

Mr John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

1 May 2018

Dear Mr Pierce

Amendments to Chapter 7 of the NER (Metering) clause 7.8.9(e)

The Australian Energy Council (the Proponent) is an industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, and sell gas and electricity to over 10 million homes and businesses.

The proponent submits this rule change proposal on behalf of Retailer members of the proponent, as well as on behalf of the Competitive Metering Industry Group (CMIG). The CMIG convenes as an industry group under the proponent's umbrella.

The Proponent submits this rule change request to the Australian Energy Market Commission, in line with the requirements of 92(1).(a) of the National Electricity Law and associated regulations

This submission has been developed with the National Electricity Objective in mind. It is additionally informed by a working group comprising Retailer and Metering experts.

The rule change proposals and associated descriptions of the proposed rules are attached for your consideration.

Should you have any questions in relation to this rule change request please contact David Markham, telephone 03 9205 3107 or david.markham@energycouncil.com.au.

Yours sincerely

David Markham
Corporate Affairs

Executive summary

The Australian Energy Market Commission's (AEMC) rule change on expanding competition in metering and related services (competition in metering) was designed to open up competition in metering services and give consumers more opportunities to access a wider range of services.

The rule change created new market participants, such as the Metering Coordinator, and re-allocated certain responsibilities with respect to the provision of metering services for small and large customers. Under the new arrangements, responsibility for metering provision, replacement, and maintenance has transferred from the local network service provider (LNSP) to the newly created Metering Coordinator, Retailers, Meter Providers and Meter Data Providers.

However, since the commencement of the rule change in December 2017, retailers have identified aspects of the new arrangements where they are constrained in providing customers with the same level of customer service and flexibility with respect to planned interruptions for a meter replacement than was previously provided by the LNSP.

This has resulted in a negative impact on customer experience giving rise to customer complaints to retailers, and in a limited number of circumstances, escalated complaints to jurisdictional Ombudsman.

The objective of this rule change request is to ensure that customers are provided with the best level of service and flexibility with respect to the provision and installation of their electricity meter, without compromising on other key considerations such as safety and risk. This rule change intends to achieve this by providing customers with the overall quicker installation of the digital meter of the customer's choice

The amendment proposed requires careful consideration and should not be undertaken in a piecemeal manner. We also note that the AEMC have recently received rule change proposals on some of these areas from other interested parties. Should the AEMC wish to combine with other proposals where appropriate, then we are happy for them to do so.

Meter Coordinator Rule Change Proposal

The proponent of this rule change is the Australian Energy Council on behalf of Retailers and the Competitive Metering Industry Group (CMIG).

Background

Under the Power of Choice Rules, when a retailer wins a customer it can either appoint the incumbent MC/MP/MDP¹, or nominate a new MC, with the incumbent MP/MDP remaining appointed. Any decision to appoint a new MC will be driven by commercial arrangements the retailer may or may not have with these parties. If the retailer appoints a new MC (not the incumbent MC), then the new MC's appointment must be completed before they in turn can appoint a new MP/MDP.

If the incumbent MC does not have a commercial arrangement with the incumbent MP/MDP, they will appoint their own preferred MP/MDP and arrange to churn the customer's meter.²

The time between the MC being appointed to a connection point and the MC's preferred MP/MDP churning the meter may be a matter of days, weeks (in the case of access or site safety issues needing to be resolved) or in the worst-case scenario, months (in the case of a family failure of distributor meters or difficulty negotiating a meter change with a customer).

Issues Arising from Process

During this period, the new MC and the incumbent MP/MDP face risks of uncontracted liabilities. As the period of the MC's appointment without a meter exchange continues, the risk increases.

Specifically, during this period, the new MC is responsible in the market for a meter over which they have no ownership and control, and an incumbent MP/MDP with whom they have no commercial arrangement.³ If this period extends beyond a few days, the new MC will require the retailer to re-appoint the original MC for that connection point to minimise their liability for events and services outside their control.

If the retailer cannot reappoint the previous MC (because they are a distributor or because the retailer has no commercial arrangement with the previous MC), the retailer faces a potential breach of the NER and breach of contract and the MC remains exposed to liabilities for actions of the incumbent MP/MDP at the site.

Currently, clause 7.8.9(e) of the NER states that the MSATS Procedures must enable an Incoming Retailer to appoint an MC, MP or MDP and for those appointments to be recorded as being effective on or, where requested by an Incoming Retailer, after the day that the market load at the connection point transfers to the Incoming Retailer as the new FRMP.

