



THE HON JOSH FRYDENBERG MP
MINISTER FOR THE ENVIRONMENT AND ENERGY

MS18-000207

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

1 MAR 2018

Dear Mr ^{J. John} Pierce

Please find attached a proposal to change the National Electricity Rules and the National Energy Retail Rules so that small customers will benefit from defined timelines when receiving new electricity meters, and are informed of their rights and dispute resolution options with respect to metering services.

Poor customer experiences in the early stages of the new contestable metering market have the potential to undermine confidence in this important reform. Delays can mean customers not receiving a supply of electricity at new premises or not taking advantage of energy technologies like solar and storage.

The attached rule change proposes that small customers are provided with new meters on a date agreed with the customer, or otherwise within 6 business days.

I am aware that other stakeholders are also preparing rule change proposals to improve timeframes for customers receiving metering services. I am sure the AEMC will consider these proposals with a view to balancing timeliness with cost and safety outcomes for customers.

Yours sincerely

A handwritten signature in black ink, appearing to read "J. Frydenberg".

JOSH FRYDENBERG

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Metering installation timeframes

Request to change the National Electricity Rules and the National Energy Retail Rules

February 2018

1. Name and address of the person making the request

The Hon Josh Frydenberg MP
Minister for the Environment and Energy
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

2. Description of the proposed rules

The proposed changes to the National Electricity Rules (NER) will require electricity retailers to ensure small customers¹ are provided with new meters² on a date agreed with the customer, or otherwise within 6 business days.

The proposed changes to the National Energy Retail Rules (NERR) will require electricity retailers to inform customers of their rights with respect to electricity metering services, including:

- the timeframe for the provision of a new meter
- the customer's rights to access their retailer's dispute resolution procedures and to lodge a dispute with an energy ombudsman.

3. Nature and scope of the issues with the existing rules

a. Background

New rules for the competitive provision of meters to small customers commenced in the National Electricity Market (NEM) (except Victoria) on 1 December 2017. Under the new rules, electricity retailers are now responsible for ensuring meters are provided to small customers. For most small customers, this was previously the role of distribution network service providers (DNSPs).

¹ In this proposal, the term 'small customer' is used in the same way as in the National Electricity Rules and National Electricity Retail Rules, i.e. residential and small business customers.

² A new meter is defined as a Type 4 or 4A meter.

Under the new rules, small customers will receive a Type 4 meter that complies with the minimum services specification in new and replacement situations (except in limited circumstances where they may receive a type 4A meter). These advanced meters are capable of a number of remote functions, including remote reading and remote connection and disconnection. Other advanced services, like power quality monitoring, can be supported on a commercial basis.

Customers will receive these meters when:

- their existing meter fails (a *metering installation malfunction*)
- their existing meter needs to be replaced (a *maintenance replacement*)
- their electricity retailer offers them a new meter (a *new meter deployment*)
- on request from the small customer so they can access a new product or service
- at a new connection, for example a new home or small business premises.

The changes to the metering rules followed a request from energy Ministers in 2013. The intent of the request was to support the uptake of efficient demand side participation by small customers, by making it easier to arrange for the metering needed to support choices of electricity products and services. Advanced metering supports information tools, technologies like solar photovoltaic (PV) and storage, and other electricity products and services that help customers control their electricity costs and increase efficiency in the electricity market.

b. Issue to be addressed

Since the commencement of the new rules, the Australian Government has become aware of complaints from small customers relating to delays in receiving new meters.

The new rules do not include timeframes for the installation of meters in new and replacement situations, although there are timeframes for correcting faults in type 4 and 4A meters (7.8.10 of the NER)³ and submitting standing data to AEMO related to new connections (7.8.2 of the NER)⁴.

Where a delay in providing a meter means that a new connection can't be energised, customers will be severely impacted by not having access to electricity at their premises.

In other situations, poor customer experiences may result when there are delays in customers accessing the new services that advanced meters can provide, and paying higher energy bills as a result. For example, customers will be disadvantaged by delays in installation of the net metering arrangements which allow them to benefit from using and exporting their solar PV.

Poor customer experiences may result in slower deployments of advanced meters, and consequently slower realisation of benefits for customers and the electricity system more broadly.

³ The rules state that for small customer meters, the Metering Co-ordinator must repair the meter as soon as practicable but no later than 10 business days after the Metering Coordinator has been notified.

⁴ The rule covers timeframes for a network to provide a new National Meter Identifier (NMI) to a retailer, and the time a metering co-ordinator needs to submit standing data on that new metering installation with AEMO.

c. New connections

Some jurisdictions include DNSP customer service standards for new connections in regulations. For example:

- Queensland: DSNPs must pay customers for each day that a new connection service is late⁵.
- South Australia: SAPN must connect a new supply address on a date agreed with the customer, or within six business days where no date is agreed⁶.
- Victoria: DNSPs must connect a new supply address on the date agreed with the customer, or within 10 business days where no date is agreed⁷.

