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Australian Energy Market Commission

## **RULE DETERMINATION**

# **NATIONAL ELECTRICITY AMENDMENT (METER INSTALLATION - ADVANCED METER COMMUNICATIONS) RULE 2019**

### **PROPONENT**

Australian Energy Council

21 MARCH 2019

## INQUIRIES

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Reference: ERC0246

## CITATION

AEMC, Meter installation - Advanced meter communications, Rule determination, 21 March 2019

## ABOUT THE AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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## SUMMARY

- 1 In 2015 the Australian Energy Market Commission (AEMC or the Commission) introduced significant reforms to metering services in the National Electricity Market (NEM) through the *Expanding Competition in metering and related services* final rule (Competition in Metering Rule). This involved significant amendments to the National Electricity Rules (NER) and the National Energy Retail Rules (NERR). Commencing on 1 December 2017, the Competition in Metering Rule introduced competition in the provision of metering services and sought to facilitate the market-led deployment of advanced electricity meters. The Commission anticipated that consumers would drive the uptake of advanced meters, and industry innovation, by choosing the new products and services that the meters facilitate.
- 2 The reforms required that only a type 4 advanced meter (type 4 meter) be installed for any new or replacement meter. A type 4 meter is a remotely-read advanced meter. The only other meter that may be installed in certain circumstances is a type 4A advanced meter (type 4A meter), which is an advanced meter with its remote communications disabled such that it must be read manually.
- 3 This final rule determination addresses one specific aspect of these metering reforms. It extends the existing circumstances under the NER in which a metering coordinator can use its discretion to install a type 4A meter when a customer refuses the installation of a type 4 meter.<sup>1</sup> It therefore allows metering coordinators to deactivate the remote communications capability of an installed type 4 meter, where a small customer objects to their continued use, thereby creating a type 4A meter. The final rule has been made in relation to the rule change request made by the Australian Energy Council (AEC).
- 4 The final rule will, or is likely to, contribute to the national electricity objective (NEO) by providing better outcomes for consumers in the long term in relation to price, contributing to lowering costs and more closely reflecting the value some consumers place on certain metering services. Specifically the final rule is expected to:
  - Decrease costs to the individual customer for the provision of a type 4A meter by allowing an installed type 4 meter at a small customer's premises to be converted into a type 4A meter.
  - Provide cost savings to metering coordinators, retailers and jurisdictional ombudsman schemes by reducing the likelihood of small customer complaints.
  - Facilitate the efficient provision of a type 4A meter where a customer refuses the continued use of a type 4 meter and is prepared to pay potential additional costs, such as the cost of manual meter readings.
- 5 The final rule is a more preferable final rule. The final rule implements the solution proposed by the AEC in their rule change request but includes additional elements that were seen as appropriate by the Commission. In response to feedback from stakeholders, the final rule requires that small customers are informed of the cost and practical implications of having a

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<sup>1</sup> Clause 7.8.4(h) of the NER.

type 4A meter before a metering coordinator may accept their request. The final rule also clarifies the original intent of the amended clause (7.8.4 of the NER) as it may have been misinterpreted in the drafting of the rule prior to this rule change.

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The final rule:

- Adopts the core element of the proposed AEC rule change — allowing metering coordinators to deactivate the communications on an installed type 4 meter when a small customer objects to its continued use, and that refusal is acted on (accepted) by the metering coordinator.
- Clarifies the policy intent of the existing clause 7.8.4(d)-(i) of the NER — that accepting a small customer's refusal of a type 4 meter is at the discretion of a metering coordinator.<sup>2</sup>
- Imposes an information provision obligation on metering coordinators as a precondition to acceptance of a customer refusal of a type 4 meter — prior to accepting their refusal a small customer must be informed of the similarities and differences between a type 4 and a type 4A meter, and the upfront charges and indicative ongoing charges associated with a type 4A meter.

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The changes made from the draft to final rule are:

- Clause 7.8.4(d)(2) now explicitly states that the retailer is responsible for providing a copy of the required information to the customer and a record of this occurring to the metering coordinator.
- Clause 7.8.4(d)(2)(i), which refers to the information a customer is to be provided by a retailer before a type 4A meter can be installed, now refers to "the similarities and differences" rather than just "the differences" of type 4 metering installation and type 4A metering installations.
- Clause 7.8.4(d)(2)(ii) now refers to "the upfront charges and indicative ongoing charges" rather than "the upfront costs and indicative ongoing expenses" with regard to the information provision obligation.
- Clause 7.8.4(g) now explicitly requires the metering coordinator to retain both a record of the small customer refusal and the information provided by the relevant retailer to the small customer in relation to the information provision.

These changes were made due to concerns raised by stakeholders in their submissions to the draft rule determination.

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The commencement date for the final rule is **1 July 2019**. This date was delayed from the date proposed in the draft rule determination (21 March 2019, the date of publication) to allow time for retailers and metering parties to make any necessary amendments to their relevant commercial contracts and/or metering installation arrangements.

<sup>2</sup> Refer to AEMC, *Expanding competition in metering and related services*, Final Determination, AEMC, 2015, Sydney, pp. 320-321 for the original policy intent of clause 7.8.4 of the NER.

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# 1 AUSTRALIAN ENERGY COUNCIL'S RULE CHANGE REQUEST

## 1.1 The rule change request

On 20 July 2018, the Australian Energy Council (AEC or the proponent) made a request to the AEMC (AEMC or Commission) to make a rule regarding type 4A meter installations in the national energy market (NEM), by amending clause 7.8.4 of the National Electricity Rules (NER).

The AEC stated that the primary objective of the rule change was to allow metering coordinators to deactivate the remote communications capability on an *already installed* type 4 meter, if a small customer objects to its continued use.

The rule change request included a proposed rule. A copy of the rule change request may be found on the AEMC website, [www.aemc.gov.au](http://www.aemc.gov.au).<sup>3</sup>

## 1.2 Current arrangements

Currently, a metering coordinator must ensure that all new and replacement meters installed at the connection point of small customers are type 4 meters,<sup>4</sup> subject to two exemptions under which a type 4A meter may be installed instead of a type 4 meter.<sup>5</sup> Table 1.1 presents the differences and similarities of type 4 and type 4A meters.

**Table 1.1: Types of advanced meters – differences and similarities**

| TYPE 4 METER   | TYPE 4A METER  |
|--|--|
| To be classified as an advanced meter, the device must be capable of providing the services set out in the minimum services specification set out under the NER. Both meters record the same level of electricity usage data, which can be used by the consumer, retailer, and authorised third parties.   |  |
| A type 4 meter is a two-way digital communication system that automatically sends a customer's usage data to the required parties through its remote communications function. This automated communication ends the need for manual meter reads and gives customers greater control over their electricity usage and billing arrangements, and a choice of services. | A type 4A meter is a meter that is capable of providing the services in the minimum services specification but has its communications deactivated and therefore cannot be remotely read and/or managed. The Competition in Metering Rule provides that a type 4A meter can be installed in place of a type 4 meter in certain circumstances. |

<sup>3</sup> AEC, Meter communications rule change request, 20 July 2018. See: <https://www.aemc.gov.au/rule-changes/meter-installation-advanced-meter-communications>.

<sup>4</sup> See clause 7.8.3(a) of the NER.

<sup>5</sup> See clause 7.8.4 of the NER.

### 1.2.1

#### Exemption to the requirement to install a type 4 meter

A metering coordinator can install a type 4A meter where either:

1. The metering coordinator demonstrates to the Australian Energy Market Operator's (AEMO) reasonable satisfaction that there is no existing telecommunications network that enables remote access to the meter at the small customer's connection point,<sup>6</sup> or
2. In the metering coordinator's reasonable opinion, the small customer has communicated their refusal to the installation of a type 4 meter (with the communications enabled).<sup>7</sup>

In either of the above circumstances a metering coordinator may deactivate the communications on a type 4 meter at the time a meter is installed, creating a type 4A meter.

The second exemption to the metering coordinator's obligation to install a type 4 meter is the focus of this rule change.

### 1.2.2

#### Small customer refusal exemption

The 2015 *Expanding competition in metering and related services* final rule determination (Competition in Metering Rule determination)<sup>8</sup> set out the Commission's reasons for providing an exemption to the obligation on metering coordinators to install a type 4 meter when a small customer refuses the type 4 meter. The Commission acknowledged that there was likely to be a minority of small customers who would seek to prevent or refuse the installation of a type 4 meter, or have one removed.<sup>9</sup> An example as to why this refusal would be given was the concern that some consumers have regarding the ability for a type 4 meter to be read or managed remotely via a telecommunications network.<sup>10</sup>

The Commission noted that, without an exemption, in these circumstances the only recourse that would be available to a retailer would be to estimate the customer's energy consumption for the purposes of billing and settlement. Eventually, under that scenario, the customer's premises would be de-energised if access to install a type 4 meter continued to be denied by the small customer.<sup>11</sup>

As this would have been a poor outcome for consumers, an exemption to the metering coordinators' obligation to install a type 4 meter was provided.<sup>12</sup> That is, the final Competition in Metering Rule provided that the metering coordinator is not in breach of the NER if it installs a type 4A meter (effectively deactivating the communications of a type 4 meter) where a customer refuses the installation of a type 4 meter.

The Commission stated in the Competition in Metering Rule final determination:<sup>13</sup>

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<sup>6</sup> Clause 7.8.4 (a)-(c) of the NER.

<sup>7</sup> Clause 7.8.4 (d)-(i) of the NER.

<sup>8</sup> For more information see: AEMC, *Expanding competition in metering and related services*, Final Determination, 26 November 2015, Sydney.

<sup>9</sup> AEMC, *Expanding competition in metering and related services*, Final determination, 26 November 2015, Sydney, p. 320.

<sup>10</sup> Ibid.

<sup>11</sup> Under rule 113 of the NER.

<sup>12</sup> Under clause 7.8.3 of the NER a metering coordinator must install a type 4 meter that meets the minimum services specification.

<sup>13</sup> AEMC, *Expanding competition in metering and related services*, Final Determination, 26 November 2015, Sydney, pp. 320-321.

“Rather than providing customers with an express right to opt out of the installation of a meter that meets the minimum services specification in the case of faults, maintenance replacements or new connections, clause 7.8.4 of the final rule operates as a qualification to the metering coordinator’s obligation to install a meter that meets the minimum services specification at the relevant site.”

In terms of a small customer refusal, the Competition in Metering Rule set out:<sup>14</sup>

- how a customer may communicate a refusal<sup>15</sup>
- that a retailer and metering provider must notify the metering coordinator and provide details of a refusal<sup>16</sup>
- a requirement for the metering coordinator to maintain a written record of the refusal for a period of at least seven years.<sup>17</sup>

The intention behind the exemption in clauses 7.8.4(d)-(i) of the NER is to allow — rather than require — a metering coordinator to install a type 4A meter if the customer refuses a type 4 meter. This means that the metering coordinator has discretion to act on a small customer refusal (that is, ‘accept’ a small customer’s refusal). Similarly, the small customer is free to seek out a different retailer providing the metering services that best meet their needs.

