

2 July 2015

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

Dear Mr Pierce,

RE: AEMC Consultation Paper – National Electricity Amendment (*Meter Replacement Processes*) Rule 2015 (ERC0182)

The NSW Distribution Network Service Providers, Ausgrid, Endeavour Energy and Essential Energy (the NSW DNSPs) are pleased to provide comments in response to the AEMC's Consultation Paper on proposed amendments to the National Electricity Rules (Rules) regarding meter replacement processes.

The NSW DNSPs note that this Rule change request has been made in response to recent changes to the Australian Energy Market Operator's (AEMO's) meter churn procedures, which remove the ability for retailers to replace meters prior to the retail transfer being completed in the Market Settlement and Transfer Solution (MSATS).

AEMO amended the meter churn procedures to resolve inconsistencies between the meter churn procedures (which are based on current industry practice) and the Rules.

The NSW DNSPs support AEMO's amended procedure which comes into effect 1 September 2015. We do not support further amendment to the rules that would require change to this procedure for the following reasons:

- Early meter replacement (prior to completion of retail transfer) has risks that:
 - the existing party has obligations it cannot directly provide because its service has been altered by a prospective party;
 - it may facilitate and encourage opportunistic and unnecessary meter churn that the customer bears the cost of;
 - the existing party incorrectly bears the risk of the retail transfer subsequently not proceeding. This risk may be further exacerbated by the metering competition rule change which may prohibit the reversion of the churned meter to the prior meter (if it is a type 5 or 6 meter);
 - DNSPs currently perform a considerable amount of manual work (and therefore incur costs) to ensure meter data and associated records are appropriately aligned where early meter replacement occurs. Given the volume of 5-6 metering installations, contestability in this market would significantly increase the costs associated with early meter replacement if it was to continue;
- Addressing such issues through new market roles and prescriptive rule changes may create unnecessary complication and burden, particularly in light of the prospective metering competition framework;

- The issue may not be as material as suggested and has the potential to be mitigated through less prescriptive means such as modifications to objection periods and reliance on the commercial incentives which will exist under the amended procedure;
- The NSW DNSPs have already made system and procedural changes to comply with AEMO's amended procedure which comes into effect 1 September 2015. If this Rule change was to go ahead, this would result in these changes being reversed, creating unnecessary rework and further changes to systems which would have to be subsequently changed again to give effect to the outcomes of the expanding competition in metering and related services; and
- AEMO's amended procedure assigns roles and responsibilities to parties who are best placed to provide the service or action (i.e. the RP, MDP and MP as assigned in the market) and provides natural commercial incentives to facilitate a smooth meter change process rather than rules or obligations.

The NSW DNSPs response to the AEMC questions can be found attached in Appendix A.

If you have any further queries or would like to arrange a meeting to discuss our submission please contact Mr Murray Chandler, Group Manager Network Technology & Innovation at Networks NSW on (02) 9269 7210 or murray.chandler@ausgrid.com.au

Yours sincerely,



John Hardwick
Group Executive Network Strategy
Ausgrid, Endeavour Energy and Essential Energy

APPENDIX A - AEMC QUESTIONS

Question 1 Materiality of problem

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

No. The Rules clearly states which parties can initiate meter churn and when it can be initiated.

- (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?*

Both the current and amended procedures are clear as to when meter churn can occur in relation to the retail transfer process. The Rules are supported by the amended procedure due for implementation in September 2015.

The NSW DNSPs do not have any material concerns regarding meter replacements under the NER and amended AEMO procedures. The NSW DNSPs consider it is unlikely the amended procedure will result in a twenty-six day lag from the retail transfer until the meter is churned suggested by ERM Power¹. This is because there are strict rules on why an objection can be raised. Objections were designed for parties that are related to the NMI but not related to the FRMP to raise their concern. However, in AEMO's amended procedure the FRMP always has a relationship with the current MP and MDP meaning there will be both the ability and commercial incentive to plan for and negotiate on matters prior to a change request being lodged. Additionally, AEMO is currently undertaking a review of objections periods which may improve the timeliness of customer switching and transfers.

