

28 January 2016



Mr John Pierce  
Chairman  
Australian Energy Market Commission  
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Sydney South NSW 1235

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Dear Mr Pierce

John,

**RE: AEMC Consultation Paper – National Electricity Amendment (Meter Replacement Process) Rule 2016 (Reference: ERC0182)**

Ausgrid is pleased to provide comments in response to the AEMC's Draft Rule Determination (Draft Determination) on meter replacement processes.

Ausgrid strongly supports the AEMC's decision to not make the changes proposed by ERM Power and instead make a more preferred National Electricity Rule (Rule). As noted in our previous joint submission with Endeavour Energy and Essential Energy, we did not support ERM Power's Rule change request as:

- it was prescriptive, overly complex and disproportionate to the issue;
- likely to cause allocative inefficiency by transferring risk away from parties best placed to bear the risks associated with meter replacement; and
- would result in significant rework and cost to market participants who had recently amended their systems to comply with the Australian Energy Market Operator's (AEMO) amended Meter Churn Procedures that came into effect on 1 September 2015.

Whilst we broadly support the intent of the Draft Rule and the policy positions underpinning it, we have identified a number of drafting issues that should be addressed in order to better achieve the AEMC's policy intent and improve the operation of the Draft Rule. These include:

- 1) expanding the scope of the Draft Rule to clarify the obligations of the metering provider (MP) and metering data provider (MDP) when a meter is churned;
- 2) clarifying in the Rules that commercial arrangements are permitted to align the retail transfer date and the meter change date;
- 3) maintaining provisions in the Rules that outline the circumstances that the metering coordinator (MC) can alter or replace a metering installation under Chapter 7; and
- 4) requiring AEMO to monitor and enforce compliance with the meter churn procedures, which give effect the framework enshrined by Chapter 7.

Our rationale for these amendments is discussed in further detail in our attached submission. We consider that addressing these issues will result in a Final Rule which better achieves the National Electricity Objective (NEO), as it would establish a clear framework in the NER for meter churn.

If you have any queries or wish to discuss this matter in further detail please contact Murray Chandler on (02) 92697210 or via email [murray.chandler@ausgrid.com.au](mailto:murray.chandler@ausgrid.com.au).

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Trevor Armstrong', with a long horizontal flourish extending to the right.

**TREVOR ARMSTRONG**  
Acting Chief Executive Officer

# Attachment 1 – Ausgrid’s Detailed Response

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## 1. General Comments

Ausgrid notes that the Draft Rule largely reflects the policy positions outlined in the AEMC’s September Directions Paper, which were supported by the NSW DNSPs.

Overall, Ausgrid is broadly supportive of the policy intent of the Draft Rule, which seeks to clarify the arrangements relating to meter churn, and support a reduction in the time taken between when a retail transfer occurs and a meter is replaced so that customers are able to benefit from new tariffs and product offerings in a timelier manner.

We largely support the AEMC’s Draft Determination to amend certain provisions of Chapter 7 of the National Electricity Rules (Rules or NER) to:

- clarify that where a change in Metering Coordinator (MC) occurs due to a change in the retailer at a connection point, the new MC becomes responsible for the metering installation at that connection point when the retail transfer process is complete;
- require that the Market Settlement and Transfer Solution (MSATS) procedures allow an incoming retailer at a connection point to nominate the parties to be appointed to the metering roles (ie the MC, MDP and MP) at that connection point before the retail transfer is complete, to facilitate a reduction in timeframes between the retail churn date and the meter churn date; and
- require that MSATS procedures facilitate the alignment of the completion of the retail transfer process on the same day that a new metering installation is installed, where the incoming retailer has requested such alignment.

However, whilst Ausgrid supports these amendments we consider the current drafting of the Draft Rule falls short of achieving the AEMC’s policy intent of improving the clarity of rule obligations for parties when a meter is churned, and should be amended appropriately to address this issue.

We also consider that the Draft Rule falls short in achieving its intended purpose of allowing retailers to align the retailer transfer date with the meter change date via commercial arrangements.<sup>1</sup> Whilst the AEMC states that Draft Rule allows for certain arrangements to be entered into by parties this has not been reflected in the drafting of the Draft Rule. Rather the AEMC has purposely omitted referring to commercial arrangements in the NER, as it considers that the drafting of clause 7.8.9(e)(2) of its Draft Rule implies that such arrangements are permitted.