Further background on the Competition in Metering Rule and final determination are set out in Appendix C.

## 1.3 Rationale for the rule change request

The issue the AEC sought to resolve in its rule change request is to rectify the absence of a provision in the NER that enables the metering coordinator to deactivate the communications on a type 4 meter if a small customer does not wish to retain the remote communications on an already installed type 4 meter. For example where a customer moves into a house that already has a type 4 meter installed.

The AEC raised the following reasons for the rule change:

- The costs associated with deactivating meter communications on an installed type 4 meter is three to five times lower than replacing the meter entirely (as currently occurs with a meter exchange).
- In most cases, should the rule change be made, the deactivation of the type 4 meter communications will not require any interruption to the customer’s supply of electricity (in comparison to meter exchanges, which may require supply to be interrupted).

<sup>14</sup> Clause 7.8.4 (e)-(g) of the NER.

<sup>15</sup> A small customer may communicate their refusal verbally, in writing or by conduct, pursuant to clause 7.8.4(e) of the NER.

<sup>16</sup> Failing to do so is a civil penalty provision, per clause 7.8.4(f) of the NER.

<sup>17</sup> Clause 7.8.4(g) of the NER.



- There will likely be a reduction in the cost and time retailers, customers and jurisdictional ombudsmen would otherwise be required to spend on complaints regarding type 4 metering installations.

## 1.4 Solution proposed in the rule change request

The AEC sought to resolve the issues discussed above by proposing a rule (proposed rule) to provide the metering coordinator with the ability to deactivate the communications on an already installed type 4 meter (converting the installed type 4 meter to a type 4A meter). The rule would expand the ability of a metering coordinator to respond to a customer's refusal of a type 4 meter to cover more circumstances than is currently possible under the NER.

The rule change request states that:

"Once a small customer refusal has been registered, the relevant metering coordinator and retailer may then choose the most cost-effective and efficient manner to convert the type 4 meter to a type 4A meter, which may or may not involve a meter replacement."<sup>18</sup>

The AEC recommended that the NER be amended to expand the current exemption to the obligation for metering coordinators when installing type 4 meters for new and replacement meters for customer refusals. That is, the NER would be amended to allow metering coordinators to deactivate communications on an existing type 4 meter installed at a small customer premises where the customer has expressed that they do not want the communications to remain enabled.

## 1.5 The rule making process

On 11 October 2018, the Commission published a notice advising of its commencement of the rule making process and consultation in respect of the rule change request.<sup>19</sup> A consultation paper identifying specific issues for consultation was also published. The Commission received 11 submissions. Issues raised in these submissions were summarised and responded to in the draft rule determination.

On 20 December 2018, the Commission published a draft rule determination and a draft rule. Submissions on the draft rule determination closed on 7 February 2019. The Commission received nine submissions on the draft rule determination.

The Commission considered all issues raised by stakeholders in submissions. Issues raised in submissions are discussed and responded to throughout this final rule determination. Issues that are not discussed in the body of this document have been summarised and responded to in Appendix A. Table A.1 discusses the issues raised in relation to the consultation paper and Table A.2 discusses the issues raised in relation to the draft rule determination.

<sup>18</sup> AEC rule change request, p. 2.

<sup>19</sup> This notice was published under s. 95 of the National Electricity Law (NEL).

## 2 FINAL RULE DETERMINATION

The Commission's final rule determination is to make a more preferable final rule (final rule).

The final rule allows metering coordinators to accept a small customer refusal to the continued use of an installed type 4 meter and provide a type 4A meter to the customer. However, this can be done once the customer's retailer has provided information on the charges associated with a type 4A meter and the differences and similarities of type 4 and type 4A meters, and the retailer has provided a record of this to the metering coordinator.

The key features of the final rule are set out in section 2.3.1 and the changes from the draft rule to the final rule are set out in section 2.3.2. The Commission's reasons for making this final rule determination are set out in section 2.3.3.

Further information on the legal requirements for making this final rule determination is provided in Appendix B.

### 2.1 Rule making test

#### 2.1.1 Achieving the NEO

Under the NEL the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the national electricity objective (NEO).<sup>20</sup> This is the decision-making framework that the Commission must apply.

The NEO is:<sup>21</sup>

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 long term interest of consumers of electricity with respect to *price of the supply of electricity* is the relevant section of the NEO for consideration in regard to the decision-making framework used for this rule change.

#### 2.1.2 Making a more preferable rule

Under s. 91A of the NEL, the Commission may make a rule that is different, including materially different, to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NEO.

In this instance, the Commission has made a more preferable final rule. The Commission has determined to address a number of issues, raised by stakeholders as well as the Commission's own analysis, that were not addressed in the AEC's rule change request.

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<sup>20</sup> Section 88 of the NEL.

<sup>21</sup> Section 7 of the NEL.

The Commission has taken these issues into account in making the more preferable final rule which will, or is likely to, better contribute to the achievement of the NEO. Among these is a requirement that a metering coordinator must, before accepting a small customer refusal of a type 4 meter, confirm that the small customer has been informed about the cost and service implications of a type 4A meter.

### 2.1.3

#### Applicability of the rule

##### Applicability of the rule in the Northern Territory

From 1 July 2016, the NER, as amended from time to time, apply in the Northern Territory, subject to derogations set out in regulations made under the Northern Territory legislation adopting the NEL. Under those regulations, only certain parts of the NER have been adopted in the Northern Territory.<sup>22</sup>

The final rule does not apply in the Northern Territory as it relates to parts of the NER which have not been adopted in the Northern Territory.

##### Applicability of the rule in Victoria

The Victorian government has made significant derogations from the metering provisions in the NER. As a result, key changes of the Competition in Metering Rule do not currently apply in Victoria and metering services continue to be provided by distributors as a regulated monopoly service.

The final rule does not have any immediate effect in Victoria as it relates to a part of Chapter 7 of the NER that does not currently apply in Victoria as a result of a Victorian Ministerial Order.<sup>23</sup>

## 2.2

### Assessment framework

In assessing this rule change against the NEO with respect to price, the Commission has evaluated the final rule against the following criteria:

- **Cost:** The ability of the rule to lower the cost of providing a customer with a type 4A meter, compared to the cost of current arrangements, where a customer requests the communications of an installed type 4 meter be deactivated. This cost reduction should lead to lower prices for this deactivation service through reduced compliance processes (such as planned interruption notices) for consumers.
- **Consumer-reflective value for metering services:** The extent to which the rule promotes metering options for customers, within the principles established by the Competition in Metering Rule, thereby allowing customers to select a meter type consistent with their optimum level of service (that is, reflecting characteristics they value most).

<sup>22</sup> See the AEMC website for the NER that apply in the NT. The NT legislation adopting the NEL is the *National Electricity (Northern Territory) (National Uniform Legislation) Act 2015*.

<sup>23</sup> Pursuant to clause 5 of the *National Electricity (Victoria) Act 2005* - 2017 Ministerial Order under Section 16BA, (Victorian Government Gazette, No. S 346, 12 October 2017).

The competition criteria in the assessment framework set out in the consultation paper was removed in the draft determination's revised framework<sup>24</sup> on the basis that the draft rule is unlikely to have any material impact on competition.<sup>25</sup> The Commission still holds this view in light of the final rule.

## 2.3 Summary of reasons

This section sets out the key features of the final rule, the differences between the draft rule and the final rule, and the reasons for making the final rule.

### 2.3.1 Key features of the final rule

The final rule made by the Commission is attached to and published with this final rule determination.

The implementation date of the final rule is 1 July 2019, three months after publication of this determination. This is to allow metering parties and retailers time to amend their metering installation arrangements and commercial contracts (as necessary) to address the changes and additional obligations on metering coordinators arising from this final rule.

The three key features of this final rule are:

1. expanding the circumstances under which a metering coordinator may install a type 4A meter, without compromising the deployment of advanced meters
2. clarifying the original policy intent of the NER in relation to a small customer refusal of a type 4 meter
3. imposing an information provision obligation on retailers and a subsequent confirmation obligation on metering coordinators as a precondition to acceptance of a customer refusal.

#### **1. Expanding the circumstances under which a metering coordinator may install a type 4A meter**

The final rule allows metering coordinators to deactivate the communications on an installed type 4 meter thereby creating a type 4A meter, when a small customer objects to the continued use of a type 4 meter (expressed within the final rule as clause 7.8.4(h1)).

Under the final rule, clauses 7.8.4(d)-(i) of the NER, will apply specifically where a small customer objects to the continued use of an installed type 4 meter, which provisions set-out:

- when a customer is taken to have communicated a refusal
- the notification requirements on the metering provider or financially responsible market participant to inform the metering coordinator of the refusal
- that a metering coordinator must maintain a written record of refusals
- that a metering coordinator must only install a type 4A meter and not any other type of meter where the small customer refusal is accepted

<sup>24</sup> See AEMC, *Meter installation — advanced meter communications*, consultation paper, 11 October 2018, p.9.

<sup>25</sup> EnergyAustralia, submission to the consultation paper, pp. 1-2.

- that a metering coordinator may activate the communications on a metering installation at any time with the consent of the small customer.

As is currently the case when a small customer refuses a new or replacement type 4 meter, the final rule does not allow a metering coordinator to install a type 5 or 6 meter if a customer refuses the use of an already installed type 4 meter. Limiting meter installations, replacements and modifications to either a type 4 or a type 4A meters as required by clause 7.8.4(h) of NER and mirrored in clause 7.8.4(h1) of the final rule reinforces the goals of the Competition in Metering Rule and does not compromise the deployment of advanced meters.

The period of time that the metering coordinator must retain written record of refusals and the retailer's compliance with the information obligation has also been changed from seven years to two years as a consequential change under the final rule. This change is to provide a consistent approach to the period that customer information records must be retained (across the NER and the NERR). For instance, since the commencement of the *Metering installation timeframes* rule on 1 February 2019, retailers and distributors need to retain evidence of consents obtained from customers to allow an agreed date or date range for a planned interruption for a period of at least two years.<sup>26</sup> It is noted that there are other record keeping timing obligations imposed on metering coordinators, metering data providers and AEMO in Chapter 7 of the NER that will remain as seven years as they relate to retention of consumer data and not customer information records.<sup>27</sup>

The amended retention period for the refusal to be kept does not mean that the small customer refusal (accepted by the metering coordinator) ceases to exist after two years. Rather, metering coordinators must hold the written record for a minimum of two years. An accepted refusal will continue to exist until such time as the customer for the relevant premises provides consent for the meter communications to be activated or reactivated (as applicable).