Question 2 Consumer engagement and satisfaction

- 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)?*

As a general rule, the NSW DNSPs consider the current process works quite well. However, some complications can arise on occasion when:

- a. The flow of meter data under the current procedures can sometimes be complex and over a prolonged period (up to 4 weeks), impacting both the incumbent retailer's and the network's ability to finalise billing;
- b. although the metering installation was pre-metered pending transfer, the transfer does not complete on the proposed date. This results in the churn period being extended beyond the specified 20 business days;
- c. The party that initiates the changes is not responsible (financially or regulatory) therefore there is less motivation to complete the task in a timely manner.

¹ ERM Power, Rule Change Request: Facilitating an efficient meter replacement process, 2015, pg. 11

Further, the NSW DNSPs note that AEMO decided to amend the meter churn procedures to align with the Rules rather than seeking to align the Rules with current industry practice due to:

- The potential for undesirable meter churn outcomes to occur with the expansion in metering competition Rule change if current industry practice were to continue. Specifically AEMO was concerned, in the small customer market, current industry practice may result in the proliferation of meters being churned unnecessarily therefore resulting in inefficient investment and driving up the cost of metering services.
- Current industry practice results in a misalignment of risks between parties, whereby parties which have no formal relationship with the NMI are able to interfere with the metering service, disabling the current providers ability to provide services to customers and placing the current Responsible Person (RP) at risk of a NER breach. This issue is further compounded at the small customer level given parties responsibilities under the National Energy Customer Framework (NECF) to life support customers where a planned outage is required to churn a meter.
- In relation to the large customer market which is characterised by type 1-4 metering installations and standardised data, there is no technical impediment from receiving data from one provider to another. Whether a party wishes to perform a meter churn rather than utilise the existing providers services is a matter for commercial agreement rather than consideration under the Rules or associated procedures.
- AEMO's view that removing the ability for retailers to pre-meter a site prior to the retail transfer being complete, places appropriate incentives on retailers to ensure the timely transfer of customers and associated installation of a new metering through commercial agreements.

The amended procedures, nor this rule change request will remove the need for MDPs to exchange data, nor a meter churn period, rather it will limit the period of misalignment to a maximum of 2 business days.

- 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?*

The main advantage to the incoming retailer being able to pre-meter a customer's premises is that all the inconvenience and billing issues associated with meter churn are imposed on the incumbent retailer and meter data provider – The new retailer and meter data provider starts with a clean sheet. This means that although the customer may have a clean start with the incoming retailer, the customer may experience delays and complications with the final bill from the incumbent retailer because the party that has made changes to the metering installation does not have relationship with the incumbent retailer for that connection point.

Furthermore, facilitating early meter replacement may also encourage the unnecessary churn of meters (where the transfer is not completed) with subsequent additional costs to both incumbent and new metering provider that customers ultimately bear the costs of.

- 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)?*

The only adverse outcome for the customer is where the new retailer proposes to provide new services that can only be supported as a result of a meter change. In these circumstances, the new retailer will need to manage the expectations of the customer in relation to when those services can commence or seek to provide an alternate source for interim services.

Question 3 Efficiency in the market for metering services

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

The current procedures impose meter churn, and any complications that might arise, on the incumbent retailer and meter data provider. The amended procedures put the onus on the prospective retailer to first determine if meter churn is necessary and if so, manage the expectations of their new customer.

Alternative and interim product and service offerings in addition to setting customer expectation may be provided by the Retailer to manage customer expectation during the transfer process, including duplicate off market metering.

- 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?*

Yes. If the proposed changes were to be implemented, more stringent obligations would need to be placed on the metering service providers during the meter churn period. The concept of 'interim' contracts would need to be reflected in MSATS that allow:

- a. The ability for the prospective meter provider to update metering information in MSATS;
- b. The ability for the prospective meter data provider to update data stream information in MSATS;
- c. The obligation for the prospective meter data provider to provide metering data to both AEMO and market participants;
- d. The obligation to exchange meter churn data (where necessary) between the current and prospective meters data providers – This would be best modelled on the amended churn procedures.
- e. A clear and unambiguous set of rules as to when the roles transfer between the existing and interim service provider roles for each churn scenario (e.g. non-interval to non-interval, non-interval to interval, interval to interval, interval to non-interval).

In essence, the concept of interim (or prospective) metering services parties is not necessary if the rules/procedures change such that the transfer of

services providers in MSATS was to occur when the meter change takes place. That is, take the churn procedures and invoke on the pre-transfer meter churn event instead of the post-transfer event.

