legally attributed to the RP, and could adversely affect performance metrics measured by AEMO, and in the case of Victoria the ESC.
- 4) Meter exchange volumes are expected to increase by at least an order of magnitude when the expanded competition in metering framework is introduced. This will increase the occasional case management work load to a more costly regulatory burden that will materially impact mass market performance levels measured by AEMO, and in the case of Victoria the ESC.

In contrast the amended procedures, which commence on 1 September 2015, limit a meter being replaced only on or after the retailer churn event. Then the meter replacement will occur after the retailer transfer event occurs, and the operational cost and regulatory risk will reside with the FRMP nominated RP/MC.

AusNet Services recognised that the below issues are still present, but are allocated to the incoming metering parties:

- 5) The FRMP or RP/MC nominated new MDP will be responsible for providing metering data to AEMO, the DNSP, the LR and the FRMP. The old meter must be read prior to removal (final read) and this read must be provided to the nominated MDP by the old MDP (or metering provider).
 - If the final read is not recovered, the nominated new and incumbent MDPs must arrange for final substitution of data, they are respectively responsible for providing in MSATS.
- 6) The FRMP nominated RP/MC has obligations to ensure all aspects of meter churn and ongoing compliance obligations are met. They have full oversight over the parties responsible.

Fundamentally, this process allocates responsibilities to the parties driving and benefiting from the meter replacement who can leverage their customer relationship to resolve issues, negotiate a power outage to install the meter with the customer, and substitute (or final substitute) metering data if the final meter read is unavailable.

Question 2

- (a) What are stakeholders' experiences, in particular, consumers' experiences, of being able to change the metering installation prior to the retail transfer being completed (i.e. under the current procedure)?
- (b) Do stakeholders consider that it would be beneficial to consumers and retailers for metering installations to be able to be altered before or on the day of a retail transfer?
- (c) What are the likely outcomes for consumers in situations where retailers are unable to change the metering installation for consumers during the retail transfer period (ie under the amended procedure)?

Response to question 2

- a) The current process, which ceases on 31 August 2015, assigns obligations to the incumbent MDP and incumbent RP that result in additional costs and regulatory risks. AusNet Services regards that for small customer this additional cost and regulatory risk is inappropriate.
- b) Whilst transferring the additional cost and compliance risk to the incumbent parties, may benefit retailers initiating churn, it does not suit the future expanded metering contestability framework for small customers where the volumes of meter exchanges will be at least an order of magnitude larger.

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AusNet Services regards this transfer of cost and regulatory risk as unacceptable, especially at high volumes of meter exchanges.

c) In the situation where a retailer is unable to organise for the exchange of meters during the retail transfer period the retailer initiating the transfer bears the additional cost and regulatory risk. Hence retailers will be incentivised to pre-book the meter replacement on the first available date after the retailer change becomes effective. Because the objection logging is 5 business days, the Retailer may need to agree a transitional contractual arrangement with the customer to account for this delay. Ultimately, if the new retailer is unable to deliver the necessary metering arrangements in a timely manner and the customer is unsatisfied, the customer is free to engage another retailer. This commercial pressure will drive superior customer outcomes.

2 Efficiency in the market for metering services

2.1 Expanded competition in metering will have different efficiency drivers to large customer metering

AusNet Services contends, the current meter exchange process (ending 31 Aug 2015) that allows meters to be removed prior to Retailer transfer may suit large customers, but will not be efficient for the mass market meter exchange volumes that will occur after the expanded competition in metering Rule change becomes effective. As mentioned above, if ERM Power's proposal is adopted the incumbent MPs and MDPs would be responsible for costly case management activities and regulatory risks. The new meter exchange process avoids this transfer of costs and risks.

2.2 Access to necessary information and market assignments

For the efficient management of high volumes of meter exchanges to occur, there needs to be clearly defined detailed processes supported by information systems. The current meter churn arrangements (ending 31 August 2015) largely rely on good working arrangement between metering providers and registered participants. Information is exchanged via email and phone calls, rather than using an efficient industry agreed exchange process e.g. National B2B transactions. The establishment of expanded competition in metering should provide a reasonable basis to formalise these information exchange processes in to B2B transactions.