Metering requirements for new connections should align with distributor obligations to provide connection services, so that customers do not experience delays in having their premises energised. A timeframe of 6 business days would align with obligations on DNSPs with respect to new connections.

d. Other circumstances

In circumstances other than new connections, delays in customers receiving meters also mean delays in benefiting from the electricity services supported by new meters.

The preference is for the same timeframe to apply to all metering installations, unless it can be established a different timeline is more appropriate.

The proponent is aware, for example, that there are different connection processes and safety regulations in different jurisdictions, and changes to other processes, procedures or rules may be needed to support more timely installation.

4. How the proposed changes would address the issues

In the proponent's view, changes should be made to the NER such that:

- the electricity retailer will use its best endeavours to provide a metering service
 - on a date agreed with the customer or, where no date has been agreed
 - within 6 business days after the customer has met the necessary preconditions.

Changes should also be made to the NERR such that:

- as a minimum requirement in relation to the terms and conditions of a standard contract and a market retail contract for electricity services
 - the retailer must inform the small customer of the small customer's rights with respect to:
 - : timeframes for the provision of metering services

⁵ Queensland Competition Authority, *Electricity Distribution Network Code* (in force 5 January 2018), p.7.

⁶ Essential Services Commission of South Australia, *Electricity Distribution Code* (July 2015), p.8.

⁷ Essential Services Commission Victoria, *Electricity Distribution Code* (Version 9, 23 December 2015), p.9.

- accessing the retailer's dispute resolution procedures and lodging a complaint with an energy ombudsman.

Retailers should face these obligations, rather than the Metering Coordinators and Metering Providers that arrange metering services and install meters. This will ensure retailers are accountable to their customers for meeting the timeframes, and have an incentive to manage this issue in their commercial relationships with metering service providers.

These changes would:

- provide certainty to customers about the timeframes for the provision of metering services
- provide discretion to the AER in determining the situations where retailers have used their best endeavours to provide metering services but have not been able to meet these timeframes for reasons outside their control
- ensure customers have information about their rights with respect to metering services and their options for resolving disputes.

The sorts of preconditions we would envisage needing to be met, that would trigger the start of the time period, would include:

- The retailer receiving a formal request from a customer for a new connection or the installation of a new meter and the customer providing a description of their precise requirements (e.g. a meter install relating to a solar installation or an air conditioner install requiring both the supply and meter to be upgraded).
- The retailer receiving formal notification from a suitably qualified electrical contractor (or similar), that confirms a site is safe and ready for a new meter installation.
- The retailer receiving notification from the local network service provider that all network related services are complete and installation can proceed.
- The customer having an active account with the retailer and has provided consent for all terms and conditions, including metering charges (where applicable).

The AEMC should consider if and how preconditions are defined as part of its rule change consultation process.

The proponent notes that there may be certain events which will be outside the control of the retailer and impact on the retailer's best endeavours. This might include extreme weather events, whether the meter installer has clear access to the site and if the state of the site allows work to proceed (i.e. is safe). There may also be situations where the metering provider observes an unsafe situation - asbestos, or other works, for example - and is obligated to inform the customer that an installation cannot proceed until the situation is rectified.

Requirements in the rules, for example de-energisation restrictions in protected periods, may also impact on the retailer's ability to comply with these timeframes.

The proponent is aware that the Australian Energy Council may be preparing rule changes that are also intended to improve timeframes for customers receiving a new meter. These rule changes are aimed at improving the behind-the-scenes processes and market systems that facilitate meter installations, addressing issues like:

- providing greater flexibility in customer notification periods for retailer planned interruptions so the customer can receive a meter when they choose
- B2B and MSATS procedures for actions like issuing service orders and notifications, and appointing parties to various metering roles.

The proponent supports consideration of any proposals to change the rules to the extent that they improve outcomes for customers and reduce delays in metering installation.

5. How the proposed changes will contribute to the achievement of the National Electricity Objective and the National Energy Retail Objective

a. National Electricity Objective (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.”

Poor customer experiences in receiving new, advanced meters have the potential to undermine confidence in this technology at a critical point in the development of the market. Consumer confidence is key to:

- consumers choosing to accept new meters, leading to rapid deployments
- consumers using the new products and services enabled by advanced meters to engage in demand side participation, manage their electricity costs and improve efficiency in the electricity market.