While we understand and strongly support the AEMC’s position not to specify the framework for operation of commercial arrangements in the NER, we consider that the NER should explicitly mention that commercial arrangements are permitted, and further that these arrangements are only permissible for the replacement/removal of type 1-4 metering. Ausgrid strongly agrees with the AEMC’s observations that using commercial arrangements to replace a small customer’s metering installation, where the meter being churned is a type 5-6 accumulation meter, is likely to be overly complex and administratively burdensome.<sup>2</sup> Therefore, we consider that the Draft Rule should not only be amended to clarify that early meter replacement can occur but that the occurrence of this is limited to commercial arrangements with the incumbent metering service providers, and only for type 1-4 meters.

Ausgrid believes that further drafting amendments to Chapter 7 of the NER, as recently amended by the expanding competition in metering and related services (competition in metering) Rule change,

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<sup>1</sup> AEMC 2015, Meter Replacement Processes, Rule Determination, 17 December 2015, Sydney, p 27.

<sup>2</sup> Ibid, p 28.

are required to achieve the AEMC's policy intent. Specifically we consider that further amendments are required to:

- **Clarify the obligations of the metering providers (MPs) and metering data provider (MDPs) when a meter is churned** – this is necessary in order to establish a clear framework in the NER for meter churn and to ensure that the obligations and accountabilities are aligned to the party best placed to carry out the role;
- **Clarify that commercial arrangements are permitted to align the retail transfer date and the meter change date** – as noted above this is not clear from the drafting of the Draft Rule and therefore does not address the current ambiguity that exists as to whether such arrangements are permissible. In addition, it is unclear from the drafting of the Draft Rule whether the AEMC considers that commercial arrangements should be limited to large customers given the significant administrative burden this would impose to apply such arrangements to small customers;<sup>3</sup>
- **Maintain and expand upon the provision outlining the circumstances that the MC can alter or a replace a metering installation under Chapter 7** – Ausgrid notes that the AEMC's Draft Rule deletes the provision under the competition in metering Final Rule (clause 7.8.9(e) which sets out the circumstances in which a MC can alter or replace a meter, and instead substitutes this provision with the requirement that AEMO's MSATS Procedures permit the incoming retailer to nominate metering roles (MC, MDP and MP) at the connection point, with the appointment of these roles becoming effective the day the retail transfer completes. Ausgrid considers that it is important that this provision is maintained in order to provide clarity in the NER regarding parties obligations in respect to meter churn.
- **Require AEMO to monitor and enforce compliance with the meter churn provisions** – Ausgrid considers that enforcement measures should be considered for compliance with the meter churn provisions given the potential for network billing issues to arise if type 5-6 meters are churned contrary to the meter churn framework enshrined by Chapter 7 and reflected in AEMO's meter churn procedures.

The need for the above amendments is discussed in further detail in the section below.

## 2. The need to establish a clear framework for meter churn

Ausgrid considers that further amendments to the Draft Rule are required to establish a clear framework for meter churn in the NER. This is necessary in order to achieve the AEMC's policy intent to clarify the rights and obligations of parties during the meter replacement process.

Without a clear framework in the NER setting out the roles and obligations of different parties, there is the potential for misalignment to occur between the party responsible for performing roles and obligations under the NER (or AEMO's meter churn procedures), and the party best placed to carry out the obligation from an operational perspective. If this issue is not addressed, it is likely to create inefficiencies in the meter replacement process which in turn may adversely impact customers.

The AEMC's proposed amendments to the competition in metering Final Rule, removes the provision in the Rules which specifies the circumstances in which an MC is permitted to alter or replace a meter at a connection point and instead leaves this undefined.<sup>4</sup>

Ausgrid is concerned by the AEMC's decision to remove the provision outlining the circumstances in which a meter can be altered or replaced. Clause 7.8.9(e) of the competition in metering Final Rule, clearly established that a MC could not arrange to remove or alter a meter until the transfer of the relevant market load had been effected by AEMO in MSATS. The policy intent for this provision was

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<sup>3</sup> Ibid.