### **Civil penalty recommendations**

The Commission will recommend to the COAG Energy Council, jointly with the Australian Energy Regulatory (AER), for clause 7.8.4 (h1) of the final rule to be made a civil penalty provision to provide consistency with the current arrangements for new and replacement meters.<sup>28</sup> The Commission considers that the new clause should be a civil penalty provision to ensure that the only type of meter that is installed (or provided through conversion of a type 4 meter) is a type 4A meter (being an advanced meter that has the capability, if its remote communications are activated, of providing the minimum services specification as set out in S7.5.1.1 of the NER).

The benefit of clause 7.8.4(g) of the final rule also being classified as a civil penalty provision was raised during the Commission's consultation with the AER. The rationale for this view which is accepted by the Commission is that the AER would not be able to adequately check

<sup>26</sup> AEMC, *Metering Installation Timeframes*, Rule determination, p. 60, 6 December 2018.

<sup>27</sup> Relevant clauses include, cl 7.9.5(b), cl 7.10.2(a)(ii), cl 7.11.1(e) and (h) of the NER.

<sup>28</sup> Clause 7.8.4(h) of the NER which contains the existing obligation on a metering coordinator to ensure that only a type 4A is installed where a small customer refusal to the installation of a type 4 meter is accepted by the metering coordinator is currently classified as a civil penalty.

that metering coordinators had met their obligations under clause 7.8.4(d) prior to accepting a small customer's refusal if there was not civil penalty enforceability on the record keeping obligation under clause 7.8.4(g). The Commission will therefore jointly recommend with the AER to the COAG Energy Council, for clause 7.8.4 (g) to be made a civil penalty provision to assist enforcement of the final rule.

## **2. Clarifying the intent of the NER in relation to a small customer refusal of a type 4 meter**

Clause 7.8.4 of the NER does not provide customers with an express right to opt out of the installation of a meter that meets the minimum services specification in the case of faults, maintenance replacements or new connections.<sup>29</sup>

As part of the final rule, clause 7.8.4(d) of the NER has been amended to clarify that accepting a small customer refusal of a type 4 meter is at the discretion of the metering coordinator (provided that the metering coordinator has met the conditions set out in the clause).<sup>30</sup> Additionally, the obligations on a metering coordinator to retain written records has been clarified to apply only to small customer refusals that the metering coordinator has accepted.

If a type 4A meter is provided to a small customer and a metering coordinator can not establish that they have undertaken the required steps to comply with clause 7.8.4 of the NER, then the metering coordinator would be in breach of their obligation set out in clause 7.8.3(a) and be liable to a civil penalty provision. It is intended that clauses 7.8.4(h) and (h1) of the final rule should have civil penalty enforceability to ensure that only a type 4A meter, and not a type 5 or type 6 meter, is installed by the metering coordinator when a small customer refusal to a type 4 meter is accepted.

## **3. Imposing an information provision obligation on retailers as a precondition to a metering coordinator's acceptance of a customer refusal**

When a customer objects to the continued use of an installed type 4 meter, the final rule requires metering coordinators to be given a record by the relevant retailer to show the customer has been provided with information on the:

- Upfront charges and indicative ongoing charges associated with a type 4A meter that will be payable by the customer (i.e. the cost implications for a customer with a type 4A meter installation).
- Differences and similarities between a type 4 and a type 4A meter (i.e. the services that a type 4A meter installation can not provide or support on account of the communications on the meter not being activated as well as the services that both a type 4 and type 4A meter both support, such as interval consumption data recording).

<sup>29</sup> Refer to *Expanding competition in metering and related services*, Final Determination, AEMC 2015, Sydney, pp. 320-321 for the Commission's policy intention of clause 7.8.4 of the NER.

<sup>30</sup> This is distinct from the ability of a customer to opt out of a retailer's new meter deployment for small customers. A new meter deployment is the replacement of an existing electricity meter which is arranged by the retailer, where the replacement is not: at the request of the customer to enable the provision of a product or service; a maintenance replacement; or as a result of a metering malfunction. The requirement on retailers to notify customers of a new meter deployment is set out in rule 59A of the NER.

The information above must be provided to the customer by the retailer before the metering coordinator may accept the customer's refusal and arrange a type 4A meter installation.<sup>31</sup>

The final rule makes it explicit that the retailer (who is, by its nature, a customer facing business) is the party that provides the above information to the small customer. The retailer would then:

- advise the metering coordinator that the information has been given to the customer, and
- give the metering coordinator a copy of the information

before directing the metering coordinator to accept the small customer's refusal and to arrange for a type 4A meter to be provided to the customer.

It should also be noted that clause 7.8.4(d)(2) of the final rule is not a blanket information requirement but only applies when the metering coordinator intends to accept the customer's request.<sup>32</sup>

This information provision obligation in the final rule will apply both to a customer's refusal of the installation of a new or replacement type 4 meter<sup>33</sup> and also the conversion of an installed type 4 meter with a type 4A meter.<sup>34</sup> This consequential change is an important consumer protection and therefore should apply in both scenarios.

Clause 7.8.4(g) of the final rule requires that a record of the refusal, copy of the customer information and record that it has been provided by the retailer to the customer must be retained by the relevant metering coordinator for at least two years to establish that the requirements of clause 7.8.4(d)(2) (preconditions that must be met before a metering coordinator may provide a small customer. refusing a type 4 meter, with a type 4A meter) of the final rule have been met.

Further detail on the final rule can be found in chapter 3 and chapter 4 below. Further information on the legal requirements for making this final rule determination is set out in Appendix B.

### 2.3.2

#### Changes from the draft rule to the final rule

The final rule largely retains the content and form of the draft rule. However, a number of changes have been made to the draft rule to enhance its effective operation and to strengthen consumer protections.

Table 2.1 below summarises the key changes from the draft rule to the final rule.

<sup>31</sup> See clause 7.8.4(d)(2) of the final rule.

<sup>32</sup> In these cases the metering coordinator is not required to comply with clause 7.8.3(a) of the NER to install a type 4 meter with its communications enabled.

<sup>33</sup> Under clause 7.8.4 (h) as amended by the final rule.

<sup>34</sup> clause 7.8.4 (h1) of the final rule.



**Table 2.1: Key changes from draft rule to final rule**

| REASON FOR CHANGE  | DRAFT RULE  | FINAL RULE   |
|--|---|--|
| The Commission considered further clarification of the roles and responsibilities of the relevant metering coordinator and retailer in relation to the operation of the final rule was necessary, specifically to clearly identify the responsibility of the respective parties in relation to the customer information provision obligation.  | Clause 7.8.4(d)(2) —<br>“the <i>Metering Coordinator</i> has informed the <i>small customer</i> or is aware that the <i>financially responsible Market Participant</i> has informed the <i>small customer</i> :”  | Clause 7.8.4(d)(2) —<br>“the <i>financially responsible Market Participant</i> has notified the <i>Metering Coordinator</i> that the <i>financially responsible Market Participant</i> has provided the following information to the <i>small customer</i> , and provided a copy of that information to the <i>Metering Coordinator</i> :” |
| The Public Interest Advocacy Centre (PIAC) stated in their submission to the draft rule determination that some consumers may be misled by the information provided by a retailer complying with the information provision obligation in the draft rule because of the use of “differences of type 4 and type 4A meters”. PIAC suggested that explaining the similarities of these meter types would also be valuable information for small customers. | Clause 7.8.4 (d)(2)(i) —<br>“about the differences between a type 4 <i>metering installation</i> and a type 4A <i>metering installation</i> ”   | Clause 7.8.4 (d)(2)(i) —<br>“information on the similarities and differences between a type 4 <i>metering installation</i> and a type 4A <i>metering installation</i> ”  |
| AGL raised in their submission the issue that the use of the word ‘expense’ and ‘costs’ associated with type 4A meters in the information provision obligation of the draft rule was inconsistent with the NERR and should be replaced with ‘charge’. This change is consistent with terminology used between the NER and NERR and does not change the policy intent of the drafting.  | Clause 7.8.4(d)(2)(ii) —<br>“of the upfront costs and indicative ongoing expenses associated with a type 4A <i>metering installation</i> that will be payable by the <i>small customer</i> in the circumstances described, as applicable, in paragraph (h)(1) or (h1)(1)” | Clause 7.8.4(d)(2)(ii) —<br>“information on the upfront charges and indicative ongoing charges associated with a type 4A <i>metering installation</i> that will be payable by the <i>small customer</i> in the circumstances described, as applicable, in paragraph (h)(1) or (h1)(1)”   |



| REASON FOR CHANGE   | DRAFT RULE  | FINAL RULE   |
|---|---|--|
| Energy and Water Ombudsman of Queensland (EWOQ) raised the issue that while a metering coordinator must retain written records of customer refusals there was no requirement under the draft rule on the metering coordinator to retain a record that the information provision obligation had been met. EWOQ considered that this may make it difficult for parties to resolve future complaints or disputes arising from compliance issues with the rule. | Clause 7.8.4(g) —<br>“A <i>Metering Coordinator</i> must retain a written record of a <i>small customer</i> refusal that it has accepted under subparagraph (d)(3) for a period of at least 2 years.” | Clause 7.8.4(g) —<br>“If a <i>Metering Coordinator</i> accepts a <i>small customer</i> refusal under paragraph (d), the <i>Metering Coordinator</i> must keep the following records for at least 2 years;<br>(1) a written record of the refusal; and<br>(2) the notice and information provided by the <i>financially responsible Market Participant</i> in relation to the <i>small customer</i> under subparagraph (d)(2).” |
| The Commission found it prudent that there should be a delay between the publication of the final rule determination and the commencement of the final rule such that affected commercial arrangements and contracts between retailers and metering parties could be changed, as required, due to the final rule.   | Commencement date of 21 March 2019 (publication date of the final rule)   | Commencement date of the final rule is now 1 July 2019   |

### 2.3.3

#### Reasons for making the final rule

The Commission has assessed whether the proposed rule change will, or is likely to, contribute to the achievement of the NEO and has evaluated the final rule against the assessment framework set out in section 2.2.

The Commission is of the view that the final rule is likely to contribute to better outcomes for consumers in the long term with respect to price by reducing costs and reflecting the value some consumers place on certain metering services, as follows:

- **Cost:** The final rule will allow metering coordinators to deactivate the communications on installed type 4 meters without being in breach of the NER. As described further below, this is likely to reduce costs which, if passed onto consumers, would lead to consumers paying less than under the current arrangements. The proposed changes will be an alternative to the existing more complex and costly meter exchange process and allow for the simpler and cheaper process of the deactivation of meter communications.

The final rule is expected to:

- Decrease costs to the individual customer for the provision of a type 4A meter by allowing an installed type 4 meter at a small customer's premises to be converted into a type 4A meter. This has been estimated by the proponent to be three to five times lower than the current process of a meter exchange.
- Provide cost savings for metering coordinators, retailers and jurisdictional ombudsman schemes by reducing the likelihood of small customer complaints. This reduction in complaints is expected to occur as the final rule replaces currently complex and inflexible requirements to deal with customer refusals of an installed type 4 meter, through a meter exchange process, with a simpler, clearer and more flexible process. These cost savings are in addition to time and cost savings for the individual customer.