Slow deployments of meters, or consumers not using the new tools they enable, have the potential to delay the realisation of the economic benefits that the new metering arrangements were intended to deliver. This would be a significant barrier to efficient investment in, and operation and use of, electricity services, particularly with respect to demand side participation by customers.

b. National Energy Retail Objective (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”.

Advanced meters can enable new products and services that allow electricity retailers to improve their offerings to customers, enhance competition in the retail market and lower costs for retailers and customers.

Where customers experience delays in receiving meters, the realisation of the benefits is at risk, in turn creating barriers to advanced metering's contribution to achieving the NERO.

c. Meeting the consumer protection test

When considering changes to the NERR, the AEMC must, where relevant:

“satisfy itself that the Rule is compatible with the development and application of consumer protections for small customers, including (but not limited to) protections relating to hardship customers” (National Energy Retail Law, s. 236(2)(b)).

The proposed changes to the rules create additional protections for small customers in relation to electricity retailers. Small customers have limited market power in their relationship with their retailer for metering services.

Where a meter is needed for a new connection, small customers can be significantly affected if an electricity supply cannot be provided because a meter hasn't been installed. Since there is a limited number of retailers that provided new connection services in some jurisdictions, customers have limited market power in these situations.

Although customers have the option to switch to another retailer if they receive poor service, such as an extended delay in receiving a meter, access to an advanced meter is only one element of a retailer's offer to a customer. The customer might otherwise be happy with things like the electricity price being offered, access to products and services like apps and other information tools, or use of solar and storage. It is a significant burden on a small customer to change their electricity retailer because they have not received a new meter in a timely manner.

Small customers also rely on their retailer for the provision of a suitable meter so they can start to use new energy management options and technologies like solar PV and storage. Small customers should not be disadvantaged by delays to meter installations that are outside their control.

6. Expected benefits and costs of the proposed change

a. Benefits

Small customers are expected to benefit from timely installation of advanced meters. Favourable experiences in the installation process will support confidence in this market and more rapid deployments than might otherwise occur. Small customers with advanced meters will have access to a range of options to help them manage electricity use and costs including:

- information tools like apps and web-based portals
- detailed energy use data to help make decisions about which is the best electricity retail offer for them
- new tariffs that reward changing patterns of electricity use
- energy management technologies like solar and storage.

Similarly, electricity retailers are expected to benefit from more rapid deployments of advanced meters. New products and services enabled by advanced meters allow retailers to attract and retain customers, for example by improving services and offering information tools. Retailers will also be able to lower their own business operating costs, and put downward pressure on costs for customers, through increased use of remote services.

Efficient levels of demand side participation enabled by advanced meters, and lower operating costs for retailers, would lead to more efficient investment in and use of electricity infrastructure. This is the result of customers having better information about the cost of providing electricity services, particularly at peak times, and better information and tools to shape demand to align with lower cost supply. In the long-term, this would put downward pressure on costs in the generation and network sectors.

Poor experiences with the new market for advanced meters, including installation delays, can put the timely realisation of these benefits at risk.

b. Costs

The possible costs of this proposal relate to the potential impact on the cost of metering services. To meet a regulated timeframe for metering installations, a retailer and its metering service providers need to invest so that they can meet the timeframe in every location. This could involve, for example, engaging more qualified installers than might be the case in an unregulated market, and holding additional stocks of new meters.

The proposed timeframe should provide a balance between reasonable customer expectations about timeliness and the potential to increase costs.

The AEMC should also consider any impacts of a defined timeframe on the safe installation of meters, and assure themselves that the proposed timeframe will not impact the ability of installers to comply with jurisdiction safety requirements and install meters safely.

7. Potential impacts of the proposed changes on those likely to be affected

a. Small customers

Small customers will benefit from certainty about the timeframes for installation of new meters. This will support confidence in new metering technologies, and uptake of new products and services enabled by advanced meters.

b. Energy service providers

Providers of energy services, such as installers of solar PV and storage, will also benefit from certainty about the timeframes for installation of new meters. For example, solar PV and storage providers will be able to provide customers with accurate information about when their system will be installed and when it will be useable.

c. Electricity retailers

Electricity retailers will face an additional obligation to provide meters within the defined timeframe. Retailers will need to manage this obligation through their commercial arrangements with Metering Coordinators.

d. Metering Coordinators

Metering Coordinators will need to manage the new obligation to provide meters within the defined timeframe, which will be passed through from electricity retailers in commercial arrangements. In turn, Metering Coordinators will pass this requirement through to Metering Providers in the terms and conditions of commercial agreements.

e. Metering Providers

As the party responsible for actually installing and maintaining meters, Metering Providers will need to ensure that their business practices support installation of meters within the defined timeframe. This could include ensuring sufficient qualified installers are available to complete installations, and that sufficient stocks of meters are available.