Further, the current meter exchange process (ending 31 August 2015) does not provide the prospective metering providers with access to NMI Standing Data in MSATS, and MSATS does not provide registered role assignments to other participants until after the retailer change occurs. In absence of having access to information in MSATS, prospective metering providers often need to request information from either the incumbent metering providers or the DNSP via phone or email. Since MSATS has not registered the new prospective metering providers, the incumbent metering providers and DNSPs cannot easily verify whether the requestor is entitled to the requested information in accordance with NER 7.7 obligations.

In contrast, the new meter exchange processes (effective 1 September 2015) allow for the proper identification of incoming metering providers in MSATS.

2.3 Other drivers for efficiency

Currently, facilitating retailer changes during the end of financial year peak replacement period, typically involving outcomes with multiple sites (e.g. food chains), often results in extended meter

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churn periods. These extended meter churn periods result in inefficiencies, irrespective of whether the meter exchange occurs before or after the retailer transfer. This can result in long delays in customers getting access to new retail offers, and the associated costs and risks to MDPs and RPs. In managing these exceptional situations, retailers could enter into short term supply arrangements with the customer.

For franchise (multi-sites) or large customers bilateral arrangements could be appropriate if and only if:

- 1) the Rules make it clear the incumbent metering parties (RP/MC and MDP) are not responsible under the Rules;
- 2) the DNSP or incumbent RP/MC is suitably engaged with as part of the process (as required by the meter churn procedures); and
- 3) the churn involves franchise (multi-sites) or large customers.

As detailed in the AusNet Services response to question 2 (b) the costs and risks should be clearly assigned to the party taking the action and not to the incumbent metering parties.

Question 3

(a) Do stakeholders consider the other possible actions identified above are feasible for retailers to use where they cannot change the metering installation until the retail transfer is complete? Are there any alternatives?

(b) Do stakeholders consider there are issues that should be taken into account relating to the allocation of responsibilities where parties can change a metering installation before the retail transfer is complete?

(c) What are the implications on efficiency in metering services for:

(i) being allowed to change the metering installation on and/or prior to a retail transfer completing; and

(ii) being allowed to change the metering installation only after the retail transfer completes.

(d) What do stakeholders consider would be the impact of the introduction of prospective parties on the metering services market?

(e) Do stakeholders consider the issues raised by ERM Power could be resolved through the introduction of obligations relating to transfer dates and bilateral contractual agreements between incoming and incumbent parties?

Response to question 3

a) AusNet Services considers the possible actions outlined in the Consultation paper are feasible for retailers, but contends the second action outlined should only be available if:

i) the Rules make it clear the incumbent metering parties are not accountable under the Rules;

ii) the DNSP or incumbent RP/MC is suitably engaged with as part of the process (as required by the meter churn procedures); and

iii) the churn involves franchise (multi-sites) or large customers.

b) AusNet Services considers changes to metering installations before the retail transfer will not properly align the responsibilities and costs to the correct parties.

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c) AusNet Services regards that changes to metering for small customers on or prior to a retailer transfer are inefficient, and changes to metering after transfer is the more efficient approach.

d) AusNet Services considers the introduction of prospective parties is a complex and costly risk mitigation step that results in inappropriate allocations of responsibilities to the incumbent metering parties. As mentioned above allowing a meter exchange for small customers prior to a Retailer transfer is inefficient and should be prevented.

e) AusNet Services considers the exceptional circumstances of “coordinating multi-sites retail contracts” and “peak replacement periods”, raised by ERM Power will not be easily managed using either meter exchange processes. However bilateral arrangements could be appropriate if and only if:

- i) the Rules make it clear the incumbent metering parties are not accountable under the Rules;
- ii) the DNSP or incumbent RP/MC is suitably engaged with as part of the process (as required by the meter churn procedures); and
- iii) the churn involves franchise (multi-sites) or large customers.

3 Proposed treatment of prospective roles

3.1 Proposed treatment of prospective roles

The ERM Power proposed creation of prospective roles does not address the incumbent MDP's costs and the incumbent RP's regulatory risks. These arrangements appear to be similar to current Meter Churn Procedure obligations (ending 31 August 2015). If prospective roles were recognised in the NER as being fully responsible for all obligations after the meter exchange, then prospective roles may be appropriate. However, making the necessary Rule and procedure changes will be very complicated and result in extensive system and process changes for registered participants.