However, the issue of the timing of the transfer of the responsible person has and will remain an area of contention if this process was adopted. In either process, whether to transfer metering service provider roles completely in a new interim or prospective role, clear obligations on the transfer of the responsible person role need to be defined. For instance:

- Does the responsible person role transfer with the (interim) metering services roles?
- Or, does it transfer in conjunction with the retail transfer?

The earlier scenario imposes a relationship between the incumbent retailer and the prospective responsible person. The later imposes a relationship between the incumbent responsible person and the prospective metering service providers.

Neither of these scenarios or issues is introduced with the amended procedures – The only relationship imposed by the amended procedures is that between the new retailer and the existing metering service providers which is already the case in the regulated market.

What are the implications on efficiency in metering services for:

- being allowed to change the metering installation on and/or prior to a retail transfer completing; and*
- being allowed to change the metering installation only after the retail transfer completes.*

Whilst the amended procedures move the 5 business day objection period to post transfer, there should be no impact on meter services providers being able to install metering within the currently prescribed timeframes.

The current procedures stipulate that meter churn cannot be performed earlier than 20 business days prior to the proposed transfer date. If all meter churn can now be performed in the 20 business days prior to the proposed transfer date, then there should be no reason why the same volume of meter churn cannot be performed within a 20 business day window after the transfer completes – Notwithstanding the objection period will not allow the meter churn period to commence until the 7th business day.

- c) *What do stakeholders consider would be the impact of the introduction of prospective parties on the metering services market?*

Refer to comments against 3b) above.

- d) *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?*

Yes, but only by obligations imposed by the Rules and the underlying procedures. The reliance on bilateral agreements between incoming and incumbent parties would not be sustainable or enforceable under the

procedures.

Question 4 Treatment of prospective roles

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

Yes. Providing the issues raised against 3b) above are addressed.

- (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?*

Refer to comments against 3b) above.

- (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?*

Yes. This has been achieved by the amended procedures.

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

Refer to comments against 3b) above.

Question 5 Implementation of any rule change and transaction costs

- (a) *If this rule were to be made, should the commencement coincide with the planned commencement of the expanding competition in metering and related services final rule expected in July 2017?*

Any changes to the meter churn procedures should be made with the aim of making the process more efficient and having as little impact of market and participant systems as possible.

Currently meter churn is (predominately) limited to Type 1-4 metering installations – Approximately 100,000 customers across the NEM. Competition in metering will expose millions of small customers to meter churn across the NEM. It is conceivable that under the competition in metering arrangements, tens, if not hundreds of thousands of small customers could be impacted by meter churn at any point in time – Especially in the first few years of implementation.

The market as a whole needs to be satisfied that the rules and procedures governing meter churn are such that in the event of such high volumes, standard retail and network billing processes as well as market settlements are not adversely impacted.

- (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?*

Refer to comments against 5a) above.

- (c) *What are the expected costs for stakeholders associated with any system changes resulting from changes to the meter replacement process?*

The NSW DNSPs are currently undertaking system and procedural changes to accommodate the amended rules that take effect on September 1 2015. Any subsequent change to the rules and/or procedures will impose costs.

The cost of simply undoing the September 1 2015 changes and reverting back to the current process, whilst hard to quantify, would be quite low (maybe in the order of tens of thousands of dollars).

However, the cost of implementing new roles and responsibilities with respect to interim data provision and the ability to interact those parties via B2B and manage and load those relationships within MSATS again whilst hard to quantify, would be considerably greater (maybe in the order of hundreds of thousands of dollars per company).

Question 6 Other issues

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

Yes, the ability for parties to commercially negotiate an early change may be an appropriate solution for large customers (i.e. the addition of 'unless otherwise agreed' to the rules).

AEMO's current review of objection periods may further alleviate the issues raised by the proponent.

Furthermore, the metering competition rule change and associated procedural amendments may address the identified issues. However, further progress on the metering competition rule change is required to fully understand the extent to which it addresses the issues identified in this rule change request.

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

Refer to comments against 5a) above.

Additionally, refer to comments in 2a) above as the misalignment of risks between parties created by early meter replacement may result in issues under NECF.