A customer's meter read costs are likely to rise if they decide to use a type 4A meter compared to a type 4 meter.<sup>35</sup> However, the meter reading costs are not the focus of this rule. The purpose of the rule change was to decrease the conversion cost imposed on customers due to the unsuitable meter exchange process, in the situation where a customer is to be provided a type 4A meter when they already have a type 4 meter installed. This final rule will, or is likely to, realise this cost reduction through a simplification of the process.

- **Consumer-reflective value for metering services:** the final rule:
  - Allows a customer to object to the continued use of a type 4 meter communications and pay the higher upfront and ongoing costs of a type 4A meter where doing so aligns with their desired level of service.
  - Facilitates the efficient provision of a type 4A meter which best reflects the characteristics a small customer values most where they have refused the continued use of a type 4 meter.
  - Upholds the principles of the Competition in Metering Rule that initiated clause 7.8.4 of the NER which focused on enabling choice. The Competition in Metering Rule final rule determination sought to embed a framework which would lead to the investment in advanced meters that deliver services valued by consumers at a price they are willing to pay. This final rule facilitates an individual customer deciding the level of service they desire at a price they are willing to pay (including paying a premium for manual meter readings) as well as continuing to support investment in advanced meters. The Commission also is of the view that the final rule reinforces the original policy intent of clause 7.8.4 of the NER that the consumer choice is subject to the metering coordinator's discretion to accept the refusal.

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<sup>35</sup> Submissions to the draft determination: PLUS ES, p. 3; PIAC, p. 2; Dr Martin Gill. Submission to the consultation paper: PIAC, p. 3; Dr Martin Gill, p. 2.

## 3 THE AUSTRALIAN ENERGY COUNCIL'S PROPOSAL

This chapter outlines the case for a rule change which has led to the Commission making the final rule, including:

- the rule change proposed by the AEC
- stakeholder's views on the consultation paper
- the Commission's position as put forward in the draft rule determination
- stakeholder's submissions to the draft rule determination
- the Commission's analysis, conclusion and final determination position.

### 3.1 Australian Energy Council's view

This section sets out the proponent's view, as put forward in their rule change request and submission to the consultation paper. It addresses:

- the issue raised in the rule change request
- the proposed solution in the rule change request.

#### 3.1.1 The issue raised in the rule change request

In their rule change request the AEC identified that there was an issue with the provision of type 4A meters to customers who already have a type 4 meter installed. The AEC was concerned that when a customer objects to the continued use of an installed type 4 meter's communications, there is no mechanism for the metering coordinator or retailer to comply with the request by disabling the communications on the type 4 meter. As an example, the need for such a mechanism could arise when a customer (who does not wish to have remote communications enabled on the advanced meter installed at their premises) moves into a property which already has a type 4 meter installed.

The only option available for the metering coordinator to address the customer's concerns — and remain compliant with the NER under the current arrangements — in those circumstances is to carry out a costly and complex meter exchange process to provide the customer with a type 4A meter.<sup>36</sup>

#### 3.1.2 The proposed solution in the rule change request

The AEC argued that a type 4A meter can be provided to the customer at a lower cost by amending clause 7.8.4 of the NER to allow metering coordinators to be able to deactivate the communications on an installed type 4 meter.<sup>37</sup>

The proposed solution sought to expand the circumstances under which a type 4A meter could be provided to a small customer. Specifically, the circumstances would expand — from being solely prior to the installation of a new or replacement type 4 meter — to include potential provision of a type 4A meter post installation. The AEC's proposal would result in a

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<sup>36</sup> AEC, *Meter installation — advanced meter communications* rule change request, p. 1.

<sup>37</sup> *ibid*, p. 2.

small customer being able to object to the continued use of meter communications on their installed type 4 meter and, subject to the metering coordinator's discretion, be provided with a type 4A meter by the metering coordinator deactivating the communications of their existing meter.

The AEC stated that the cost of deactivating meter communications on an installed type 4 meter to be "three to five times lower" compared to replacing it through the meter exchange process under the current arrangements.<sup>38</sup> The AEC highlighted that their proposal had the additional benefit of not requiring an interruption to the customer's supply of electricity in most cases.<sup>39</sup> The AEC anticipated their proposal would reduce the number of complaints customers make to retailers and jurisdictional ombudsmen, therefore reducing administrative costs whilst simultaneously improving customer's experience.<sup>40</sup>

## 3.2 Stakeholder views on the consultation paper

This section sets out the views of stakeholders, as put forward in the respective submissions to the consultation paper on the AEC's rule change request, regarding:

- the issue raised in the rule change request
- the proposed solution in the rule change request.

### 3.2.1 The issue raised in the rule change request

In responding to the consultation paper most stakeholders, including EWON and four retailers, agreed with the AEC that there is an issue with the current arrangements for a small cohort of customers who have an installed type 4 meter and object to the continued use of the remote meter communications.<sup>41</sup>

PIAC questioned whether the proposal established a significant need and consumer benefit, such that this rule change would be warranted.<sup>42</sup> PIAC recommended that any decision to proceed with the rule change should be based on evidence that a significant number of consumers have expressed concern regarding installed type 4 meter communications.<sup>43</sup>

Most stakeholders agreed that where a customer has objected to the continued use of an installed type 4 meter, the customer could be provided a type 4A meter through a simpler, lower cost process than the current arrangement of a meter exchange.<sup>44</sup> Those submissions that expressed this view agreed that the issue could be remedied by a rule change to amend clause 7.8.4 of the NER.

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38 *ibid*, p. 3 and AEC, submission on the consultation paper, p. 2.

39 *ibid*.

40 *ibid*.

41 Submissions to the consultation paper: EWON, p. 1; AGL, p. 2; Vector, p. 1; EnergyAustralia, p.1; Energy Queensland, p.2.

42 PIAC, submission to consultation paper, p.2.

43 *ibid*.

44 Submissions to the consultation paper: Vector, p.1; SA Government, p. 1; AGL, p.1; Red Energy and Lumo Energy, p. 1; Origin Energy, p. 1; EnergyAustralia, p. 1; Energy Queensland, p.1; EWON, p. 1.

### 3.2.2 The proposed solution in the rule change request

The majority of stakeholders supported the solution the AEC proposed in the rule change but asked for some qualification around flexibility and who would bear the costs.<sup>45</sup> Stakeholders considered the proposed solution to be a cost effective, practical alternative to the current arrangements in the case where metering coordinators choose to provide consumers with a type 4A meter.

In contrast, Dr Martin Gill and PIAC did not support the AEC proposal.<sup>46</sup> Respectively they did not think that there was sufficient need or reasonable grounds established by the rule change request for the Commission to proceed with a rule change. However, both stakeholders stated that, should the rule change proceed, a user-pay concept should be applied to make the small customer who refused a type 4 meter liable for the upfront and ongoing costs associated with the installation of the type 4A meter.<sup>47</sup>

Other elements sought by stakeholders in addition to the proposed solution provided in the rule change request are summarised and addressed in chapter 4 (relating to information provision) or in Appendix A.

## 3.3 Draft determination position

This section sets out the position put forward by the Commission in the draft rule determination in relation to:

- the issue raised in the rule change request
- the proposed solution raised in the rule change request.

### 3.3.1 The issue raised in the rule change request

In the draft determination, the Commission found that allowing customers with an installed type 4 meter to be provided a type 4A meter through the deactivation of the meter communications would be an efficient solution for those who object to the meter's remote communications.

The Commission recognised that a small cohort of customers holds strong views regarding the use of advanced meter communications at their premises, which leads those consumers to want the remote communications deactivated, as stated in AGL and EnergyAustralia's submissions.<sup>48</sup> The Commission concluded that there would continue to be some customers who refuse the use of a type 4 meter with communications, and therefore there needs to be a process to manage this issue at the lowest cost.

After discussions with stakeholders and analysis of their submissions, it was the Commission's view that exchanging a customer's existing type 4 meter for a new type 4A meter is not a suitable solution, due to the high cost and logistical complexity. The Commission concluded in the draft determination that the issue of a small customer refusal of the continued use of

<sup>45</sup> Submissions to the consultation paper: Red Energy/Lumo Energy, p. 1; Energy Queensland, p. 1-3.

<sup>46</sup> Submissions to the consultation paper: PIAC, p. 2; Dr Martin Gill, pp. 1-4.

<sup>47</sup> *ibid.*

<sup>48</sup> Submissions to the consultation paper: AGL, p. 2; EnergyAustralia, p. 2.

an installed type 4 meter communications, as raised by the AEC, was relevant and should be remedied by a rule change.

### 3.3.2

#### The proposed solution in the rule change request

The Commission concluded in the draft rule determination that the existing small customer meter conversion process can be simplified by using the core principles set out by the AEC's rule change request to amend clause 7.8.4 of the NER, as reflected in the more preferable draft rule. This was after careful consideration of stakeholder submissions on whether prescription was appropriate for:

- the method of deactivation of communications on a type 4 meter<sup>49</sup>
- the timeframe associated with the provision of a type 4A meter<sup>50</sup>
- a user-pays concept.<sup>51</sup>

### 3.4

#### Stakeholder submission to the draft determination

The majority of stakeholders were broadly supportive of the intent of the draft rule in relation to the AEC's proposal.<sup>52</sup> Namely, they supported the need to improve how type 4A meters are provided to customers who already have an installed type 4 meter.

Several stakeholders requested specific amendments to the draft rule in their submission to the draft rule determination.

AGL and the AEC questioned whether the metering coordinator was the most appropriate party to accept the small customer's refusal.<sup>53</sup> Those stakeholders thought it is unlikely that a small customer would approach the metering coordinator to deactivate communications, or even be able to easily identify and contact them. Their view was that the retailer should be responsible for accepting, considering and actioning the small customer refusals.

PLUS ES stated in their submission that the meaning of 'deactivation of remote capabilities' on a type 4 meter, as used in the draft rule, should be defined for the avoidance of doubt about the standard of remote access communications deactivation required under the rule.<sup>54</sup> A similar point was also raised by Energy Queensland in their submission.<sup>55</sup> However, they also stated that the mode of deactivation (remote deactivation or physical removal of the communications device from the meter) should be at the discretion of the metering coordinator.

49 Red Energy/Lumo Energy's submission to the consultation paper.

50 Energy Queensland's submission to the consultation paper.

51 Submissions to the consultation paper: PIAC, Energy Queensland and Dr Martin Gill.

52 Submissions to the draft determination: PLUS ES, p. 1; AGL, p. 1; Energy Queensland, p. 1; Vector, p. 1; AEC, p. 1; EWOQ, p. 1; intelliHUB, p. 1.