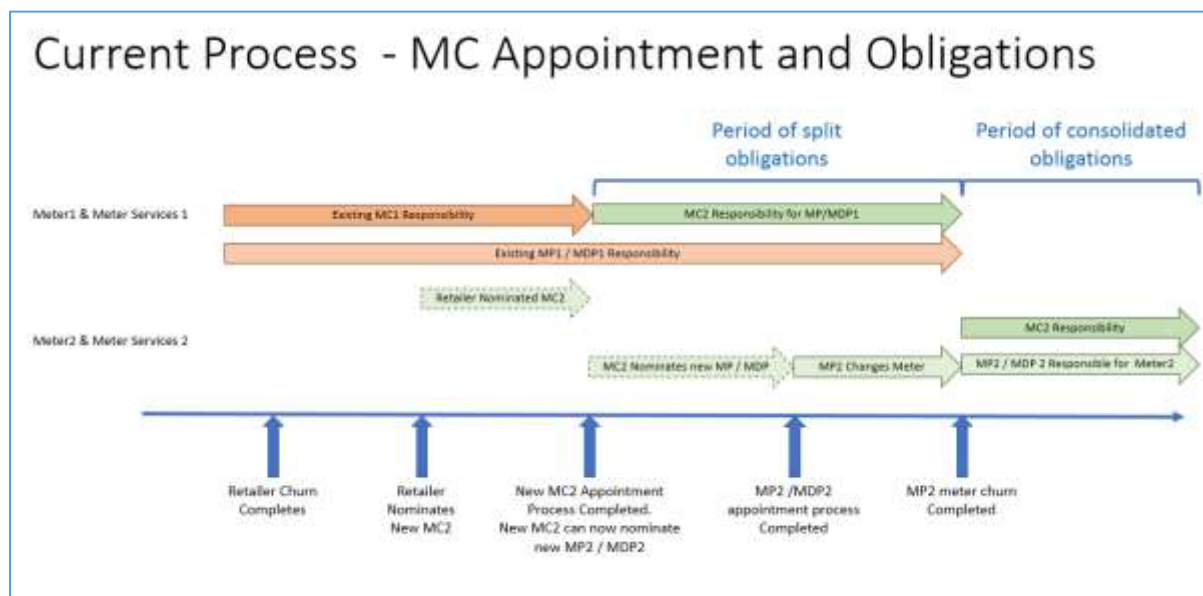
This is the period where the new MC's obligations are split, as shown in Figure 1 below.

¹ MC refers to Metering Coordinator, MP refers to Metering Provider and MDP refers to Metering Data Provider.

² In the case where a distributor is the incumbent MP/MDP, this would be the first installation of a smart meter

³ MCs have indicated that they do not have the resources required to contract with every MP/MDP in the market, nor do they consider such an approach prudent when the agreement would only be on foot temporarily.

Figure 1- Current Process - MC Appointment and Obligations



Importantly, this process depends on the MC and MP/MDP agreeing to work together on an uncontracted basis during this transitional period. Under Power of Choice, the appointment of an MC by retailers is a commercial one, as is the appointment of an MP/MDP by an MC.

In this commercial context, it is not advantageous to require MCs to take responsibility for assets and MP/MDPs they do not have a commercial arrangement with or wish to take responsibility for. The process should be driven by arrangements acceptable to all parties.

In summary, the current process leads to the following issues:

1. The newly appointed MC must take on liabilities and responsibilities for a meter and metering services which it does not own or control;
2. Where there are no commercial arrangements between the parties, there is the risk that one or either may reject the appointment of the other.

Proposed Rule

The proposed Rule Change seeks to recognise an MC who has been nominated in the market but who has not yet taken responsibility for a metering installation.

The proposed Rule Change would allow a nominated MC/MP/MDP to arrange for a meter churn and only take responsibility for the new meter at that connection point once the churn has been completed. This would ensure that the obligations and liabilities of the incumbent MC/MP/MDP at the connection point remain in force until their meter had been churned.

The proposed Rule Change would achieve two key outcomes:

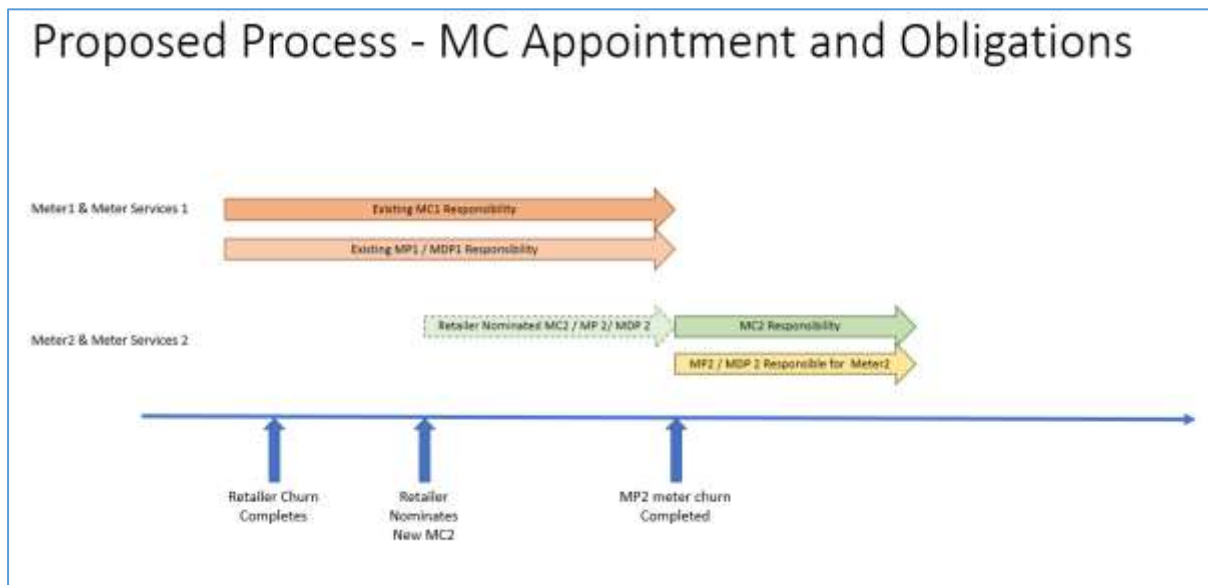
1. The nomination of the new MC would not change the obligations and liabilities the incumbent MCs have for their own MP's metering assets while those assets are in use at a metering installation; and
2. The selection of a new MC by the Retailer / Large Customer would not be limited by the arrangements that MCs may or may not have with other MP/MDPs.

The proposed Rule Change would allow a retailer to nominate a new MC/MP/MDP without affecting the roles of the incumbent MC/MP/MDPs. The incumbent MC/MP/MDP would retain responsibility for providing meter services and for their assets at the connection point until the existing meter is able to be changed, at which time the nominated MC/MD/MDP appointments would be finalised and those parties would take responsibility for the connection point and the new meter.

This would ensure clarity between the retailer and the incumbent MC/MP/MDP for the provision of metering services at a connection point.

The retailer would be able to nominate parties to commence a meter exchange prior to their appointment. Those parties will take responsibility at that metering installation immediately once the new meter is installed. This ensures clarity of obligation and responsibility, as indicated in Figure 2 below.

Figure 2 - Proposed Process - MC Appointment and Obligations



The proposed Rule Change would also remove the linkage between the MC and the incumbent MP/MDP by not requiring that relationship to exist to exchange a meter. Thus, the retailer would not be limited in their choice of MC/MP/MDP by the contractual arrangements between the MC and MP/MDPs.

Breaking this linkage would ensure that metering service businesses are competing on price and service, and not making decisions based on their contractual arrangements.

Another added benefit of this proposal is that where a customer is off supply due to a meter fault, a retailer can task the MC who is able to undertake the work most quickly, rather than being limited to the incumbent MC and MP.

Improve process and consumer outcomes form proposed Rule

In summary, the proposed Rule Change would:

1. not require the retailer's chosen MC to accept liability in the market for a meter over which it has no ownership or control (because it does not have a commercial arrangement with the incumbent MP/MDP);
2. acknowledge a nominated MC may access the minimum level of information required to plan a meter churn (such as site access and meter type);
3. clarify that the incumbent MC/MP/MDP retains responsibility in the market for the connection point and their assets until the nominated MC/MP/MDP can complete the meter churn; and
4. clarify that if the MC/MP/MDP nomination needs to be cancelled, the incumbent MC/MP/MDP remains responsible for the site and their assets; and
5. Allows a retailer to nominate an MC of their choice, without being reliant on the contractual arrangements the MC has with other MP/MDPs.

Contribution to the National Energy Objective (NEO) and National Electricity Retail Objective (NERO)

NEO

The NEO states that:

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

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

The proposal seeks to ensure that retailers can arrange for the digital meter of the customer's choice to be installed as quickly as possible, while ensuring that the obligations for the provision of metering services are clearly defined.

By clarifying market participant roles, it eliminates the risks associated with retailers and MCs having to work together without commercial arrangements in place. This reduces market and commercial risks and therefore promotes lower metering servicing costs.

This means that retailers can seek competitive metering services that align with their product and service offerings, which can be provided at the lowest cost and most efficient service available to consumers.

