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Dear Commissioners



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AEMC Review of the Regulatory Framework for Metering Services

EnergyAustralia is one of Australia's largest energy companies with around 2.5 million electricity and gas accounts across eastern Australia. We also own, operate, and contract an energy generation portfolio across Australia, including coal, gas, battery storage, Demand Response, wind, and solar assets, with control of over 4,500MW of generation capacity.

EnergyAustralia welcomes the opportunity to participate in the AEMC's review of the regulatory framework for metering services (the review). The 2015 *expanding competition in metering and related services* reforms (the reforms) envisaged many benefits to market participants; consumers, networks, and retailers. Despite installation, process, and regulatory issues creating difficulties, the roll out of meters has occurred at a rate consistent with the intended outcome of the reforms; however, some purported benefits are yet to be realised.

The reforms outlined an expectation that meters would be replaced only when it was efficient to do so:

- *'The Commission anticipates that under the final rule, metering installations will only be replaced where efficient to do so, such as at the end of their useful life or where a new meter can support additional services that consumers wish to take up. Unnecessary meter churn is unlikely to occur as competitive pressures are likely to drive retailers to seek efficient, lower cost outcomes to attract and retain customers'*¹
- *'Enable a market-led deployment of advanced meters. In a market led deployment, competition and consumer choice, rather than regulation, will drive the uptake and penetration of advanced meters. Investment in metering services driven by consumers choosing products and services they value at a price they are willing to pay can be expected to result in efficient investment'*²

¹ AEMC Expanding Competition in Metering and Related Services Final Determination the final determination 24

² AEMC Expanding Competition in Metering and Related Services Final Determination the final determination 23

The review implies that the roll out of meters has not progressed at the rate expected, highlighting that since the reforms came into effect only 17.4% advanced meter penetration has been achieved across the NEM (excl. Vic). The limited penetration has occurred with retailers complying with the intent of the reforms, with meters installed where it is efficient to do so; for new meter installations, meter upgrades to accommodate new technology (i.e. solar), or the replacement of faulty meters.

The failure of subsequent outcomes expected from the reforms has been a contributing factor for the advanced meter penetration underachieving the forecasts of the AEMC. There is minimal incentive for retailers to hasten the roll out of advanced meters; with retailer specific benefits limited to improvements in meter reading, remote re-energisation & de-energisation (re-en/de-en), and the potential to participate in demand response. Ultimately, the cost vs benefit is not promoting a faster rollout; retailers are deterred by the financial cost (explored below) and the reputational risks (customer/media/govt perception) and have largely not received the purported benefits, particularly in the case of remote re-en/de-en.

Below we explore the main issues that we believe are impacting the reforms meeting the expectations of the AEMC and market participants, and, where possible, provide proposals to improve or resolve the underlying issues:

1. Legacy metering charges and meter replacement efficiencies.

The reforms identified a potential concern that legacy metering charges would create a perverse financial consideration for retailers when installing an advanced meter:

'In some jurisdictions, metering charges are bundled into distribution use of system charges. At the time of the rule change request there was uncertainty around how a DNSP would recover residual costs where it provides metering services that are subject to economic regulation by the AER and a meter is replaced by a retailer. This created disincentives for retailers to invest in advanced metering and could result in consumers whose accumulation meters are replaced with advanced meters effectively "paying twice" for metering services'³