53 Submissions to the draft determination: AGL, pp. 1-2; AEC, pp. 1-2.

54 PLUS ES submission to the draft determination, p. 3.

55 Energy Queensland submission to the draft determination, p. 1.

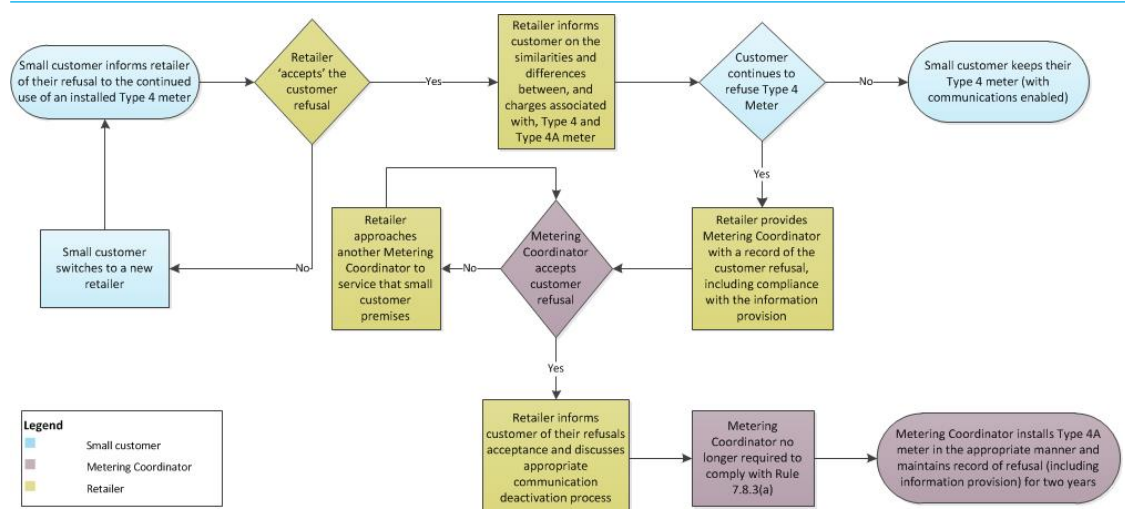
EWOQ asked that the Commission reconsider introducing a maximum timeframe for the metering coordinator to provide a customer with a type 4A meter, if a customer's refusal is accepted.<sup>56</sup> They also requested a maximum timeframe for the reactivation of the remote communications capabilities, with the customer's consent, on a type 4A meter. Their stated aim for this change was to mitigate possible delays in the meter conversion and to provide consistency across the industry (given the recently implemented *Metering installation timeframes rule change*).

Finally, PIAC and Dr Martin Gill reiterated their position from consultation paper submissions that, in their view, there was insufficient justification for the need of the rule change.<sup>57</sup> The core issue raised was the belief that the rule change would increase prices for all consumers, due to the likely "smearing" of the upfront and ongoing costs of type 4A meters would occur across the entire consumer base if the draft rule was made final. A number of other concerns were raised by both parties in relation to their opposition to the rule change proposal and draft rule, and these have been addressed in Appendix A, if not already in the body of this determination.

### 3.5 Commission's final position

The Commission's final position regarding the AEC proposed rule change is that a final rule should be made that reflects the draft rule with some amendments, as set out in Table 2.1 and discussed below. The Commission sees the final rule would operate in a manner shown below in the flow chart of Figure 3.1.

**Figure 3.1: The operation of the final rule – indicative flow chart**



<sup>56</sup> EWOQ submission to the draft determination, p. 2.

<sup>57</sup> Submissions to the draft determination: PIAC, pp. 1,3; Private individual (Dr Martin Gill), pp. 1-6.



The Commission considered the issue raised by AGL and the AEC regarding the party that should be responsible in the rules for accepting a small customer refusal. The Commission's view is these concerns are most appropriately dealt with through changes to the commercial arrangements and contracts between retailers and metering parties. The Commission holds that substantial drafting changes to the NER would be required if the party giving acceptance of a small customer refusal was changed from the metering coordinator to the retailer. In particular, clause 7.8.3 of the NER, which clause 7.8.4(d)-(i) operates as an exemption from, is a civil penalty obligation on a metering coordinator requiring them to install a type 4 meter for all new and replacement meters. Therefore, the Commission was not convinced of the need for this change and believes that the concerns with the rule could be appropriately dealt with through adjusting the arrangements between a retailer and their metering coordinator in the relevant commercial contracts.

The issue raised by PLUS ES and Energy Queensland of defining the term 'deactivation of remote capabilities' or the set of minimum standards was also considered by the Commission. The Commission recognises PLUS ES' point that there are multiple ways that a type 4A meter can be provided to a customer who already has an installed type 4 meter.<sup>58</sup> The Commission also recognises that the most extreme option is a meter exchange — the current method used by metering coordinators to provide customers with type 4A meters — and if adopted would not result in a cost savings to the customer. However, the Commission has not prescribed the method of meter communication deactivation in the final rule, so that the lowest cost option for the customer (given their particular circumstances) to be provided with a type 4A meter may occur.

Regarding timeframes, the Commission also retains the position it took in the draft determination that there should not be any maximum meter communication deactivation or reactivation timeframes in the final rule, due to the high cost of compliance this would likely impose on retailers and metering coordinators.

A key objection to the rule change was the increased costs to all consumers. The Commission's analysis of how the final rule satisfies the NEO is set out in section 2.3.3. That is, how the final rule will, or is likely to, decrease the cost of customers being provided a type 4A meter. The Commission remains of the opinion, as stated in our draft determination, that a user-pays concept should be applied to all small customer refusals, both prior to and after the installation of a type 4 meter. However, in stating this the Commission also maintains that a user-pays concept should not be prescribed in the final rule because retail pricing matters are not regulated under the NER.

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<sup>58</sup> These options, in increasing order of cost and intervention to deactivate communications are: cease polling/collection, remote deactivation of communications, physical removal of the meter's modem, and removal of the meter's modem and antenna. PLUS ES submission to the draft determination, pp. 1-2.



## 4 OTHER ISSUES RAISED IN CONSULTATION

This chapter sets out the Commission's views on issues that were not addressed in the AEC's rule change request but were raised in stakeholder submissions to the consultation paper and the Commission's own analysis of the issues raised in the rule change request. These relate to:

- **Information provision** — requiring retailers and/or metering coordinators to provide consumers with information regarding:
  - the initial and ongoing charges of deactivating an installed type 4 meter
  - the similarities and differences between the services that each meter type provides and supports.
- **Reactivating communications** — how a type 4A meter's communication capabilities are reactivated once the customer who refused their use is no longer associated with that metering installation.

### 4.1 Information provision

The need for an information provision obligation was a common theme throughout stakeholders' submissions to the consultation paper. This section sets out the:

- stakeholder views expressed in their submissions to the consultation paper
- Commission's draft rule determination position
- stakeholders' submission to the draft rule determination
- Commission's analysis and conclusions on the information provision obligation in the final rule.

#### 4.1.1 The issue

In response to the consultation paper, Energy Queensland, EWON and PIAC submitted that some customers objections to remote meter communications could be addressed through better information provision.<sup>59</sup> Stakeholders advocated for two types of information being provided to customers under the rule; information about type 4A meters compared with type 4 meters, and information about their cost.

##### 1. Differences between the services type 4 and type 4A meters provide and support:

- Energy Queensland's preference was for customers to be referred to a fact sheet on type 4 and type 4A meters. The fact sheet should explain what each meter type means for the customer, such that the customer can make an informed decision about the meter that they need installed at their premises.<sup>60</sup>

<sup>59</sup> Submissions to the consultation paper: Energy Queensland, p. 4; EWON, p. 1; PIAC, pp. 2-3.

<sup>60</sup> Energy Queensland, submission to the consultation paper, p. 4.

- PIAC advocated for clearer information about smart meters and how they are used, including information addressing questions about potential health concerns.<sup>61</sup>

## 2. Initial and ongoing costs:

- PIAC stated that customers who refuse a type 4 meter should be required by the rule to be fully informed of the costs, both those incurred in the deactivation process and the ongoing costs of manual meter reading for billing.<sup>62</sup>
- EWON strongly recommended that the retailer be required to inform the customer of any initial costs (associated with the conversion or replacement of the type 4 meter) and the ongoing cost of manual meter reading.<sup>63</sup>

### 4.1.2

#### Draft determination position

The Commission agreed with the submissions made by PIAC, Energy Queensland and EWON that customers should be provided with sufficient information to make an informed decision regarding the deactivation of their installed type 4 meter.

It was the view of the Commission that providing this information is a sensible measure so that:

- individual customers are informed of the costs and service level implications of refusing a type 4 meter before the deactivation of meter communications.
- NEM-wide, the cohort of customers with a type 4A meter due to small customer refusals is limited to the number of customers that have made an informed decision to refuse a type 4 meter.

Therefore, the draft rule required metering coordinators to confirm that a customer has been given information on the differences between a type 4 and type 4A meter, and the cost implications for the customer of a type 4A meter installation. This information was to be provided before a metering coordinator could exercise their discretion to accept the customer's refusal of a type 4 meter.

The draft rule did not prescribe the required level, type or method of information provision as the Commission believed these factors will vary with each customer's situation and specific concerns and so best determined by the metering coordinator and retailer with each individual customer.

### 4.1.3

#### Stakeholder submission to the draft determination

The majority of stakeholders were broadly supportive of the intent of the information provision obligation in relation to the draft rule.<sup>64</sup> These stakeholders agreed that the information provision was in the interest of consumers and strengthened the existing consumer protections already in place under the NER and NERR.

<sup>61</sup> PIAC, submission to the consultation paper, pp. 2-3.

<sup>62</sup> *ibid.*

<sup>63</sup> EWON, submission to the consultation paper, p. 1.

<sup>64</sup> Submissions to the draft determination: PLUS ES, pp. 4-5; AGL, pp. 1-3; Energy Queensland, p. 1; Vector, pp. 1-2; AEC, p. 1-2; EWOQ, pp. 1-2; intelliHUB, p. 1.

However, some stakeholders had a concern with the obligation being placed on the metering coordinator rather than the retailer.<sup>65</sup> Their concerns were on the basis that it is the retailer, not the metering coordinator, who typically has a direct one-on-one relationship with the customer and who has the capability (such as through existing call centres) to be able to provide the information.

Separately, AGL raised a concern that the draft rule was inconsistent with the other NER and NERR clauses, which referred to 'charges' rather than 'costs' and 'expenses' in similar circumstances as the information provision obligation.<sup>66</sup> They recommended that the "upfront costs and ongoing expenses" be replaced with "upfront charges and ongoing charges" in clause 7.8.4(d)(2)(i) in the final rule.

PIAC and Dr Martin Gill reiterated their positions as submitted to the consultation paper that, in their view, the issue this rule change is trying to address could be solved through greater information provision and education of the customer base.<sup>67</sup> PIAC and Dr Martin Gill went on to state that, in their view, consumers who wished to deactivate their type 4 meter communications would be unlikely to want to do so if the appropriate customer service — to explain meter types, their differences and similarities — was provided.<sup>68</sup> PIAC's conclusion from this is that the rule change is unnecessary. For PIAC an improved information provision should include:<sup>69</sup>

- a clear explanation of the relative capabilities of both type 4 and type 4A meters
- a clear explanation of what are both the differences and similarities in the use of type 4 and type 4A meters (that is, what will change and what will remain the same regardless — such as the retailer's access to 'detailed' usage data)
- the upfront cost involved in any meter exchange, as well as any potential ongoing costs.