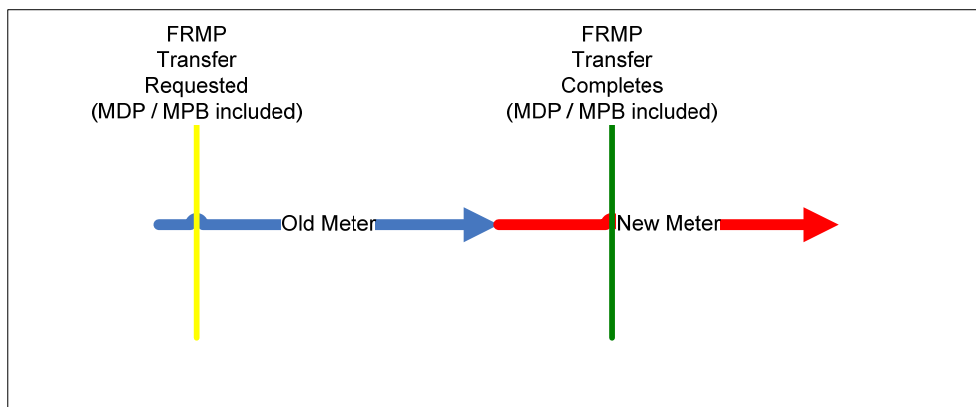
<sup>4</sup> Draft National Amendment (Meter Replacement Processes) Rule 2015, clause 7.8.9(e).

to prevent meters being removed prior to the retail transfer date, given the potential for this to cause operational issues and adverse customer impacts.

Whilst we support the ability of retailers to be able to align the meter change date with the retail transfer date or shortly thereafter, we do not support the ability for an incoming retailer to remove a meter at a connection point prior to the retail transfer completing in MSATS *unless* there is a commercial arrangement in place between the incoming retailer and incumbent parties. In our view, it should be clearly defined in the NER that this process (i.e. removing the meter prior to the retail transfer date) should be the exception rather than the norm.

Ausgrid is concerned that unless it is clear in the NER that a MC is prohibited from removing a meter prior to a retail transfer (except where commercial agreement has been made between the incoming and incumbent parties) this may result in an increase in meters being churned before a retail transfer date. This is undesirable from an operational perspective as it is likely to give rise to the inability for a MC to fulfil their obligations to the incumbent Retailer or LNSP, including network billing issues, particularly when the meter being churned is a type 5-6 accumulation meter.

**Figure 1 – Meter installed prior to the retail transfer date**



The above figure shows the scenario of a meter being replaced prior to the retail transfer date. In this scenario the incoming retailer issues a Financially Responsible Market Participant (FRMP) transfer request, which includes the nominated MDP and MP roles to be appointed to the connection. Prior to the retail change request completing, the meter is replaced as shown by the red arrow.

Where a network meter (particularly a type 5-6 accumulation meter) is replaced for an interval meter, the potential for network billing issues to arise increases the longer the period that elapses between removing the meter and the meter change date being updated in MSATS. This is because until the change in MDP and MP roles is updated in MSATS, the incumbent MDP and MP are registered as the parties responsible for delivering metering services at the connection point. In addition, the incumbent MDP and MP have a contractual obligation to continue to provide metering services to the incumbent retailer until such time the retailer is no longer the FRMP at the customer's connection (i.e. retail transfer date).<sup>5</sup>

The longer a meter is changed without this change being reflected in market roles (i.e. whether the meter is replaced days or weeks prior to the retail transfer and MDP and MBP roles being updated in MSATS) the longer the DNSP will be required to base network bills based on substitute data.<sup>6</sup> This can result in adverse impacts for the outgoing retailer and customer, as market settlements and network billing will be settled on final substitute data instead of the actual meter reads that the new

<sup>5</sup> Where a meter is removed prior to the retail transfer date (i.e. incoming MP removes old meter) the removal of the meter is not reflected in not updated in MSATS until the retail transfer date completes and the incoming retailer becomes the FRMP at the connection point, as this is typically the contracted start date for the MP.

<sup>6</sup> Ausgrid is no longer able to receive metering data from external MDPs not sent on the meter exchange date following changes to our metering systems to comply with AEMO's amended Meter Churn Procedure which came into effect on 1 September 2015.



MDP is reading and storing from the new metering installation installed at the customer's connection point.

If after performing a reconciliation of the substitute and actual metering data it becomes apparent that a network billing error has occurred, the DNSP would need to re-issue its network bill, which in turn may necessitate that the outgoing retailer re-issue its final bill. This is likely to cause confusion with the customer, who will receive a second final bill and may create "bill shocks" where the second bill requests further money from the customer to settle their account.