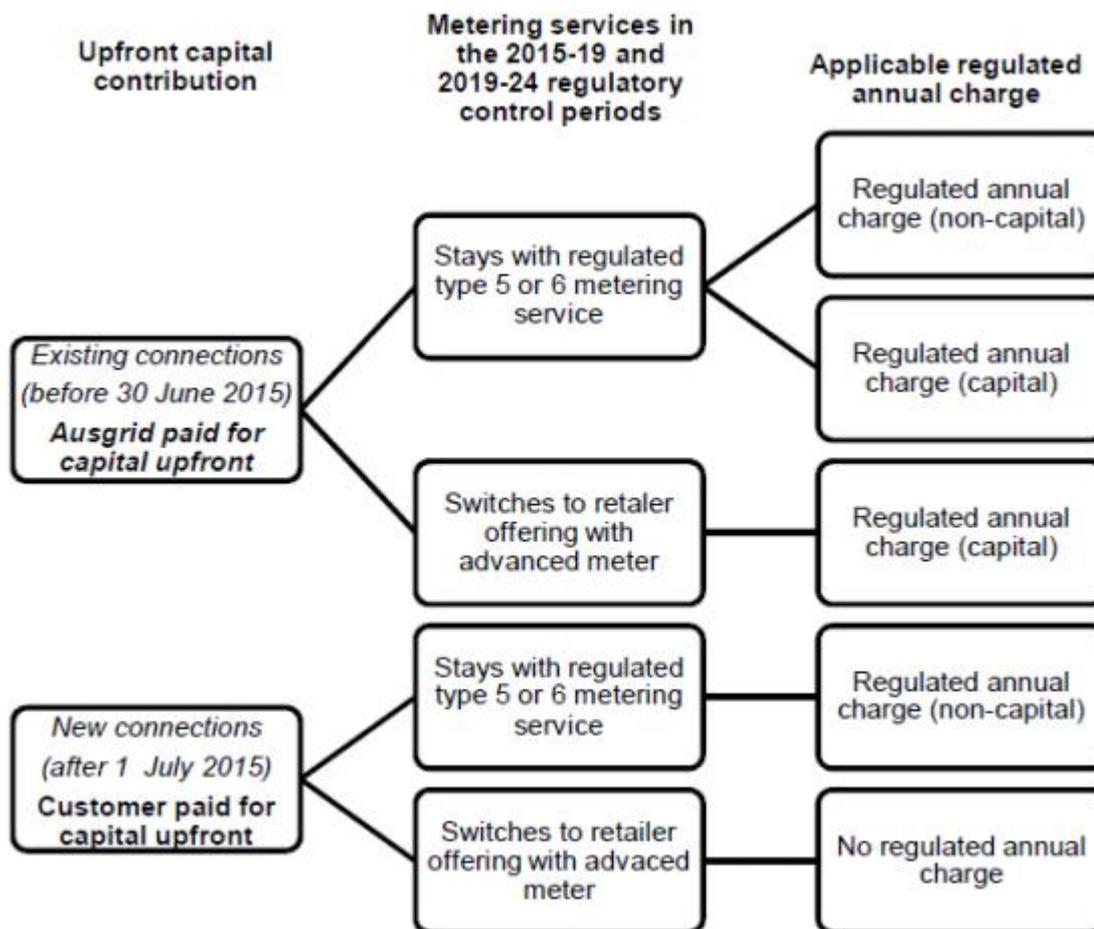
The AEMC's concern has since been realised, with customers or retailers (if they choose to) incurring the networks metering charge component regardless if they have had an advanced meter installed, a format for the recovery of costs that is adding additional cost for retailers to consider when installing and advanced meter. The table below explains Ausgrid's decision matrix for applying these charges⁴, this is transferrable to all networks that participated in the metering reforms:

'From 1 July 2019, customers who transition to an advanced meter will continue to be charged the 'capital' metering charge they paid prior to leaving our metering services, if they had an Ausgrid meter on or before 30 June 2015'⁵

³ AEMC Expanding Competition in Metering and Related Services Final Determination exec summary iii

⁴ Ausgrid ES7 Network Price Guide Fg. D.1 pg.34

⁵ Ausgrid's 2020-21 Annual Pricing pg.12



The continued application of the metering component – given this cost recovery is provided for within the rules and approved by the AER - without any consideration as to whether the network meter has been fully paid off, is a significant limiting factor for achieving meter replacement where it is efficient to do so.

Ausgrid's charges where a site has an accumulation/basic (type 5) meter:

- ~\$16 - Ausgrid's 2020-21⁶ metering CAPEX per annum; and,
- ~\$11 - Ausgrid's 2020-21 metering OPEX per annum.

Ausgrid's charges where a site has an advanced (type 4) meter, either owned by Ausgrid or a retailer/competitive metering service:

- ~\$17 - Ausgrid's 2020-21 metering CAPEX per annum for type 4/advanced meter.

Retailers charges where a site has an retailer installed advanced (type 4) meter, additional to the Ausgrid charge:

⁶ Ausgrid's 2020-21 Annual Pricing pg.12

- ~\$110 – ACIL Allen’s⁷ estimated OPEX (1 phase connection) per annum of a type 4/advanced meter.

It is therefore reasonable to expect the additional ~\$17 per annum incurred combined with the considerably more expensive OPEX for retailer owned advanced meters, is a clearly identifiable contributing factor impeding the efficient roll out of advanced meters.