#### 4.1.4

#### Commission's analysis and final determination position

The Commission's final position on the information provision obligation is that the final rule should have the same obligation proposed in the draft rule with three amendments. These amendments are:

- clarification of the roles of the retailer and metering coordinator
- changing the information provision to refer to upfront and ongoing *charges*
- expanding the information provision to include the *similarities and differences* of type 4 and type 4A meters.

<sup>65</sup> Submissions to the draft determination: PLUS ES, pp. 4-5; AGL, pp. 1-3; Energy Queensland, p. 1; Vector, pp. 1-2; AEC, p. 1-2.

<sup>66</sup> AGL's submission to the draft determination, p. 2.

<sup>67</sup> Submissions to the draft determination: PIAC, pp. 1,3; Private individual (Dr Martin Gill), pp. 1-6.

<sup>68</sup> PIAC's submission to the draft determination, p. 3.

<sup>69</sup> *ibid*, p. 2.

### **Clarification of the roles of the retailer and metering coordinator**

The first amendment to the draft rule for the final rule involves clarifying the roles and responsibilities of the metering coordinator and retailer in relation to the operation of the information provision obligation. This refers to changes to clause 7.8.4(d) of the NER.

The Commission agrees that in practice the retailer, and not the metering coordinator, is best placed to provide the information to a customer. However, as clause 7.8.4 is an exemption to the primary obligation of the metering coordinator under clause 7.8.3 of the NER,<sup>70</sup> the final rule has been drafted so that the obligation flows back to the metering coordinator. Thus, clause 7.8.4(g)<sup>71</sup> of the final rule is explicit that the relevant retailer will provide the customer information<sup>72</sup>. It is intended that the retailer will provide a record of this to the metering coordinator, before the metering coordinator can accept the small customer refusal. Under the final rule clause 7.8.4(d)(2) balances stakeholder concerns and the accountability required with the original metering installation obligation on the metering coordinator under clause 7.8.3 of the NER.

It is expected that the retailer would provide the records of the customer information and provision when they are directing the metering coordinator to convert a type 4 meter, following a customer refusal.

In relation to the requirement that the metering coordinator maintain the record of the retailer's provision of that information to the relevant customer, the final rule does not require the metering coordinator to assess or confirm that the record is a true reflection of what actually occurred.

### **Changing the information provision to refer to upfront and ongoing charges**

The second amendment made in the final rule was to align the final rule with existing NER and NERR clauses that refer to 'charges' rather than 'cost' and 'expense'. The Commission saw this as a sensible and inconsequential change from the draft rule to the final rule. This change creates consistency in, and between, the NER and NERR whilst having no impact of the policy intent of the rule, as set-out in the draft determination.

### **Expanding the information provision to include the similarities and differences of type 4 and type 4A meters**

The third amendment made between the draft rule to the final rule was in reference to the concerns raised by PIAC that the draft rule did not require customers to be fully informed as it only required retailers to tell consumers of the differences of type 4 and type 4A meters. The Commission agreed that some consumers could be misled if only the differences between meter types are explained, rather than both the differences and similarities between meter types explained as suggested by PIAC. The Commission saw this change in phrasing to

<sup>70</sup> Clause 7.8.3 of the NER creates the obligation on the metering coordinator to install a type 4 meter for all new and replacement meters (unless an exemption in clause 7.8.4 applies) and is classified as a civil penalty provision for enforcement purposes.

<sup>71</sup> Clause 7.8.4(g) in the final rule requires metering coordinators to retain a record of both the customer refusal and the notice and information of the retailer providing the required information to the small customer.

<sup>72</sup> Clause 7.8.4(g) in the final rule requires metering coordinators to retain a record of both the customer refusal and a copy, and record, of prescribed information the retailer has provided the customer.

be a broadening in the scope of the information provision and to be a useful amendment to the final rule. This change acts to strengthen the consumer protection in this rule change while having a negligible effect on the cost of compliance for the relevant parties.

## 4.2 Reactivation of meter communications

This section discusses the need, or lack thereof, for an explicit clause for the reactivation of meter communications in the final rule. It sets out the:

- stakeholder views expressed in their submissions to the consultation paper
- Commission's draft rule determination position
- stakeholder's submission to the draft rule determination
- Commission's analysis and conclusions on the information provision obligation in the final rule.

### 4.2.1 The issue

Discussions with stakeholders along with the Commission's analysis highlighted the need to consider how a meter's remote communications would be reactivated when a small customer refusal of a specific 4A meter ceases. This could occur when a customer who objected to the meter communications moves out of particular premises, or when a customer changes their minds and voluntarily removes their refusal.

The number of type 4A meters in the market at any one time could grow unnecessarily if meter communications are not reactivated after the small customer refusal ceases. This issue would be compounded if that customer relocated to another premises and requested the deactivation of meter communications on the meter installed at their new premises. As such, monitoring how meter communications reactivation occurs is key to ensuring that the cohort of type 4A meter customers present in the NEM is maintained at a sustainable level.

### 4.2.2 Draft determination position

The Commission's view was that the efficiencies gained from active meter communications, and the additional services that an advanced meter can provide to retailers and consumers, sufficiently incentivise metering coordinators and retailers to reactivate meter communications whenever possible. These incentives should also outweigh the need for the metering coordinator to charge the new customer who has inherited the type 4A meter for reactivating the meter communications. Therefore, the Commission did not prescribe an obligation on any market participant for the reactivation of communications in the draft rule.

### 4.2.3 Stakeholder submissions to the draft determination

AGL and the AEC were supportive of the Commission's conclusion that retailers have strong efficiency incentives to ensure that meter communications are restored whenever possible.<sup>73</sup> They also agreed that the retention arrangements (clause 7.8.4(i)) allowing metering

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<sup>73</sup> Submissions to the draft determination: AGL, p. 2; AEC, p. 2.

coordinators to reactivate meter communications at any time with the customer's consent is required.

PLUS ES recommended that specific obligations are needed on appropriate parties to ensure remote communication are reactivated.<sup>74</sup> They went on to state that this obligation should arise when the small customer who refused the type 4 meter communications is no longer associated with that metering installation.

#### 4.2.4

#### Commission's analysis and final determination position

The Commission's final position on the need for an explicit reactivation obligation in the final rule is consistent with our draft determination position. That is, there are sufficient economic incentives for retailers and metering coordinator to reactivate type 4A meter communication capabilities when the customer who refused remote access is no longer associated with the metering installation. On balance, the Commission considered the need for a reactivation clause is low (due to the economic incentive present for retailers and metering coordinators to reactivate the communications whenever possible) while the cost and complexity of the compliance measures that would have to be placed on retailers, metering coordinators, the AER, and other relevant parties to include a positive reactivation obligation in clause 7.8.4 of the NER, such as that proposed by PLUS ES, would be high.

As with the draft rule determination, the Commission urges metering coordinators and retailers to be proactive in their dialogue with customers who have type 4A meters. The metering coordinator and/or retailers should do so to understand the customer's needs, if the meter communications refusal is still in place, and if not, to reactivate the meter communications in the most efficient way as possible. For example, being aware of when the small customer is moving out of the relevant premises and reconnecting the meters communications when carrying out the final read of the customer's type 4A meter (subject, as applicable, to first obtaining consent as required by clause 7.8.4(i) of the NER).

The final rule, as expressed, continues to allow metering coordinators to reactivate meter communications at any time with the customer's consent (as provided already under clause 7.8.4(i) of the NER). The Commission's view was that the existing mechanism, together with the economic incentives on metering coordinators and retailers, would limit the cohort of type 4A meters in the NEM (due to small customer refusals) to those small customers who have a current objection to the use of remote communications on type 4 meters. It was anticipated that meters communications will be reactivated as soon as possible by metering coordinators where there is no longer any customer refusal.

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<sup>74</sup> PLUS ES submission to the draft determination, p. 2.

## ABBREVIATIONS

|            |  |
|------------|--|
| AEMC       | Australian Energy Market Commission      |
| AEMO       | Australian Energy Market Operator        |
| AER        | Australian Energy Regulator              |
| Commission | See AEMC                                 |
| EWON       | Energy and water Ombudsman of NSW        |
| EWOQ       | Energy and water Ombudsman of Queensland |
| MCE        | Ministerial Council on Energy            |
| NEL        | National Electricity Law                 |
| NEO        | National electricity objective           |
| NERL       | National Energy Retail Law               |
| NERO       | National energy retail objective         |
| NERR       | National Energy Retail Rules             |
| NGO        | National gas objective                   |
| PIAC       | Public Interest Advocacy Centre          |

## A SUMMARY OF OTHER ISSUES RAISED IN SUBMISSIONS

This appendix sets out the issues raised in the first round of consultation on this rule change request and the AEMC's response to each issue. If an issue raised in a submission has been discussed in the main body of this document, it has not been included in this table.

**Table A.1: Summary of other issues raised to the consultation paper**

| STAKEHOLDER<br><br>(RELEVANT PAGE OF<br>SUBMISSION) | ISSUE  | AEMC RESPONSE  |
|---|--|--|
| Origin Energy (p. 1)                                | "We believe that the AEMC ought to consider defining applicable reasons for a customer converting to a type 4A meter. Without this clarity, there does not appear a limit on when and whether a customer can elect to switch meters, which we feel is not consistent with the intent of the metering reforms." | <p>The existing NER clause 7.8.4 does not give small customers the ability to elect to have a type 4A meter. Consistent with the original policy intent of the Competition in Metering rule final determination, the draft rule leaves the decision regarding whether the customer refusal is accepted to the discretion of the metering coordinator.</p> <p>Therefore, it is not necessary for the NER to set out the applicable reasons or permitted grounds on which a small customer might refuse a type 4 meter. Rather, this is a decision consumers make in light of their own personal circumstances and, subject to the draft rule being made as a final rule, with the assistance of their retailer and metering coordinator who will provide them with necessary information for them to make an informed decision.</p> |
| Dr Martin Gill (pp. 2-3)                            | "The NEO does not consider consumer privacy or exposure to electro-magnetic radiation. The proposed rule change significantly increases costs which will be  | <p>The relevant aspect of the NEO which this rule is being assessed against by the Commission is <i>price</i>.</p> <p>If the draft rule is made as a final rule it would likely reduce</p>   |