Similarly, the potential for network billing issues to occur under the Draft Rule can also arise where there is a delay in these roles being updated in the market, as illustrated in the figure below.

**Figure 2 – MDP/MP roles not updated until after the meter change date**

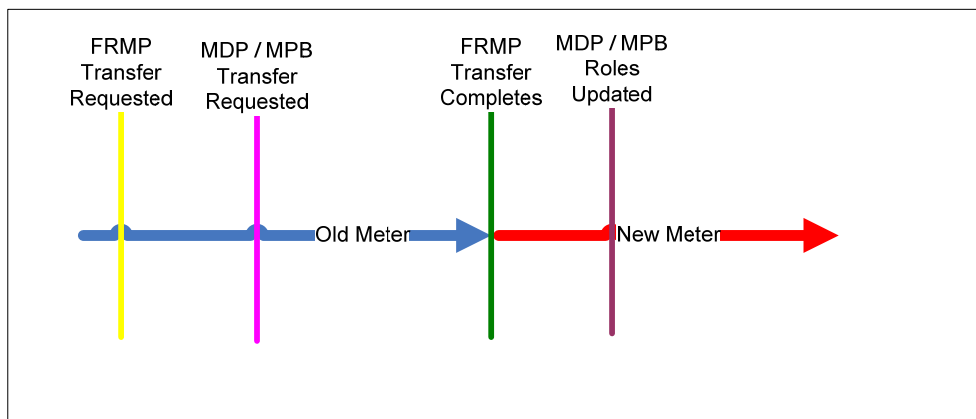


Figure 2, depicts the scenario of a meter being replaced on the day the retail transfer completes, where there is a delay in updating this change in roles in MSATS until after the new meter is installed. Again when this occurs it creates a misalignment in market roles and obligations, whereby the incumbent MDP and MP are registered in the market as having ownership of the site and are therefore responsible for supplying data to the market (MSATS and Market Participants) on behalf of the new MDP until such change in roles is updated in MSATS. As noted above, because DNSP systems are no longer capable of receiving actual metering data following commencement of the amended Meter Churn Procedures, the incumbent MDP must use substitute data until such time the changed roles are updated in MSATS. This can have subsequent impacts upon network billing and market settlement the longer the period in which substitute data is used.

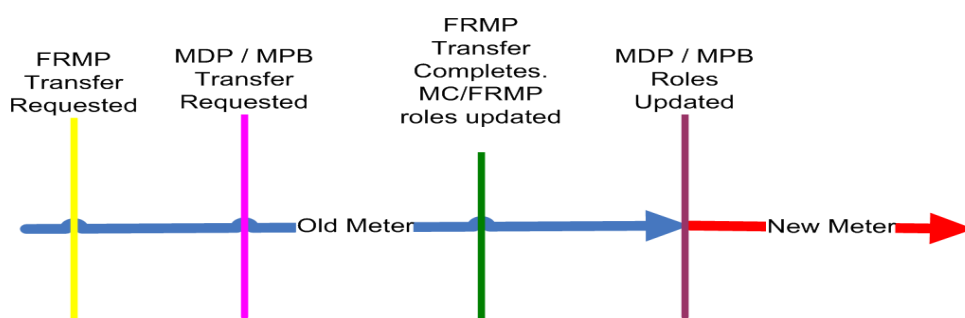
Ausgrid notes that this issue can be easily addressed by clarifying in the NER that MDP and MP roles commence on the day the meter is changed.

We have sought to demonstrate in this section the need for the NER to clearly define the circumstances in which meters can be altered or replaced, as well as defining the associated roles and obligations of parties during the meter replacement process.

In essence, we consider that the meter churn process that should be reflected in the NER is one which does not allow for the meter to be removed prior to the retail transfer completing and requires that the new MP and MDP roles take effect on the day the meter is exchanged. We consider that this process, coupled with the ability for the incoming retailer to nominate metering roles will deliver more efficient outcomes than the Draft Rule as it ensures that roles and obligations are aligned to the party best placed to perform the role.

We have sought to illustrate this process in the Figure 3 below. It is important to note that whilst not shown on the diagram the nomination of incoming metering roles would allow for the retail transfer and the meter change date to occur on the same day or shortly thereafter.

Figure 3 – Proposed Meter churn process



Whilst we understand that some retailers may find it advantageous to remove a meter prior to the retail change date, we consider that this should only be permitted in limited circumstances, given the potential for this to cause network billing issues.