The discrepancy between the OPEX of advanced and legacy meters is largely attributable to ‘economies of scale’ or lack thereof. Retailers’ expectations preceding the competition in metering reforms were based off network pricing determinations, which indicated an asset life of 20-30 years for legacy metering, and this would logically result to, on average, a 3%-5% meter replacement program each year. While this eventuated in the initial year (2018) following the reforms, it has not occurred since, with Family Failure Meter Fault Notifications (failed meters) volumes released by networks having decreased significantly.

The low volumes of forecast advanced meter installations (customer choice or meter failure) restrict the costs and efficiency improvements of installing advanced meters. An additional factor impeding efficiency improvements is the scheduling of meter replacements, as meter failure notifications are issued without consideration for a common geographic location it is unlikely that meters replacements can be scheduled together; therefore, improving operational efficiency and reducing the cost per installation.

To address the issues hindering economies of scale and installation efficiency price reductions, and perverse network pricing arrangements, EnergyAustralia proposes:

Network pricing

- **Network metering charges cease when the legacy metering infrastructure has been recovered from the customer.**
- **OPEX and CAPEX is capped for the remaining legacy metering, to avoid ramifications of increased costs on a reducing customer base.**
- **Any residual legacy metering recovery requirements – once all legacy metering is replaced – to be applied through the Distribution Use of System charge.**

Installation efficiencies

- **Networks to provide the additional failed meters in a manner that improves operational efficiency, i.e. geographic consideration of regions, suburbs, or streets.**

Economies of scale

- **Networks allowed to fail meter populations based on a reasonable age of the asset, for example:**
 - **Electronic meters: 15-20 years; or,**
 - **Accumulation meters: 30 years.**

And/or

- **Networks required to ‘fail’ (flag for replacement) meters when they have recovered their costs from the customer.**

⁷ 2019 QCA Benefits of Advanced Digital Metering table 4 pg.7

2. Capabilities of meters limited by jurisdictional safety regulations.

The AEMC believed that prior to implementation of the reforms jurisdictional safety regulations would be updated to accommodate the installation and operation of advanced meters; *'Based on discussions with jurisdictional safety regulators, the Commission understands that they have already commenced or are about to commence work to review the relevant safety regulations, rules and practices so that necessary changes to safety arrangements can be made to reflect the AEMC's amended rules, prior to their commencement on 1 December 2017'*⁸. Unfortunately, this did not occur, with drawn-out timeframes for the resolutions of outdated and inappropriate regulations, which would have enabled a range of benefits sought by market participants.

Contradiction in the requirements for Metering Coordinators (MC) and Metering Providers (MP) compared to historical network or Registered Electrical Contractor (REC)/Accredited Service Provider (ASP) requirements are a common factor in additional further jurisdictional requirement matters; i.e. Interpretation of NSW Metering regulation by the Office of Fair Trading (OFT) prohibits a MP metering technician from operating isolation devices, particularly barge board fuses. NSW is the only jurisdiction that requires higher qualification (ASPs) for these devices, totalling ~30% of the workforce.

Notably, where the regulations have eventually been amended – to enable some of the mechanisms available via advanced meters – retailers and MCs are hesitant to operate some services (such as remote re-en/de-en) due to the updated regulations containing onerous and overly restrictive requirements. This is the case in NSW and SA, where remote re-en/de-en moratoriums have been lifted but required safety plans are in continued deliberation (and for NSW, the updated regulations are operationally complex and impractical), whereas QLD still does not even allow remote re-en/de-en functionality.

3. Customers not identifying benefits when considering a meter exchange

*'Many of the advanced meters available are capable of providing a number of services in addition to those specified in the minimum services specification, such as load control. Parties will also be able to negotiate for these other services that are not included in the minimum services specification to be included in meters. The Commission expects many advanced meters at small customers' premises to exceed the minimum services specification as retailers, DNSPs and energy service companies negotiate for additional services'*⁹

The AEMC and many market participants expected that the reforms would provide the functionality sought by customers to manage their energy use, through greater control of their consumption and appliances. The expectation that an advanced meter would enable a connected home has however not come to fruition, instead the needs of consumers have been met by 'advanced' appliances, operating without interaction from an advanced meter. This technology provides customer's requirements (reviewing consumption or remote control) through web or app based platforms. Even in Victoria, where advanced meters are abundant, manufacturers of in-home displays, energy monitoring devices, and appliance remote control technology have not elected to base their appliances on access to an advanced meter.