NERO

The NERO states that:

"the objective of this Law is to promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of consumers of energy with respect to price, quality, safety, reliability and security of supply of energy".

The proposed Rule Change would lead to improved efficiencies in the retailer and MC/MP/MDP relationships as well as reduce commercial risks. Therefore, consumers will benefit from lower cost and more innovative metering services, which should also promote greater choices for behind the meter solutions for customers to better manage the cost of energy.

Cost and Benefits

Benefits

Eliminating risk associated with the lack of commercial arrangements will support confidence in the competitive metering market and therefore lead to more effective meter deployments. This will promote the benefits for consumers of advanced meters as outlined in the AEMC's Power of Choice Final Decision⁴.

Retailers and metering service providers will also be able to minimise their commercial risks and lower their business operating costs. This will put downward pressure on costs for customers, through more effective metering and associated services.

Without this Rule Change, the cost of the provision of advanced meters will be increased by the need for retailers and metering service providers to manage unknown risks associated with having to deal with market participants that they do not have a commercial arrangement. Risk comes at a premium for consumers, as higher insurances and levels of financial support must be obtained.

Costs

The cost of undertaking this Rule Change relates to the costs of making the Rule Change and amending the various market procedures. The market systems, processes and transactions required to affect this Rule Change all exist currently, and only require minor amendment to allow their use in the proposed manner.

⁴ <https://www.aemc.gov.au/our-work/our-current-major-projects/power-choice>

Proposed Rule Change

In this proposed rule change, **blue** text denotes new rules, ~~red struck-through~~ text denotes parts of the existing Rules to be deleted, and **black** text denotes existing Rules. Italicised terms have the meaning given to them in the Rules.

1 Meter Churn Change

1.1 Replace clause 7.8.9(e) with:

The *Market Settlement and Transfer Solution Procedures* must include provisions that enable:

- 1) a **Retailer** or ~~an Incoming Retailer~~ to nominate a *Metering Coordinator*, and/or *Metering Provider* and/or *Metering Data Provider* to be appointed at a *connection point* in respect of which it is the *Retailer*, and for those appointments to be recorded as being effective on or, where requested by the *Retailer*, after the day that the *market load* at the *connection point* transfers to the *Incoming Retailer* as the new *financially responsible Market Participant*;
- 2) the installation of a new or replacement *metering installation* at a *connection point* as soon as practicable after the transfer of a *market load* at that *connection point* has been effected by ~~AEMO~~;
- 3) a nominated *Metering Coordinator* to nominate a *Metering Provider* or *Metering Data Provider* to be appointed at a *connection point*, and for those appointments to be recorded as being effective on or, where requested by a nominated *Metering Coordinator*, after the day that responsibility for the *connection point* transfers to the nominated *Metering Coordinator* as the new *Metering Coordinator*;
- 4) where requested by the nominated *Metering Coordinator*, a nominated *Metering Provider* is to install or replace a *metering installation* (notwithstanding that the *Metering Coordinator*, *Metering Provider* or *Metering Data Provider* roles may not have been updated in any system required by the *Market Settlement and Transfer Solution Procedures*); and
- 5) the responsibility of a *Metering Coordinator*, *Metering Provider*, or *Metering Data Provider* at a *connection point* to take effect from the day that a *metering installation* is installed or replaced.

Note:

A nominated *Metering Coordinator* means a *Metering Coordinator* that:

- (a) has agreed to be appointed as the *Metering Coordinator* at a *connection point* under clause 7.6.1; and
- (b) has been nominated to be the *Metering Coordinator* at a *connection point* in accordance with the *Market Settlement and Transfer Solution Procedures*, but which, in accordance with the *Market Settlement and Transfer Solution Procedures*, *AEMO* procedures or these *Rules*, is not yet responsible for performing the role of *Metering Coordinator* at that *connection point*.

A nominated *Metering Provider* means a *Metering Provider* that:

- (c) has agreed to be appointed as the *Metering Provider* at a *connection point* under clause 7.3.2(a); and

(d) has been nominated to be the *Metering Provider* at a connection point in accordance with the *Market Settlement and Transfer Solution Procedures*, but which, in accordance with the *Market Settlement and Transfer Solution Procedures*, *AEMO* procedures or these *Rules*, is not yet responsible for performing the role of *Metering Provider* at that *connection point*.

1.2 Insert 11.XX.2 as:

By 1 [month Year], AEMO must amend and publish all procedures to take into account the Amending Rule, including:

- 1) *service level procedures*;
- 2) *Market Settlement and Transfer Solution Procedures*;
- 3) *metrology procedure*; and
- 4) *meter churn procedures*.