In the following section we have outlined further suggestions on how the meter churn provisions under Chapter 7 of the NER could be improved to achieve the AEMC's policy objectives and avoid the unintended consequences that may occur from having a poorly defined meter churn framework.

## 2.1 Clarifying that MDP and MP roles and obligations change at the time the meter changes

Ausgrid notes that clause 7.8.9(e)(1) of the Draft Rule requires that MSATS permits the incoming retailer to nominate metering roles (MC, MDP and MP) at a connection point with those roles taking effect on the day the market load at the connection point transfers to the incoming retailer. However, operationally, the market roles of the incoming MDP and MP do not transfer until the meter is changed and the meter change date is updated in MSATS.

Consequently, Ausgrid considers that for Metering Providers and Metering Data Providers the commencement date of roles should be when the meter change is updated in MSATS (i.e. the meter churn date) rather than when the retail transfer date (or retail churn date). This is because it gives rise to a misalignment between the roles and obligations of parties, whereby a new MDP or MP would be responsible under the NER for providing metering data for a meter they do not own. We suggest that this issue could be addressed by amending the drafting of clause 7.8.9(e)(1) to reflect the following:

(e) The *Market Settlement and Transfer Solutions Procedure* must:

(1) permit and *Incoming Retailer* to nominate the *Metering Coordinator*, *Metering Provider* and *Metering Data Provider* to be appointed at a *connection point* in respect of which it is the *Incoming Retailer*, with such appointments to become effective:

- i) no sooner than the day the *market load* at the *connection point* transfers to the *Incoming Retailer* as the new *financially responsible Market Participant*, in respect of a *Metering Coordinator*; and
- ii) on the date the *metering installation* is replaced but no sooner than the day the *market load* at the *connection point* transfers to the *Incoming Retailer* as the new *financially responsible Market Participant*, in respect of a *Metering Data Provider* and *Metering Provider*.

Adding this clarification in the NER would ensure that the meter churn provisions in the NER reflect market arrangements and align obligations to parties best placed to perform the role.

## 2.2 Clarifying the ability of MC's to alter or replace meters

Ausgrid considers that the NER should clearly define the circumstances in which an MC can alter or replace meters. Rather than omit clause 7.8.9(e) under the competition in metering Final Rule altogether, we suggest that this clause is moved to create a new clause 7.8.9(f) and amended to reflect the AEMC's proposed process for meter replacement. Included below is some suggested drafting to give effect to this policy position:

7.8.9 (g) A *Metering Coordinator* must not arrange the alteration or replacement of a metering installation under paragraph (a), unless the *Metering Coordinator*:

- (1) is assigned in *Market Settlement and Transfer Solution* at the *connection point* as the *Metering Coordinator*; or
- (2) has a commercial agreement with the *Metering Coordinator* assigned in *Market Settlement and Transfer Solution* at the *connection point* where the *metering installation* being replaced is a type 1,2,3, or 4 *metering installation*; or
- (3) is nominated by the *Incoming Retailer* to be appointed at a *connection point*, with the appointment to become effective on the day that the *market load* at the *connection point* transfers to the *Incoming Retailer* as the new *Financially Responsible Market Participant*.

Clarifying this in the NER is likely to address the issue of meters being churned prior to the retail transfer, by clearly establishing the circumstances the MC is permitted to replace a metering installation. Consequently, we consider that adopting this amendment is likely to better contribute to the NEO as it avoids the adverse operational and customer impacts that can arise from meters being replaced prior to a retail transfer where there are no commercial arrangements between the incoming and incumbent parties.

## 2.3 Clarifying the use of commercial arrangements during meter churn

Ausgrid understands that the AEMC considers that there is benefit in allowing retailers to replace a meter prior to the retail transfer date in order to avoid late start of new tariffs and to avoid confusion at multi-site retail contracts by commercial agreement between the parties. Whilst the AEMC has clearly articulated its policy intent for the NER to not preclude such arrangements it has not reflected this position in its Draft Rule, arguing instead that this can be inferred from clause 7.8.9(e)(2).

The AEMC's decision to omit the provision in the NER that sets out the circumstances in which a MC can alter or remove a meter, coupled with its decision to leave the circumstances in which commercial arrangements are to apply undefined, is likely to give rise to an increase in meters being churned prior to the retail transfer date without commercial arrangements between the incoming and incumbent parties. This is concerning, particularly if this results in an increase in meters being churned for small customers who have type 5-6 accumulation meters.