⁸ AEMC Expanding Competition in Metering and Related Services Final Determination executive summary ix

⁹ AEMC Expanding Competition in Metering and Related Services Final Determination exec summary vii

4. Access issues, asbestos, shared fuse, space limitations on the meter board, etc. and the corresponding cost for rectification

EnergyAustralia encounters issues impacting the installation with ~200 meters per week. The range of issues has some common factors, a reluctance from the involved parties (retailer, customer, network) to contribute to the rectification costs, and a relationship between the involved parties that is not conducive to proactive resolution of outstanding issues. This can be witnessed in the following scenario; while nuanced in other common issues, it is ultimately present in some form for all other common issues resulting in a delayed or failed meter installation:

The AEMC's rule change to address shared fuse scenarios¹⁰ provided the option for retailers/MCs to arrange a network led interruption of supply for those sites impacted by the shared fusing. The rectification work requires the installation of a Meter Protection Device for either the initiating customer or all the retailer's customers at the site. This work cannot commence without the network arranged outage, which is accompanied by a significant fee. The work on the day may fail too, with networks providing an unreasonable 15-minute window for any site coordination, customers refusing access, or by encountering unidentified site constraints (such as limited space on the meter board or other defects).

Irrespective of the benefit each market participant would obtain from the installation of the advanced meter, it is understandable the cost of the works in these scenarios is contentious; with customers generally unlikely to contribute for something they believe is not their responsibility (particularly if the meter exchange was not customer initiated), networks unwilling to assist in any way without their deemed compensation, and retailers left with a bill they are unlikely to recover. Retailers are largely responsible for educating customers on which party is responsible for the rectification costs; more targeted education from all involved parties would be beneficial.

EnergyAustralia believes industry cooperation, specifically network involvement, is a consistent contributing factor to the common issues impacting meter exchanges. The AEMC believed there would be proactive and constructive engagement from networks following the reforms, underscored with the following statement, *'DNSPs may negotiate with the retailer and Metering Coordinator for the deployment of advanced meters and seek to recover the costs of doing so through the existing regulatory process'*¹¹. What has eventuated from networks is moderate assistance, bordering on reluctance. For example, despite no regulatory limitation, networks are unwilling to entertain the prospect of sharing industry keys with metering technicians; this simple and easily accommodated offering would go a long way to reducing metering installations delayed due to access issues and the corresponding 'wasted truck visits'.

Acknowledging that networks are operating within the scope of the laws/rules/regulations that govern them, we see merit in the AEMC considering how existing or prospective regulations should be assessed to promote cooperation between market participants in the roll out of advanced meters. This should include a review of current interactions between retailers/MCs and networks to determine if improvements could be made through further regulation or facilitated industry discussions.

¹⁰ AEMC Metering Coordinator Planned Interruption

¹¹ AEMC Expanding Competition in Metering and Related Services Final Determination exec summary xii

5. Excessive regulatory requirements limiting the efficient proactive retailer roll out

The notice requirements under NERR 59A¹² for the deployment of new meters require an extensive timeframe and multiple customer communications. Crucially, the requirements exceed those that were expected of the networks prior to the reforms. We do not disagree with providing customers warning of a planned meter exchange or the opportunity to object to a meter exchange; however, we believe that there would be efficiency improvements for a retailer led roll out by amending the rule:

- **Initial notification is sent three weeks before the start of a five-business day installation window. The notification provides customers with the opportunity to reschedule if the date is not acceptable or opt-out if they do not want a meter installed.**
- **Second notification is the retailer Planned Interruption Notification, which is sent four-business days prior to the actual date of the meter exchange. As with the current retailer Planned Interruption Notification, there is a contact number provided if needed.**

This will reduce the timeframe for the initial notification and remove an additional notification, these changes and the addition of the initial five-business day window will provide greater flexibility for MC forecasting and resourcing, ultimately resulting in improvements in meter roll out efficiency.

EnergyAustralia believes the suggested changes will improve identified issues impacting the uptake and efficient roll out of advanced meters. We're supportive of the AEMC's continued consideration of improvements to metering reforms, and suggest a targeted emphasis on efficiency improvements would be effective for assisting the roll out of advanced meters.

If you would like to discuss this submission, please contact me on 03 8628 1704 or Travis.Worsteling@energyaustralia.com.au.

Regards

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¹² National Energy Retail Rules version 24 pg.51