| STAKEHOLDER<br><br>(RELEVANT PAGE OF SUBMISSION) | ISSUE   | AEMC RESPONSE   |
|--|---|---|
|  | either directly or indirectly passed onto consumers through higher electricity prices. This does not align with the principles of the NEO."   | the cost of the process by which a customer can be provided a type 4A meter and therefore the costs incurred by a small customer who objects to the continued use of the communications of an installed type 4 meter will likely also decrease.   |
| PIAC (p. 2)                                      | "Implementing this rule could potentially be seen to provide legitimacy to unfounded concerns regarding type 4 meters. Without addressing potential fears or public misconceptions regarding the health or privacy impacts of communications enabled smart-metering, the proposed rule could provide an avenue for a more widespread deactivation of the communications functions of smart-meters." | The Commission recognises that there is a small cohort of customers who hold strong views regarding the use of advanced meter communications at their premises which leads them to want the communications deactivated. As such, it is consistent with the NEO to provide a lower cost method of addressing these consumers' preferences. |
| Red Energy and Lumo Energy (p.2)                 | "The rules should allow customers with concerns regarding meter communications to have the ability to place their meter in a state which is the equivalent of 'flight mode' on a mobile device, and being able to organise for an <i>on demand</i> meter read service at a regular interval of their choosing."   | The Commission's view is that these types of services may be able to be offered under the current rules. However, changes to AEMO metering procedures may be required. AEMO may consider changes to its procedures if it considers them necessary.  |
| Dr Martin Gill (p. 4)                            | "Rather than permanently deactivate communications should the AEMC consider allowing consumers to choose if their smart meter supports 'Read Meter Status'? Those consumers choosing to disable the   |   |

| <b>STAKEHOLDER</b><br><br><b>(RELEVANT PAGE OF SUBMISSION)</b> | <b>ISSUE</b>   | <b>AEMC RESPONSE</b> |
|--|--|----------------------|
|  | service significantly lower their exposure to electro-magnetic radiation. Unlike the current proposal virtually all smart meter efficiency benefits are retained, including remote reading and maintenance.” |                      |

This appendix sets out the issues raised in the second round of consultation on this rule change request and the AEMC’s response to each issue. If an issue raised in a submission has been discussed in the main body of this document, it has not been included in this table.

**Table A.2: Summary of other issues raised in submissions to the draft determination**

| <b>STAKEHOLDER</b><br><br><b>(RELEVANT PAGE OF SUBMISSION)</b> | <b>ISSUE</b>   | <b>AEMC RESPONSE</b>   |
|--|--|--|
| intelliHUB (p. 2)  | intelliHUB wanted the AEMC to consider in this rule change the issue where a type 4 meter was remotely communicating data effectively and then ceased, for several possible reasons, and can no longer provide remote access communications. In these circumstances the stakeholder stated that a type 4A meter should be installed. | This issue relates to the ‘No existing telecommunications’ exemption to the obligation under clause 7.8.3(a) of the NER that a metering coordinator must only install a type 4 meter at a small customer connection point for new and replacement meter installations(per clauses 7.8.4(a)-(c) of the NER). Clause 7.8.4(a) specifically gives AEMO discretion to effectively allow a metering coordinator to install a type 4A meter at a small customer’s premises when, at installation, there is no telecommunication infrastructure to support remote communications at those |

| STAKEHOLDER<br><br>(RELEVANT PAGE OF<br>SUBMISSION) | ISSUE   | AEMC RESPONSE  |
|---|---|--|
|   |   | <p>premises.</p> <p>The request from intelliHUB is out of scope for this rule change and therefore has not been considered in the final rule determination. The scope of this rule change is limited to clause 7.8.4(d)-(i), small customer refusals.</p>  |
| PIAC (p. 2)   | <p>PIAC raised that there is likely to be no practical means by which a consumer can verify that the remote communications function of their type 4 meter has been deactivated. This is particularly relevant when the deactivation of communications is in response to consumer concerns about potential health and privacy impacts.</p>   | <p>The Commission has not strictly prescribed how the deactivation of meter communications must occur in the final determination. The most suitable deactivation method can be determined between the customer, the retailer and the metering coordinator such that the concerns of the customer can be alleviated by the relevant deactivation method used.</p>   |
| PIAC (p. 3)   | <p>PIAC raised the concerns that there may also be potential competition implications, particularly if the rule change helps to facilitate a wider uptake of type 4A meters. Should the proposal result in a greater proportion of meters requiring manual monitoring (or communications reactivation), it could impede the ability of smaller retailers to compete effectively, particularly if it results in an ongoing process of activation and deactivation (or worse, multiple meter replacements).</p> | <p>The Commission did consider the competition implications of making a rule throughout the rule change process. The Commission removed the Competition criteria for assessment against the NEO in the draft rule determination because it was assessed that the rule (if made) would not impact on retail competition and this remains the Commission's view.</p> <p>This assessment was made because the retailer (through their commercial arrangements) can direct the metering coordinator to undertake work and the metering coordinator (in not accepting the small customer refusal)</p> |

| STAKEHOLDER<br><br>(RELEVANT PAGE OF<br>SUBMISSION) | ISSUE   | AEMC RESPONSE  |
|---|---|--|
|   |   | can choose not to service customers with a type 4A meter. Hence, the implications of type 4A meters (like manual meter reads and the inabilities of type 4A meters to provide some products and services) are not enforced on to a competitive business, but rather is an option for them to provide these services to that customer segment consistent with the commercial arrangements in place with the relevant retailer.  |
| PIAC (p. 2)   | PIAC considers it unlikely that with appropriate customer service, and the provision of more complete information, a significant number of consumers would wish to undertake a meter exchange, at their own cost. | The Commission holds the view, as reiterated by the AEC in their submission to the draft rule submission (p. 2), that there will also be a small cohort of customers who refuse the use of type 4 meter communication capabilities. The Commission has attempted in this rule change to ensure that customers are making informed decisions through the addition of the information provision obligation. However, regardless of this information, some customers are still likely to prefer to have a type 4A meter and, if the market wishes to service these customers, providing a way that they obtain such a meter will be to the benefit of all consumers in the NEM. |
| Dr Martin Gill (p. 1 and p. 4)                      | Dr Gill considers that:<br>- The draft rule change allows retailers to 'charge more to turn an advanced meter into a dumb meter'.   | In terms of charges that could be passed onto consumers, the current rules only allow a type 4A meter to be provided through a total meter replacement. The AEC considers that the process of deactivating the   |

| STAKEHOLDER<br><br>(RELEVANT PAGE OF<br>SUBMISSION) | ISSUE  | AEMC RESPONSE  |
|---|--|--|
|   | <p>- '[I]t is suggested that [the] cheapest solution gives consumers the right to retain their dumb meter and that the AEMC is not considering this option'.</p> | <p>communications on an installed type 4A meter is three to five times lower than a total meter replacement.</p> <p>If Dr Gill is referring to the right to retain a type 5 or 6 meter, then changing the existing rules to allow a metering coordinator to install a type 5 or 6 meter (during a meter replacement or new installation of a broken type 5 or 6 meter), is outside the scope of this current rule change. However, if Dr Gill is referring to the ability of a customer to retain their existing and working type 5 or 6 meter when offered an advanced meter during a retailer deployment, then the existing rules already allow that customer to refuse the advanced meter and retain their type 5 or 6 meter.</p> |
| Dr Martin Gill (p. 1)                               | In Dr Gill's view, the draft rule 'encourages retailers to charge consumers for a service that was previously free.'   | In relation to the conversion of type 4 meters to type 4A meters, the NER currently does not specify how retailers are to recover the costs of the deactivation service. A retailer can choose whether to charge a customer directly or provide the service for a minimal cost. The Commission's final rule extends this existing approach to also apply to the conversion of existing type 4 meters. Therefore this rule change does not alter the methods by which a retailer can recover its costs.   |
| Dr Martin Gill (p. 2-3)                             | Dr Gill is concerned that consumers will be unable to  | There are several ways that the remote communications of   |

**Rule determination**

Meter installation - Advanced meter communications  
21 March 2019

| <b>STAKEHOLDER</b><br><br><b>(RELEVANT PAGE OF SUBMISSION)</b> | <b>ISSUE</b>   | <b>AEMC RESPONSE</b>   |
|--|--|--|
|  | validate that the remote metering communications has in fact been deactivated. | a meter can be deactivated. For instance, the modem of a meter could be physically removed, in a customer's presence. The final rule allows the customer, retailer and metering coordinator to discuss the most appropriate mechanism for deactivating that meter. |

## B LEGAL REQUIREMENTS UNDER THE NEL

This appendix sets out the relevant legal requirements under the NEL for the AEMC to make this final rule determination.

### B.1 Final rule determination

In accordance with s. 102 of the NEL the Commission has made this final rule determination in relation to the rule proposed by the AEC.

The Commission's reasons for making this final rule determination are set out in Chapter 2.

The Commission's final determination is to make a more preferable final rule under the NEL. A copy of the final rule is attached to and published with this final rule determination. Its key features are described in Chapter 2.

### B.2 Power to make the rule

The Commission is satisfied that the final rule falls within the subject matter about which the Commission may make rules. The final rule falls within s. 34 of the NEL as it relates to facilitating and supporting the provision of services to retail customers (s. 34(1)(aa) of the NEL).

Further, the final rule falls within the matters set out in Schedule 1 to the NEL as it relates to item 29 (of Schedule 1 to the NEL) because it relates to the regulation of persons providing metering services relating to the metering of electricity.

### B.3 Commission's considerations

In assessing the rule change request the Commission considered:

- its powers under the NEL to make the rule
- the rule change request
- the fact that there is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request<sup>75</sup>
- submissions received during first round consultation
- the Commission's analysis as to the ways in which the proposed rule will or is likely to, contribute to the NEO.

The Commission may only make a rule that has effect with respect to an adoptive jurisdiction if satisfied that the proposed rule is compatible with the proper performance of Australian Energy Market Operator (AEMO)'s declared network functions.<sup>76</sup> The final rule is compatible

<sup>75</sup> Under s. 33 of the NEL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy. On 1 July 2011, the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. The amalgamated council is now called the COAG Energy Council.

<sup>76</sup> Section 91(8) of the NEL.

with AEMO's declared network functions because it does not relate to the AEMO's declared network functions.

## B.4 Civil penalties

The Commission cannot create new civil penalty provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NER be classified as civil penalty provisions.

The final rule amends clause 7.8.4(g) of the NER which requires the metering coordinator to maintain a written record of customer refusals of a type 4 meter for a period of at least seven years. That clause is not currently classified as a civil penalty provision. The final rule amends that clause to make explicit that this obligation is now only applicable to customer refusals that the metering coordinator has accepted and the record retention period has been reduced to 'at least 2 years'. In addition, clause 7.8.4(g) of the final rule sets out a requirement for the metering coordinator to retain (for the same period) a copy of the customer information and a record that, that information has been provided to the small customer as required by clause 7.8.4(d)(2) of the final rule. The Commission intends to recommend to the COAG Energy Council, jointly with the AER for clause 7.8.4(g) to be classified as a civil penalty provision, as it ensures key information is maintained by the metering coordinator that must be available for enforcement of the primary obligation on metering coordinators to only install the prescribed types of metering installations as set out under clauses 7.8.3(a) and 7.8.4(h) of the NER.