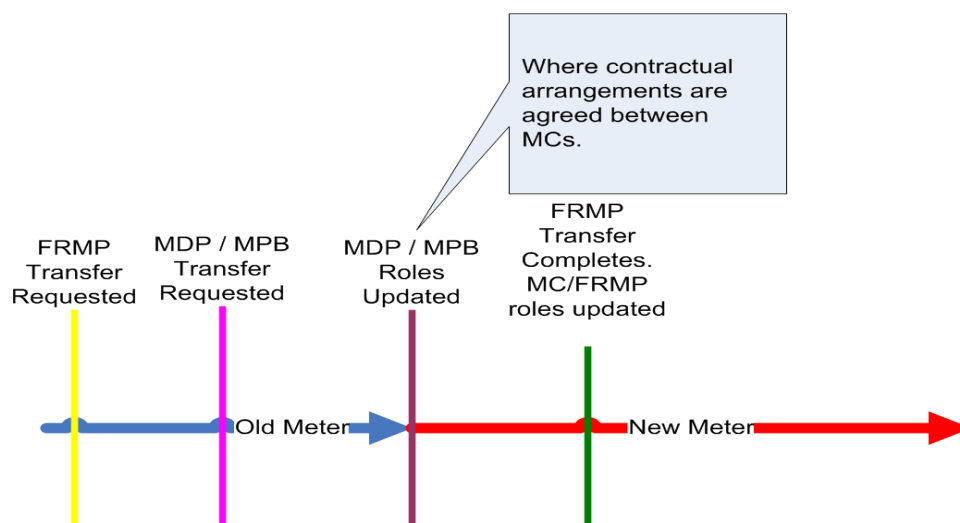
Therefore, Ausgrid considers that it is important that the NER clearly articulates the circumstances in which a MC can alter or remove a meter to avoid adverse operational and customer impacts arising from an increase in early meter churn. We have suggested that the AEMC could achieve this through the inclusion of new clause 7.8.9(g), which we consider establishes a high level framework for meter churn without imposing restrictive or onerous provisions on the MC.

Ausgrid is supportive of the option for commercial agreements between incoming and incumbent parties at a connection point so that the incumbent can (if agreed) churn the meter on behalf of the incoming parties during or coincident with the retail transfer period in the circumstances where the metering installation being replaced is a type 1-4 meter. However, we share the ENA's view that Distributors (and other parties) must not be prevented from continuing to receive services from a meter installation under provisions within commercial arrangements with the incumbent service providers.



We consider that the proposed drafting of clause 7.8.9(g)(2) supports this arrangement with the process operating as shown in Figure 4.

**Figure 4 – Early replacement of a meter through commercial arrangements**



Clause 7.8.9(g)(2) would give rise to a process whereby the role of Metering Coordinator registered in MSATS would remain unchanged until the commercial arrangement ceases and the Incoming Retailer becomes the FRMP. We note that this process would not prevent the registered Metering Coordinator from changing the meter register and the roles of Metering Data Providers and Metering Providers in MSATS prior to the Incoming Retailer becoming the FRMP.

Consequently, we consider the inclusion of clause 7.8.9(g)(2) is likely to better achieve the AEMC's policy intent and contribute to the achievement of the NEO as:

- it provides regulatory certainty to Market Participants by outlining the circumstances in which commercial arrangements would apply; and
- provides high level guidance on how they would operate without being onerous or prescriptive.

## 2.4 Including compliance and enforcement provisions

Given the potential for adverse outcomes to arise from meters being replaced contrary to the metering framework established by Chapter 7, Ausgrid consider that it is important that compliance with the meter churn provisions (and AEMO's meter churn procedures which gives effect to the framework enshrined in Chapter 7) is monitored and enforced.

Including an obligation for AEMO to monitor and enforce compliance with the meter churn provisions is likely to contribute to the NEO by safeguarding against customers being adversely affected from meters being replaced contrary to meter churn framework established by the NER. As noted in section 2, where a meter is replaced prior to a retail transfer without being commercially agreed to by the affected parties this is likely to cause network billing issues which may require the outgoing retailer to re-issue its final bill to the customer.

## 3. Alternative solutions

Ausgrid supports the AEMC's decision not to progress the alternative solution to allow a retail transfer to be triggered by the meter churn for the same reasons articulated by the ENA's submission.