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Question 4

(a) Would the implementation of prospective roles provide a sufficient mechanism for facilitating the replacement of metering installations at a connection point before a retail transfer is complete?

(b) If these were introduced, what specific obligations and rights do stakeholder consider would best be allocated to the prospective metering roles? What obligations and rights would need to be maintained with the incumbent roles?

(c) Would clarity be increased for participants and consumers if the meter churn process was made separate from the retail churn process as has been proposed?

(d) Where incoming metering parties have rights and obligations, how do stakeholders consider these should be set out as part of the regulatory framework?

Response to question 4

a) The implementation of prospective roles would only be appropriate if the incumbent metering parties were no longer responsible for any obligations under the Rules after the meter exchange.

b) If the ERM Power proposal was implemented then Rules would need to make the prospective parties fully accountable for all responsibilities that currently sit with the incumbent RP/MC and incumbent MDP. Procedure changes could then establish obligations on the incumbent MDP to pass on the metering data files to AEMO and the relevant registered participants.

c) Adopting the ERM Power proposal and separating the retail churn process would not increase clarity for participants, unless all the accountabilities of the incumbent metering parties under the Rules were transferred to the incoming metering parties.

d) The procedure supporting the current meter exchange process (ending 31 Aug 2015) already allocates rights and obligations to prospective parties, but at best only creates shared accountabilities. Establishing a framework of rights and obligations for perspective metering parties would, therefore, require a Rules change and associated changes to CATS and meter churn procedures.

4 Implementation and transitional issues

For small customers, the meter replacement processes Rule change request could change a large number of systems and processes. If the meter replacement process needs to change for small customer, then aligning the change with the effective date associated with the expanding contestability in metering Rules changes will enhance deliberations by the AEMC, AEMO and other stakeholders in terms establish consistent Rules and procedure changes. More significantly the synergies of aligning the procedure development, build packs, IT development, and test phases will avoid a substantial component of implementation costs. Commencing transitional arrangements, which apply to small customers, earlier will miss these opportunities to avoid implementation costs.

AusNet Services recognise that the key concern being raised by ERM Power is in relation to the meter replacement process for large customers and multi-site customers. Meter replacements for

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large customers relatively small in number and are largely handled by manual processes. On this basis, AusNet Services supports differential process of having transitional arrangements, which only apply to large customers, moving the effective date earlier than the effective date of the expanding contestability in metering Rules change.

Question 5

- (a) If this rule were to be made, should the commencement coincide with the planned commencement of the expanding competition in metering and related services final rule expected in July 2017?
- (b) If this rule was to commence in July 2017, would there be a need for a transitional rule to be made to take effect between the publication of the final rule and when the expanding competition in metering and related services rule comes into force?
- (c) What are the expected costs for stakeholders associated with any system changes resulting from changes to the meter replacement process?

Response to question 5

- a) AusNet Services regards implementing change to meter replacement processes is costly and should be avoided where possible. If change is required, the change should be coincident with the planned commencement of the expanded competition in metering Rule change to reduce implementation costs.
- b) AusNet Services considers such transitional arrangements are not justified, and will result in process change that will not be aligned with the expanded competition in metering Rule change missing opportunities to reduce implementation costs, and introduce costly changes to the development of systems to support the expanded competition in metering Rule change.
- c) It is difficult to quantify the expected costs associated with meter replacement process. Currently the meter replacement process is a relatively low volume process with limited automation and system support, but soon development of system changes will commence to support the introduction of the expanded competition in metering Rule change. After system development commences, changes to the meter replacement process will be costly to include into the industry build programs.

5 Other regulatory solutions and issues

As is often the case with chapter 7 NER changes, the subsequent detailed considerations of the industry processes often raises additional issues. If these additional issues are not identified prior to the Rule change being finalised they are likely to result requests for further Rule changes at a later date. As such, AusNet Services would like to stress the importance of giving consideration to the process change before the Rule change is finalised.

Question 6

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

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

Response to question 6

- a) Other regulatory solutions have not been to be identified.
- b) AusNet Services recommends the AEMC gives regard to consequential process changes before the Rule change is finalised.