The Commission's final rule also amends clause 7.8.4(h) of the NER. This clause is currently classified as a civil penalty provision under Schedule 1 of the National Electricity (South Australia) Regulations. The clause requires that a metering coordinator ensure that it only install a type 4A meter (and not any other type of meter) where clause 7.8.4(d) of the final rule applies and a small customer refusal to the installation of a type 4 meter is accepted by the metering coordinator. The final rule amends clause 7.8.4(h) to maintain the obligation for new or replacement meter installations, excluding the situation where the small customer refusal is in relation to the continued use of an installed type 4 meter (which is instead dealt with in a new provision under clause 7.8.4(h1) of the final rule, discussed below).

The Commission considers that clause 7.8.4(h) should continue to be classified as a civil penalty provision and therefore does not propose to recommend any change to its classification to the COAG Energy Council.

The Commission's final rule includes the addition of clause 7.8.4(h1) into the NER which mirrors the obligation imposed on a metering coordinator in clause 7.8.4(h) of the NER but applied in relation to the circumstances where a metering coordinator accepts a small customer refusal to the continued use of an installed type 4 meter, in which case the metering coordinator must ensure a type 4A meter is installed at the customer's premises (and not any other type of meter). The Commission intends to recommend to the COAG Energy Council, jointly with the AER, for clause 7.8.4 (h1) to be classified as a civil penalty provision as the obligation imposed on the metering coordinator to ensure a type 4A metering installation is installed at the customer's premises, if clause 7.8.4(d) of the final rule



applies and the customer refusal to the continued use of an installed type 4 meter is accepted, is key to the effective operation of the NEM. This is consistent with the existing classification of clause 7.8.4(h) of the NER as a civil penalty provision.

## B.5

### Conduct provisions

The Commission cannot create new conduct provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NER be classified as conduct provisions.

The final rule does not amend any rules that are currently classified as conduct provisions under the NEL or National Electricity (South Australia) Regulations. The Commission does not propose to recommend to the COAG Energy Council that any of the proposed amendments made by the final rule be classified as conduct provisions.

## C RELEVANT BACKGROUND — COMPETITION IN METERING RULE

In 2015 the Commission made the Competition in Metering Rule which involved significant amendments to the NER and the National Energy Retail Rules (NERR).<sup>77</sup> The new rules commenced on 1 December 2017 and introduced a competitive framework for metering services in the NEM.

The rule facilitates the market-led deployment of advanced electricity meters. The Commission anticipated that consumers would drive the uptake of advanced meters, and industry innovation, by choosing the new products and services that the meters facilitate. The rule allows retailers to roll out advanced meters where they see service benefits and efficiencies, for example, through possible cost savings achieved by remote meter reading.

### C.1 Types of electricity meters

Different electricity meter types measure usage in different ways.<sup>78</sup>

There are three electricity meter types generally used by small customers in the NEM classified under the NER.<sup>79</sup> They are:

- **Type 6 accumulation meters** — Currently most small customers use these meters. They record the total amount of energy used since the meter was installed, and must be read manually. Customers are billed on the additional usage since the last meter reading, which usually occur every three months. Customers with this basic meter are limited to simple retail tariff structures and are restricted in their ability to understand or manage their energy usage in order to reduce their electricity bills.
- **Type 5 interval meters** — Interval meters measure electricity usage every 30 minutes and this data is stored on the meter until it can be collected manually.<sup>80</sup> These meters can support some services for customers, such as different tariff arrangements, but they cannot be remotely read and controlled. As such, there is limited ability for customers with interval meters to understand and manage their electricity usage in real time.
- **Type 4 (advanced) meters** — Type 4 meters record electricity usage in intervals of 30 minutes or less. They are two-way digital communication systems that automatically send usage data to the required parties through their remote communications function. This automated communication ends the need for manual meter reads and give customers greater control over their electricity usage and billing arrangements, and a choice of services.

<sup>77</sup> See: AEMC, *Expanding competition in metering and related services*, Final Determination, 26 November 2015, Sydney.

<sup>78</sup> For electricity, there are seven different types of metering services classified under the NER. Large customers have advanced meters that are capable of capturing large volumes of electricity flow. That is, type 1, 2, 3 or 4 metering installations.

<sup>79</sup> Large customers have metering installations that allow electricity flows above 0.75 GWh per annum. Some large customers have current transformer meters, which measure a fraction of the current passing through the connection, with a multiplier applied to reflect the actual usage.

<sup>80</sup> In Victoria, type 5 interval meters can often be remotely read.

From 1 December 2017 every new meter installed — and all replacement meters — for small customers must be a type 4 meter (subject to two exemptions discussed below).<sup>81</sup> To be classified as this type of meter, the device must be capable of providing the services set out in the minimum services specification set out under the NER.

- **Type 4A advanced meters (with deactivated communications)** — a type 4A meter is a meter that is capable of providing the services in the minimum services specification but has its communications deactivated and therefore cannot be remotely read and/or managed.

The Competition in Metering Rule provides that a type 4A meter can be installed in place of a type 4 meter in certain circumstances. Type 4A meters can be used in two situations. Firstly, where there are no telecommunications networks that enable remote reading of the meter. Secondly, where the small customer refuses to have a new or replacement meter with active remote communications installed.

## C.2 Metering roles and responsibilities

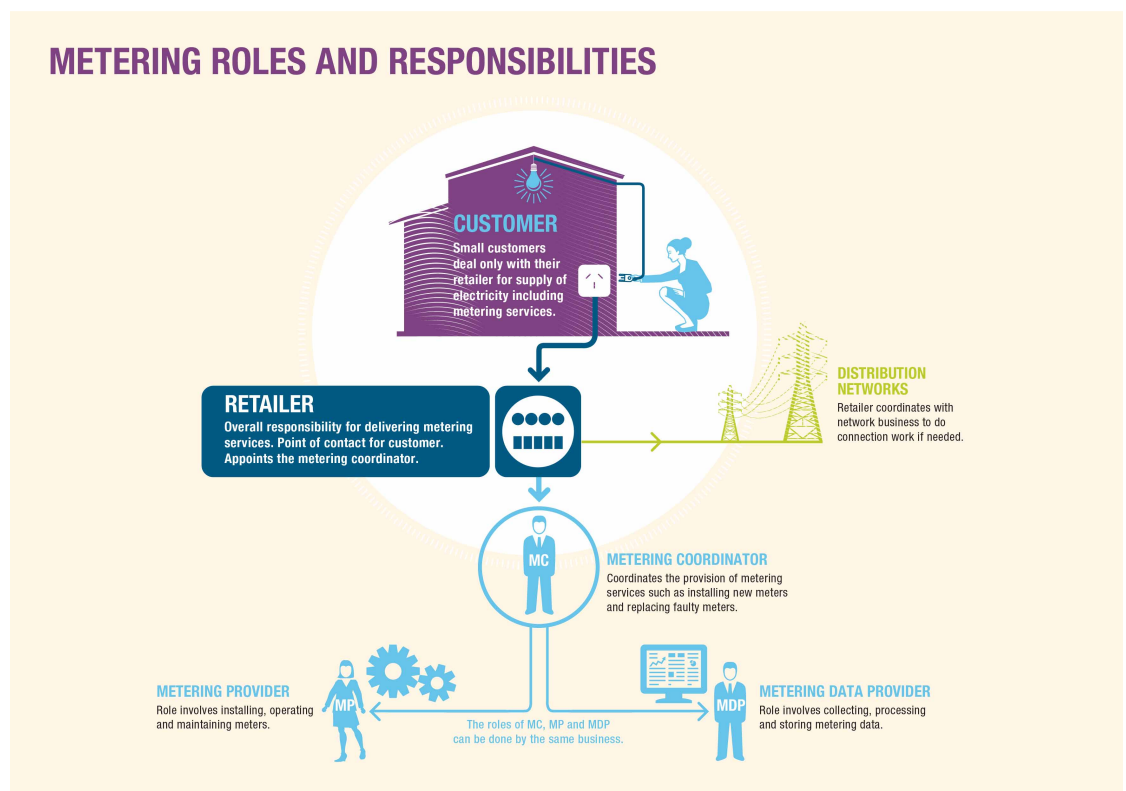
The parties responsible for looking after small customers' meters also changed from 1 December 2017. Prior to the commencement of the Competition in Metering Rule, the Distribution Network Service Provider (DNSP) was responsible for providing, installing and maintaining a small customer's meter in its role as the 'responsible person'. They also collected and delivered metering data to the customer's retailer as part of performing the roles of the metering provider and metering data provider.

In making the Competition in Metering Rule, the Commission considered that the metering services can be more effectively provided by entities operating competitively with each other. The rule therefore ended the effective monopoly of DNSPs over the provision of metering services for small customers. The metering services responsibility was moved from the DNSP to a 'metering coordinator' (a new type of registered participant that took over the previous responsibilities of the responsible person). Figure 1.1 shows the new arrangements.

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81 NER clause 7.8.3(a).

**Figure C.1: Metering roles and responsibilities**



### C.2.1

#### Retailers

Retailers are typically responsible for arranging metering services for their residential and small business customers.<sup>82</sup>

A retailer must appoint a metering coordinator for each of its customers' connection points.<sup>83</sup> In general, the retailer provides instructions to the metering coordinator for any metering work needed by the customer.

### C.2.2

#### Metering coordinator, metering provider and metering data provider

A metering coordinator has overall responsibility for all issues related to the metering installations for which it has been appointed.

<sup>82</sup> Under the competitive framework, the entity responsible for arranging metering services is the financially responsible market participant (FRMP). For small customers the FRMP is typically their retailer.

<sup>83</sup> Clause 7.2.1(a) of the NER. Under clause 7.6.2(a)(3) a large customer may appoint its own metering coordinator. For small customers, a retailer must also obtain a national metering identifier (NMI) for each meter. This involves applying to the distributor for a NMI and providing it to the metering coordinator within five business days of receiving it. Clause 7.8.2(c)(1) of the NER.

The metering coordinator is responsible for installing and maintaining the meter, and collecting, processing and delivering the customer's metering data.<sup>84</sup> They also hold additional responsibilities regarding the security of, and access to, advanced meters.

To undertake these functions, a metering coordinator appoints:

- a metering provider to install and maintain the metering installation<sup>85</sup>
- a metering data provider to collect and process metering data.<sup>86</sup>

Any person can perform one or more of these three metering roles provided that they are registered and accredited by AEMO for the relevant roles. In practice, most metering coordinator businesses are also registered and accredited as metering providers and metering data providers.

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<sup>84</sup> These are all of the roles that were previously completed by the responsible person. Under the NER prior to 1 December 2017, the responsible person was the respective DNSP for that area.

<sup>85</sup> For each connection point. Clause 7.3.2(a) and 7.8.1(c) of the NER.

<sup>86</sup> NER clause 7.3.2(d).